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# House of Representatives

## CONFERENCE REPORT ON H.R. 4, PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1995

Mr. ARCHER submitted the following conference report and statement on Wednesday, December 20, 1995, on the bill (H.R. 4) to restore the American family, reduce illgitimacy, control welfare spending, and reduce welfare dependence:

CONFERENCE REPORT (H. REPT. 104–430)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4), to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

***SECTION 1. SHORT TITLE.***

*This Act may be cited as the ''Personal Responsibility and Work Opportunity Act of 1995''.*

***SEC. 2. TABLE OF CONTENTS.***

*The table of contents of this Act is as follows:*

## TITLE I—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

### SEC. 101. FINDINGS.

The Congress makes the following findings:

(1) Marriage is the foundation of a successful society.

(2) Marriage is an essential institution of a successful society which promotes the interests of children.

(3) Promotion of responsible fatherhood and motherhood is integral to successful child rearing and the well-being of children.

(4) In 1992, only 54 percent of single-parent families with children had a child support order established and, of that 54 percent, only about one-half received the full amount due. Of the cases enforced through the public child support enforcement system, only 18 percent of the caseload has a collection.

(5) The number of individuals receiving aid to families with dependent children (in this section referred to as ''AFDC'') has more than tripled since 1965. More than two-thirds of these recipients are children. Eighty-nine percent of children receiving AFDC benefits now live in homes in which no father is present.

(A)(i) The average monthly number of children receiving AFDC benefits—

(I) was 3,300,000 in 1965;

(II) was 6,200,000 in 1970;

(III) was 7,400,000 in 1980; and

(IV) was 9,300,000 in 1992.

(ii) While the number of children receiving AFDC benefits increased nearly threefold between 1965 and 1992, the total number of children in the United States aged 0 to 18 has declined by 5.5 percent.

(B) The Department of Health and Human Services has estimated that 12,000,000 children will receive AFDC benefits within 10 years.

(C) The increase in the number of children receiving public assistance is closely related to the increase in births to unmarried women. Between 1970 and 1991, the percentage of live births to unmarried women increased nearly threefold, from 10.7 percent to 29.5 percent.

(6) The increase of out-of-wedlock pregnancies and births is well documented as follows:

(A) It is estimated that the rate of nonmarital teen pregnancy rose 23 percent from 54 pregnancies per 1,000 unmarried teenagers in 1976 to 66.7 pregnancies in 1991. The overall rate of nonmarital pregnancy rose 14 percent from 90.8 pregnancies per 1,000 unmarried women in 1980 to 103 in both 1991 and 1992. In contrast, the overall pregnancy rate for married couples decreased 7.3 percent between 1980 and 1991, from 126.9 pregnancies per 1,000 married women in 1980 to 117.6 pregnancies in 1991.

(B) The total of all out-of-wedlock births between 1970 and 1991 has risen from 10.7 percent to 29.5 percent and if the current trend continues, 50 percent of all births by the year 2015 will be out-of-wedlock.

(7) The negative consequences of an out-of-wedlock birth on the mother, the child, the family, and society are well documented as follows:

(A) Young women 17 and under who give birth outside of marriage are more likely to go on public assistance and to spend more years on welfare once enrolled. These combined effects of ''younger and longer'' increase total AFDC costs per household by 25 percent to 30 percent for 17-year olds.

(B) Children born out-of-wedlock have a substantially higher risk of being born at a very low or moderately low birth weight.

(C) Children born out-of-wedlock are more likely to experience low verbal cognitive attainment, as well as more child abuse, and neglect.

(D) Children born out-of-wedlock were more likely to have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(E) Being born out-of-wedlock significantly reduces the chances of the child growing up to have an intact marriage.

(F) Children born out-of-wedlock are 3 times more likely to be on welfare when they grow up.

(8) Currently 35 percent of children in single-parent homes were born out-of-wedlock, nearly the same percentage as that of children in single-parent homes whose parents are divorced (37 percent). While many parents find themselves, through divorce or tragic circumstances beyond their control, facing the difficult task of raising children alone, nevertheless, the negative consequences of raising children in single-parent homes are well documented as follows:

(A) Only 9 percent of married-couple families with children under 18 years of age have income below the national poverty level. In contrast, 46 percent of female-headed households with children under 18 years of age are below the national poverty level.

(B) Among single-parent families, nearly ½ of the mothers who never married received AFDC while only ⅕ of divorced mothers received AFDC.

(C) Children born into families receiving welfare assistance are 3 times more likely to be on welfare when they reach adulthood than children not born into families receiving welfare.

(D) Mothers under 20 years of age are at the greatest risk of bearing low-birth-weight babies.

(E) The younger the single parent mother, the less likely she is to finish high school.

(F) Young women who have children before finishing high school are more likely to receive welfare assistance for a longer period of time.

(G) Between 1985 and 1990, the public cost of births to teenage mothers under the aid to families with dependent children program, the food stamp program, and the medicaid program has been estimated at $120,000,000,000.

(H) The absence of a father in the life of a child has a negative effect on school performance and peer adjustment.

(I) Children of teenage single parents have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(J) Children of single-parent homes are 3 times more likely to fail and repeat a year in grade school than are children from intact 2-parent families.

(K) Children from single-parent homes are almost 4 times more likely to be expelled or suspended from school.

(L) Neighborhoods with larger percentages of youth aged 12 through 20 and areas with higher percentages of single-parent households have higher rates of violent crime.

(M) Of those youth held for criminal offenses within the State juvenile justice system, only 29.8 percent lived primarily in a home with both parents. In contrast to these incarcerated youth, 73.9 percent of the 62,800,000 children in the Nation's resident population were living with both parents.

(9) Therefore, in light of this demonstration of the crisis in our Nation, it is the sense of the Congress that prevention of out-of-wedlock pregnancy and reduction in out-of-wedlock birth are very important Government interests and the policy contained in part A of title IV of the Social Security Act (as amended by section 103 of this Act) is intended to address the crisis.

### SEC. 102. REFERENCE TO SOCIAL SECURITY ACT.

Except as otherwise specifically provided, wherever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Social Security Act.

### SEC. 103. BLOCK GRANTS TO STATES.

Part A of title IV (42 U.S.C. 601 et seq.) is amended to read as follows:

### ''PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

#### ''SEC. 401. PURPOSE.

''(a) IN GENERAL.—The purpose of this part is to increase the flexibility of States in operating a program designed to—

''(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

''(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

''(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

''(4) encourage the formation and maintenance of two-parent families.

''(b) NO INDIVIDUAL ENTITLEMENT.—This part shall not be interpreted to entitle any individual or family to assistance under any State program funded under this part.

#### ''SEC. 402. ELIGIBLE STATES; STATE PLAN.

''(a) IN GENERAL.—As used in this part, the term 'eligible State' means, with respect to a fiscal year, a State that, during the 2-year period

*immediately preceding the fiscal year, has submitted to the Secretary a plan that includes the following:*

*''(1) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—*

*''(A) GENERAL PROVISIONS.—A written document that outlines how the State intends to do the following:*

*''(i) Conduct a program, designed to serve all political subdivisions in the State, that provides assistance to needy families with (or expecting) children and provides parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient.*

*''(ii) Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier.*

*''(iii) Ensure that parents and caretakers receiving assistance under the program engage in work activities in accordance with section 407.*

*''(iv) Take such reasonable steps as the State deems necessary to restrict the use and disclosure of information about individuals and families receiving assistance under the program attributable to funds provided by the Federal Government.*

*''(v) Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the State (as defined in section 403(a)(2)(B)) for calendar years 1996 through 2005.*

*''(B) SPECIAL PROVISIONS.—*

*''(i) The document shall indicate whether the State intends to treat families moving into the State from another State differently than other families under the program, and if so, how the State intends to treat such families under the program.*

*''(ii) The document shall indicate whether the State intends to provide assistance under the program to individuals who are not citizens of the United States, and if so, shall include an overview of such assistance.*

*''(2) CERTIFICATION THAT THE STATE WILL OPERATE A CHILD SUPPORT ENFORCEMENT PROGRAM.—A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a child support enforcement program under the State plan approved under part D.*

*''(3) CERTIFICATION THAT THE STATE WILL OPERATE A CHILD PROTECTION PROGRAM.—A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a child protection program under the State plan approved under part B.*

*''(4) CERTIFICATION OF THE ADMINISTRATION OF THE PROGRAM.—A certification by the chief executive officer of the State specifying which State agency or agencies will administer and supervise the program referred to in paragraph (1) for the fiscal year, which shall include assurances that local governments and private sector organizations—*

*''(A) have been consulted regarding the plan and design of welfare services in the State so that services are provided in a manner appropriate to local populations; and*

*''(B) have had at least 60 days to submit comments on the plan and the design of such services.*

*''(5) CERTIFICATION THAT THE STATE WILL PROVIDE INDIANS WITH EQUITABLE ACCESS TO ASSISTANCE.—A certification by the chief executive officer of the State that, during the fiscal year, the State will provide each Indian who is a member of an Indian tribe in the State that does not have a tribal family assistance plan approved under section 412 with equitable access to assistance under the State program funded under this part attributable to funds provided by the Federal Government.*

*''(b) PUBLIC AVAILABILITY OF STATE PLAN SUMMARY.—The State shall make available to the public a summary of any plan submitted by the State under this section.*

***''SEC. 403. GRANTS TO STATES.***

*''(a) GRANTS.—*

*''(1) FAMILY ASSISTANCE GRANT.—*

*''(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary, for each of fiscal years 1996, 1997, 1998, 1999, 2000, and 2001 a grant in an amount equal to the State family assistance grant.*

*''(B) STATE FAMILY ASSISTANCE GRANT DEFINED.—As used in this part, the term 'State family assistance grant' means the greatest of—*

*''(i) 1/3 of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for fiscal years 1992, 1993, and 1994 (other than with respect to amounts expended by the State for child care under subsection (g) or (i) of former section 402 (as so in effect));*

*''(ii)(I) the total amount required to be paid to the State under former section 403 for fiscal year 1994 (other than with respect to amounts expended by the State for child care under subsection (g) or (i) of former section 402 (as so in effect)); plus*

*''(II) an amount equal to 85 percent of the amount (if any) by which the total amount required to be paid to the State under former section 403(a)(5) for emergency assistance for fiscal year 1995 exceeds the total amount required to be paid to the State under former section 403(a)(5) for fiscal year 1994, if, during fiscal year 1994, the Secretary approved under former section 402 an amendment to the former State plan with respect to the provision of emergency assistance in the context of family preservation; or*

*''(iii) 4/3 of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for the 1st 3 quarters of fiscal year 1995 (other than with respect to amounts expended by the State under the State plan approved under part F (as so in effect) or for child care under subsection (g) or (i) of former section 402 (as so in effect)), plus the total amount required to be paid to the State for fiscal year 1995 under former section 403(l) (as so in effect).*

*''(C) TOTAL AMOUNT REQUIRED TO BE PAID TO THE STATE UNDER FORMER SECTION 403 DEFINED.—As used in this part, the term 'total amount required to be paid to the State under former section 403' means, with respect to a fiscal year—*

*''(i) in the case of a State to which section 1108 does not apply, the sum of—*

*''(I) the Federal share of maintenance assistance expenditures for the fiscal year, before reduction pursuant to subparagraph (B) or (C) of section 403(b)(2) (as in effect on September 30, 1995), as reported by the State on ACF Form 231;*

*''(II) the Federal share of administrative expenditures (including administrative expenditures for the development of management information systems) for the fiscal year, as reported by the State on ACF Form 231;*

*''(III) the Federal share of emergency assistance expenditures for the fiscal year, as reported by the State on ACF Form 231;*

*''(IV) the Federal share of expenditures for the fiscal year with respect to child care pursuant to subsections (g) and (i) of former section 402 (as in effect on September 30, 1995), as reported by the State on ACF Form 231; and*

*''(V) the aggregate amount required to be paid to the State for the fiscal year with respect to the State program operated under part F (as in effect on September 30, 1995), as determined by the Secretary, including additional obligations or reductions in obligations made after the close of the fiscal year; and*

*''(ii) in the case of a State to which section 1108 applies, the lesser of—*

*''(I) the sum described in clause (i); or*

*''(II) the total amount certified by the Secretary under former section 403 (as in effect during the fiscal year) with respect to the territory.*

*''(D) INFORMATION TO BE USED IN DETERMINING AMOUNTS.—*

*''(i) FOR FISCAL YEARS 1992 AND 1993.—*

*''(I) In determining the amounts described in subclauses (I) through (IV) of subparagraph (C)(i) for any State for each of fiscal years 1992 and 1993, the Secretary shall use information available as of April 28, 1995.*

*''(II) In determining the amount described in subparagraph (C)(i)(V) for any State for each of fiscal years 1992 and 1993, the Secretary shall use information available as of January 6, 1995.*

*''(ii) FOR FISCAL YEAR 1994.—In determining the amounts described in subparagraph (C)(i) for any State for fiscal year 1994, the Secretary shall use information available as of April 28, 1995.*

*''(iii) FOR FISCAL YEAR 1995.—*

*''(I) In determining the amount described in subparagraph (B)(ii)(II) for any State for fiscal year 1995, the Secretary shall use the information which was reported by the States and estimates made by the States with respect to emergency assistance expenditures and was available as of August 11, 1995.*

*''(I) In determining the amounts described in subclauses (I) through (IV) of subparagraph (C)(i) for any State for fiscal year 1995, the Secretary shall use information available as of October 2, 1995.*

*''(II) In determining the amount described in subparagraph (C)(i)(V) for any State for fiscal year 1995, the Secretary shall use information available as of October 5, 1995.*

*''(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1996, 1997, 1998, 1999, 2000, and 2001 such sums as are necessary for grants under this paragraph.*

*''(2) GRANT TO REWARD STATES THAT REDUCE OUT-OF-WEDLOCK BIRTHS.—*

*''(A) IN GENERAL.—In addition to any grant under paragraph (1), each eligible State shall be entitled to receive from the Secretary for fiscal year 1998 or any succeeding fiscal year, a grant in an amount equal to the State family assistance grant multiplied by—*

*''(i) 5 percent if—*

*''(I) the illegitimacy ratio of the State for the fiscal year is at least 1 percentage point lower than the illegitimacy ratio of the State for fiscal year 1995; and*

*''(II) the rate of induced pregnancy terminations in the State for the fiscal year is less than the rate of induced pregnancy terminations in the State for fiscal year 1995; or*

*''(ii) 10 percent if—*

*''(I) the illegitimacy ratio of the State for the fiscal year is at least 2 percentage points lower than the illegitimacy ratio of the State for fiscal year 1995; and*

*''(II) the rate of induced pregnancy terminations in the State for the fiscal year is less than the rate of induced pregnancy terminations in the State for fiscal year 1995.*

*''(B) ILLEGITIMACY RATIO.—As used in this paragraph, the term 'illegitimacy ratio' means, with respect to a State and a fiscal year—*

*''(i) the number of out-of-wedlock births that occurred in the State during the most recent fiscal year for which such information is available; divided by*

*''(ii) the number of births that occurred in the State during the most recent fiscal year for which such information is available.*

*''(C) DISREGARD OF CHANGES IN DATA DUE TO CHANGED REPORTING METHODS.—For purposes of subparagraph (A), the Secretary shall disregard—*

*''(i) any difference between the illegitimacy ratio of a State for a fiscal year and the illegitimacy ratio of the State for fiscal year 1995 which is attributable to a change in State methods of reporting data used to calculate the illegitimacy ratio; and*

''(ii) any difference between the rate of induced pregnancy terminations in a State for a fiscal year and such rate for fiscal year 1995 which is attributable to a change in State methods of reporting data used to calculate such rate.

''(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 1998 and for each succeeding fiscal year such sums as are necessary for grants under this paragraph.

''(3) SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.—

''(A) IN GENERAL.—Each qualifying State shall, subject to subparagraph (F), be entitled to receive from the Secretary—

''(i) for fiscal year 1997 a grant in an amount equal 2.5 percent of the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

''(ii) for each of fiscal years 1998, 1999, and 2000, a grant in an amount equal to the sum of—

''(I) the amount (if any) required to be paid to the State under this paragraph for the immediately preceding fiscal year; and

''(II) 2.5 percent of the sum of—

''(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

''(bb) the amount (if any) required to be paid to the State under this paragraph for the fiscal year preceding the fiscal year for which the grant is to be made.

''(B) PRESERVATION OF GRANT WITHOUT INCREASES FOR STATES FAILING TO REMAIN QUALIFYING STATES.—Each State that is not a qualifying State for a fiscal year specified in subparagraph (A)(ii) but was a qualifying State for a prior fiscal year shall, subject to subparagraph (F), be entitled to receive from the Secretary for the specified fiscal year, a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year for which the State was a qualifying State.

''(C) QUALIFYING STATE.—

''(i) IN GENERAL.—For purposes of this paragraph, a State is a qualifying State for a fiscal year if—

''(I) the level of welfare spending per poor person by the State for the immediately preceding fiscal year is less than the national average level of State welfare spending per poor person for such preceding fiscal year; and

''(II) the population growth rate of the State (as determined by the Bureau of the Census for the most recent fiscal year for which information is available exceeds the average population growth rate for all States (as so determined) for such most recent fiscal year.

''(ii) STATE MUST QUALIFY IN FISCAL YEAR 1997.—Notwithstanding clause (i), a State shall not be a qualifying State for any fiscal year after 1997 by reason of clause (i) if the State is not a qualifying State for fiscal year 1997 by reason of clause (i).

''(iii) CERTAIN STATES DEEMED QUALIFYING STATES.—For purposes of this paragraph, a State is deemed to be a qualifying State for fiscal years 1997, 1998, 1999, and 2000 if—

''(I) the level of welfare spending per poor person by the State for fiscal year 1996 is less than 35 percent of the national average level of State welfare spending per poor person for fiscal year 1996; or

''(II) the population of the State increased by more than 10 percent from April 1, 1990 to July 1, 1994, as determined by the Bureau of the Census.

''(D) DEFINITIONS.—As used in this paragraph:

''(i) LEVEL OF WELFARE SPENDING PER POOR PERSON.—The term 'level of State welfare spending per poor person' means, with respect to a State and a fiscal year—

''(I) the sum of—

''(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

''(bb) the amount (if any) paid to the State under this paragraph for the immediately preceding fiscal year; divided by

''(II) the number of individuals, according to the 1990 decennial census, who were residents of the State and whose income was below the poverty line.

''(ii) NATIONAL AVERAGE LEVEL OF STATE WELFARE SPENDING PER POOR PERSON.—The term 'national average level of State welfare spending per poor person' means, with respect to a fiscal year, an amount equal to—

''(I) the total amount required to be paid to the States under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; divided by

''(II) the number of individuals, according to the 1990 decennial census, who were residents of any State and whose income was below the poverty line.

''(iii) STATE.—The term 'State' means each of the 50 States of the United States and the District of Columbia.

''(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1997, 1998, 1999, and 2000 such sums as are necessary for grants under this paragraph, in a total amount not to exceed $800,000,000.

''(F) GRANTS REDUCED PRO RATA IF INSUFFICIENT APPROPRIATIONS.—If the amount appropriated pursuant to this paragraph for a fiscal year is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall be reduced by a percentage equal to the amount so appropriated divided by such total amount.

''(G) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph after fiscal year 2000.

''(b) CONTINGENCY FUND.—

''(1) ESTABLISHMENT.—There is hereby established in the Treasury of the United States a fund which shall be known as the 'Contingency Fund for State Welfare Programs' (in this section referred to as the 'Fund').

''(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1997, 1998, 1999, 2000, and 2001 such sums as are necessary for payment to the Fund in a total amount not to exceed $1,000,000,000.

''(3) GRANTS.—From amounts appropriated pursuant to paragraph (2), the Secretary of the Treasury shall pay to each eligible State for a fiscal year an amount equal to the lesser of—

''(A) the Federal medical assistance percentage for the State for the fiscal year (as defined in section 1905(b), as in effect on September 30, 1995) of the amount (if any) by which the expenditures of the State in the fiscal year under the State program funded under this part exceed the historic State expenditures (as defined in section 409(a)(7)(B)(iii)) for the State with respect to the fiscal year; or

''(B) 20 percent of the State family assistance grant for the fiscal year.

''(4) ELIGIBLE STATE.—For purposes of this subsection, a State is an eligible State for a fiscal year, if—

''(A) the average rate of total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published equals or exceeds 6.5 percent;

''(B) the average rate of total unemployment in such State (seasonally adjusted) for the 3-month period equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; and

''(C) the total amount expended by the State during the fiscal year under the State program funded under this part is not less than 100 percent of the level of historic State expenditures (as defined in section 409(a)(7)(B)(iii)) with respect to the fiscal year.

''(5) STATE.—As used in this subsection, the term 'State' means each of the 50 States of the United States and the District of Columbia.

''(6) PAYMENT PRIORITY.—The Secretary shall make payments under paragraph (3) in the order in which the Secretary receives claims for such payments.

''(7) ANNUAL REPORTS.—The Secretary of the Treasury shall annually report to the Congress on the status of the Fund.

''(8) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this subsection after fiscal year 2001.

**''SEC. 404. USE OF GRANTS.**

''(a) GENERAL RULES.—Subject to this part, a State to which a grant is made under section 403 may use the grant—

''(1) in any manner that is reasonably calculated to accomplish the purpose of this part, including to provide low income households with assistance in meeting home heating and cooling costs; or

''(2) in any manner that the State was authorized to use amounts received under part A or F, as such parts were in effect on September 30, 1995.

''(b) LIMITATION ON USE OF GRANT FOR ADMINISTRATIVE PURPOSES.—

''(1) LIMITATION.—A State to which a grant is made under section 403 shall not expend more than 15 percent of the grant for administrative purposes.

''(2) EXCEPTION.—Paragraph (1) shall not apply to the use of a grant for information technology and computerization needed for tracking or monitoring required by or under this part.

''(c) AUTHORITY TO TREAT INTERSTATE IMMIGRANTS UNDER RULES OF FORMER STATE.—A State operating a program funded under this part may apply to a family the rules (including benefit amounts) of the program funded under this part of another State if the family has moved to the State from the other State and has resided in the State for less than 12 months.

''(d) AUTHORITY TO USE PORTION OF GRANT FOR OTHER PURPOSES.—

''(1) IN GENERAL.—A State may use not more than 30 percent of the amount of the grant made to the State under section 403 for a fiscal year to carry out a State program pursuant to any or all of the following provisions of law:

''(A) Part B of this title.

''(B) Title XX of this Act.

''(C) The Child Care and Development Block Grant Act of 1990.

''(2) APPLICABLE RULES.—Any amount paid to the State under this part that is used to carry out a State program pursuant to a provision of law specified or described in paragraph (1) shall not be subject to the requirements of this part, but shall be subject to the requirements that apply to Federal funds provided directly under the provision of law to carry out the program.

''(e) AUTHORITY TO RESERVE CERTAIN AMOUNTS FOR ASSISTANCE.—A State may reserve amounts paid to the State under this part for any fiscal year for the purpose of providing, without fiscal year limitation, assistance under the State program funded under this part.

''(f) AUTHORITY TO OPERATE EMPLOYMENT PLACEMENT PROGRAM.—A State to which a grant is made under section 403 may use the grant to make payments (or provide job placement vouchers) to State-approved public and private job placement agencies that provide employment placement services to individuals who receive assistance under the State program funded under this part.

''(g) IMPLEMENTATION OF ELECTRONIC BENEFIT TRANSFER SYSTEM.—A State to which a

*grant is made under section 403 is encouraged to implement an electronic benefit transfer system for providing assistance under the State program funded under this part, and may use the grant for such purpose.*

***"SEC. 405. ADMINISTRATIVE PROVISIONS.***

*''(a) QUARTERLY.—The Secretary shall pay each grant payable to a State under section 403 in quarterly installments.*

*''(b) NOTIFICATION.—Not later than 3 months before the payment of any such quarterly installment to a State, the Secretary shall notify the State of the amount of any reduction determined under section 412(a)(1)(B) with respect to the State.*

*''(c) COMPUTATION AND CERTIFICATION OF PAYMENTS TO STATES.—*

*''(1) COMPUTATION.—The Secretary shall estimate the amount to be paid to each eligible State for each quarter under this part, such estimate to be based on a report filed by the State containing an estimate by the State of the total sum to be expended by the State in the quarter under the State program funded under this part and such other information as the Secretary may find necessary.*

*''(2) CERTIFICATION.—The Secretary of Health and Human Services shall certify to the Secretary of the Treasury the amount estimated under paragraph (1) with respect to a State, reduced or increased to the extent of any overpayment or underpayment which the Secretary of Health and Human Services determines was made under this part to the State for any prior quarter and with respect to which adjustment has not been made under this paragraph.*

*''(d) PAYMENT METHOD.—Upon receipt of a certification under subsection (c)(2) with respect to a State, the Secretary of the Treasury shall, through the Fiscal Service of the Department of the Treasury and before audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health and Human Services, the amount so certified.*

*''(e) COLLECTION OF STATE OVERPAYMENTS TO FAMILIES FROM FEDERAL TAX REFUNDS.—*

*''(1) IN GENERAL.—Upon receiving notice from the Secretary of Health and Human Services that a State agency administering a program funded under this part has notified the Secretary that a named individual has been overpaid under the State program funded under this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether the individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is so payable, the Secretary shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.*

*''(2) REGULATIONS.—The Secretary of the Treasury shall issue regulations, after review by the Secretary of Health and Human services, that provide—*

*''(A) that a State may only submit under paragraph (1) requests for collection of overpayments with respect to individuals—*

*''(i) who are no longer receiving assistance under the State program funded under this part;*

*''(ii) with respect to whom the State has already taken appropriate action under State law against the income or resources of the individuals or families involved to collect the past-due legally enforceable debt; and*

*''(iii) to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from the income tax refunds of such individuals;*

*''(B) that the Secretary of the Treasury will give a timely and appropriate notice to any other person filing a joint return with the individual whose refund is subject to withholding under paragraph (1); and*

*''(C) the procedures that the State and the Secretary of the Treasury will follow in carrying out this subsection which, to the maximum extent feasible and consistent with the provisions of this subsection, will be the same as those issued pursuant to section 464(b) applicable to collection of past-due child support.*

***"SEC. 406. FEDERAL LOANS FOR STATE WELFARE PROGRAMS.***

*''(a) LOAN AUTHORITY.—*

*''(1) IN GENERAL.—The Secretary shall make loans to any loan-eligible State, for a period to maturity of not more than 3 years.*

*''(2) LOAN-ELIGIBLE STATE.—As used in paragraph (1), the term 'loan-eligible State' means a State against which a penalty has not been imposed under section 409(a)(1).*

*''(b) RATE OF INTEREST.—The Secretary shall charge and collect interest on any loan made under this section at a rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan.*

*''(c) USE OF LOAN.—A State shall use a loan made to the State under this section only for any purpose for which grant amounts received by the State under section 403(a) may be used, including—*

*''(1) welfare anti-fraud activities; and*

*''(2) the provision of assistance under the State program to Indian families that have moved from the service area of an Indian tribe with a tribal family assistance plan approved under section 412.*

*''(d) LIMITATION ON TOTAL AMOUNT OF LOANS TO A STATE.—The cumulative dollar amount of all loans made to a State under this section during fiscal years 1997 through 2001 shall not exceed 10 percent of the State family assistance grant.*

*''(e) LIMITATION ON TOTAL AMOUNT OF OUTSTANDING LOANS.—The total dollar amount of loans outstanding under this section may not exceed $1,700,000,000.*

*''(f) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated such sums as may be necessary for the cost of loans under this section.*

***"SEC. 407. MANDATORY WORK REQUIREMENTS.***

*''(a) PARTICIPATION RATE REQUIREMENTS.—*

*''(1) ALL FAMILIES.—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to all families receiving assistance under the State program funded under this part:*

| ***"If the fiscal year is:*** | ***The minimum participation rate is:*** |
|---|---|
| *1996* | *15* |
| *1997* | *20* |
| *1998* | *25* |
| *1999* | *30* |
| *2000* | *35* |
| *2001* | *40* |
| *2002 or thereafter* | *50.* |

*''(2) 2-PARENT FAMILIES.—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to 2-parent families receiving assistance under the State program funded under this part:*

| ***"If the fiscal year is:*** | ***The minimum participation rate is:*** |
|---|---|
| *1996* | *50* |
| *1997* | *75* |
| *1998* | *75* |
| *1999 or thereafter* | *90.* |

*''(b) CALCULATION OF PARTICIPATION RATES.—*

*''(1) ALL FAMILIES.—*

*''(A) AVERAGE MONTHLY RATE.—For purposes of subsection (a)(1), the participation rate for all families of a State for a fiscal year is the average of the participation rates for all families of the State for each month in the fiscal year.*

*''(B) MONTHLY PARTICIPATION RATES.—The participation rate of a State for all families of the State for a month, expressed as a percentage, is—*

*''(i) the number of families receiving assistance under the State program funded under this part that include an adult who is engaged in work for the month; divided by*

*''(ii) the amount by which—*

*''(I) the number of families receiving such assistance during the month that include an adult receiving such assistance; exceeds*

*''(II) the number of families receiving such assistance that are subject in such month to a penalty described in subsection (e)(1) but have not been subject to such penalty for more than 3 months within the preceding 12-month period (whether or not consecutive).*

*''(2) 2-PARENT FAMILIES.—*

*''(A) AVERAGE MONTHLY RATE.—For purposes of subsection (a)(2), the participation rate for 2-parent families of a State for a fiscal year is the average of the participation rates for 2-parent families of the State for each month in the fiscal year.*

*''(B) MONTHLY PARTICIPATION RATES.—The participation rate of a State for 2-parent families of the State for a month shall be calculated by use of the formula set forth in paragraph (1)(B), except that in the formula the term 'number of 2-parent families' shall be substituted for the term 'number of families' each place such latter term appears.*

*''(3) PRO RATA REDUCTION OF PARTICIPATION RATE DUE TO CASELOAD REDUCTIONS NOT REQUIRED BY FEDERAL LAW.—*

*''(A) IN GENERAL.—The Secretary shall prescribe regulations for reducing the minimum participation rate otherwise required by this section for a fiscal year by the number of percentage points equal to the number of percentage points (if any) by which—*

*''(i) the number of families receiving assistance during the fiscal year under the State program funded under this part is less than*

*''(ii) the number of families that received aid under the State plan approved under part A (as in effect on September 30, 1995) during fiscal year 1995.*

*The minimum participation rate shall not be reduced to the extent that the Secretary determines that the reduction in the number of families receiving such assistance is required by Federal law.*

*''(B) ELIGIBILITY CHANGES NOT COUNTED.—The regulations described in subparagraph (A) shall not take into account families that are diverted from a State program funded under this part as a result of differences in eligibility criteria under a State program funded under this part and eligibility criteria under the State program operated under the State plan approved under part A (as such plan and such part were in effect on September 30, 1995). Such regulations shall place the burden on the Secretary to prove that such families were diverted as a direct result of differences in such eligibility criteria.*

*''(4) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN.—For purposes of paragraphs (1)(B) and (2)(B), a State may, at its option, include families receiving assistance under a tribal family assistance plan approved under section 412.*

*''(5) STATE OPTION FOR PARTICIPATION REQUIREMENT EXEMPTIONS.—For any fiscal year, a State may, at its option, not require an individual who is a single custodial parent caring for a child who has not attained 12 months of age to engage in work and may disregard such an individual in determining the participation rates under subsection (a).*

*''(c) ENGAGED IN WORK.—*

*''(1) ALL FAMILIES.—For purposes of subsection (b)(1)(B)(i), a recipient is engaged in*

work for a month in a fiscal year if the recipient is participating in such activities for at least the minimum average number of hours per week specified in the following table during the month, not fewer than 20 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (7), or (8) of subsection (d) (or, in the case of the first 4 weeks for which the recipient is required pursuant to this section to participate in work activities, an activity described in subsection (d)(6)):

| "If the month is in fiscal year: | The minimum average number of hours per week is: |
|---|---|
| 1996 | 20 |
| 1997 | 20 |
| 1998 | 20 |
| 1999 | 25 |
| 2000 | 30 |
| 2001 | 30 |
| 2002 | 35 |
| 2003 or thereafter | 35. |

''(2) 2-PARENT FAMILIES.—For purposes of subsection (b)(2)(B)(i), an adult is engaged in work for a month in a fiscal year if the adult is making progress in such activities for at least 35 hours per week during the month, not fewer than 30 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (7), or (8) of subsection (d) (or, in the case of the first 4 weeks for which the recipient is required pursuant to this section to participate in work activities, an activity described in subsection (d)(6)).

''(3) LIMITATION ON VOCATIONAL EDUCATION ACTIVITIES COUNTED AS WORK.—For purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B)(i) of subsection (b), not more than 20 percent of adults in all families and in 2-parent families determined to be engaged in work in the State for a month may meet the work activity requirement through participation in vocational educational training.

''(d) WORK ACTIVITIES DEFINED.—As used in this section, the term 'work activities' means—

''(1) unsubsidized employment;

''(2) subsidized private sector employment;

''(3) subsidized public sector employment;

''(4) work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available;

''(5) on-the-job training;

''(6) job search and job readiness assistance;

''(7) community service programs;

''(8) vocational educational training (not to exceed 12 months with respect to any individual);

''(9) job skills training directly related to employment;

''(10) education directly related to employment, in the case of a recipient who has not attained 20 years of age, and has not received a high school diploma or a certificate of high school equivalency; and

''(11) satisfactory attendance at secondary school, in the case of a recipient who—

''(A) has not completed secondary school; and

''(B) is a dependent child, or a head of household who has not attained 20 years of age.

''(e) PENALTIES AGAINST INDIVIDUALS.—

''(1) IN GENERAL.—Except as provided in paragraph (2), if an adult in a family receiving assistance under the State program funded under this part refuses to engage in work required in accordance with this section, the State shall—

''(A) reduce the amount of assistance otherwise payable to the family pro rata (or more, at the option of the State) with respect to any period during a month in which the adult so refuses; or

''(B) terminate such assistance,

subject to such good cause and other exceptions as the State may establish.

''(2) EXCEPTION.—Notwithstanding paragraph (1), a State may not reduce or terminate assistance under the State program funded under this part based on a refusal of an adult to work if the adult is a single custodial parent caring for a child who has not attained 6 years of age, and the adult proves that the adult has a demonstrated inability (as determined by the State) to obtain needed child care, for 1 or more of the following reasons:

''(A) Unavailability of appropriate child care within a reasonable distance from the individual's home or work site.

''(B) Unavailability or unsuitability of informal child care by a relative or under other arrangements.

''(C) Unavailability of appropriate and affordable formal child care arrangements.

''(f) NONDISPLACEMENT IN WORK ACTIVITIES.—

''(1) IN GENERAL.—Subject to paragraph (2), an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a work activity described in subsection (d).

''(2) NO FILLING OF CERTAIN VACANCIES.—No adult in a work activity described in subsection (d) which is funded, in whole or in part, by funds provided by the Federal Government shall be employed or assigned—

''(A) when any other individual is on layoff from the same or any substantially equivalent job; or

''(B) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction of its workforce in order to fill the vacancy so created with an adult described in paragraph (1).

''(3) NO PREEMPTION.—Nothing in this subsection shall preempt or supersede any provision of State or local law that provides greater protection for employees from displacement.

''(g) SENSE OF THE CONGRESS.—It is the sense of the Congress that in complying with this section, each State that operates a program funded under this part is encouraged to assign the highest priority to requiring adults in 2-parent families and adults in single-parent families that include older preschool or school-age children to be engaged in work activities.

''(h) SENSE OF THE CONGRESS THAT STATES SHOULD IMPOSE CERTAIN REQUIREMENTS ON NONCUSTODIAL, NONSUPPORTING MINOR PARENTS.—It is the sense of the Congress that the States should require noncustodial, nonsupporting parents who have not attained 18 years of age to fulfill community work obligations and attend appropriate parenting or money management classes after school.

**"SEC. 408. PROHIBITIONS; REQUIREMENTS.**

''(a) IN GENERAL.—

''(1) NO ASSISTANCE FOR FAMILIES WITHOUT A MINOR CHILD.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to a family, unless the family includes—

''(A) a minor child who resides with a custodial parent or other adult caretaker relative of the child; or

''(B) a pregnant individual.

''(2) NO ADDITIONAL CASH ASSISTANCE FOR CHILDREN BORN TO FAMILIES RECEIVING ASSISTANCE.—

''(A) GENERAL RULE.—A State to which a grant is made under section 403 shall not use any part of the grant to provide cash benefits for a minor child who is born to—

''(i) a recipient of assistance under the program operated under this part; or

''(ii) a person who received such assistance at any time during the 10-month period ending with the birth of the child.

''(B) EXCEPTION FOR CHILDREN BORN INTO FAMILIES WITH NO OTHER CHILDREN.—Subparagraph (A) shall not apply to a minor child who is born into a family that does not include any other children.

''(C) EXCEPTION FOR VOUCHERS.—Subparagraph (A) shall not apply to vouchers which are provided in lieu of cash benefits and which may be used only to pay for particular goods and services specified by the State as suitable for the care of the child involved.

''(D) EXCEPTION FOR RAPE OR INCEST.—Subparagraph (A) shall not apply with respect to a child who is born as a result of rape or incest.

''(E) STATE ELECTION TO OPT OUT.—Subparagraph (A) shall not apply to a State if State law specifically exempts the State program funded under this part from the application of subparagraph (A).

''(F) SUBSTITUTION OF FAMILY CAPS IN EFFECT UNDER WAIVERS.—Subparagraph (A) shall not apply to a State—

''(i) if, as of the date of the enactment of this part, there is in effect a waiver approved by the Secretary under section 1115 which permits the State to deny aid under the State plan approved under part A of this title (as in effect without regard to the amendments made by title I of the Personal Responsibility and Work Opportunity Act of 1995) to a family by reason of the birth of a child to a family member otherwise eligible for such aid; and

''(ii) for so long as the State continues to implement such policy under the State program funded under this part, under rules prescribed by the State.

''(3) REDUCTION OR ELIMINATION OF ASSISTANCE FOR NONCOOPERATION IN CHILD SUPPORT.—If the agency responsible for administering the State plan approved under part D determines that an individual is not cooperating with the State in establishing, modifying, or enforcing a support order with respect to a child of the individual, then the State—

''(A) shall deduct from the assistance that would otherwise be provided to the family of the individual under the State program funded under this part the share of such assistance attributable to the individual; and

''(B) may deny the family any assistance under the State program.

''(4) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.—

''(A) IN GENERAL.—A State to which a grant is made under section 403 shall require, as a condition of providing assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance so provided to the family, which accrue (or have accrued) before the date the family leaves the program, which assignment, on and after the date the family leaves the program, shall not apply with respect to any support (other than support collected pursuant to section 464) which accrued before the family received such assistance and which the State has not collected by—

''(i) September 30, 2000, if the assignment is executed on or after October 1, 1997, and before October 1, 2000; or

''(ii) the date the family leaves the program, if the assignment is executed on or after October 1, 2000.

''(B) LIMITATION.—A State to which a grant is made under section 403 shall not require, as a condition of providing assistance to any family under the State program funded under this part, that a member of the family assign to the State any rights to support described in subparagraph (A) which accrue after the date the family leaves the program, except to the extent necessary to enable the State to comply with section 457.

''(5) NO ASSISTANCE FOR TEENAGE PARENTS WHO DO NOT ATTEND HIGH SCHOOL OR OTHER EQUIVALENT TRAINING PROGRAM.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child

*at least 12 weeks of age in his or her care, and has not successfully completed a high-school education (or its equivalent), if the individual does not participate in—*

*''(A) educational activities directed toward the attainment of a high school diploma or its equivalent; or*

*''(B) an alternative educational or training program that has been approved by the State.*

*''(6) NO ASSISTANCE FOR TEENAGE PARENTS NOT LIVING IN ADULT-SUPERVISED SETTINGS.—*

*''(A) IN GENERAL.—*

*''(i) REQUIREMENT.—Except as provided in subparagraph (B), a State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual described in clause (ii) of this subparagraph if the individual and the minor child referred to in clause (ii)(II) do not reside in a place of residence maintained by a parent, legal guardian, or other adult relative of the individual as such parent's, guardian's, or adult relative's own home.*

*''(ii) INDIVIDUAL DESCRIBED.— For purposes of clause (i), an individual described in this clause is an individual who—*

*''(I) has not attained 18 years of age; and*

*''(II) is not married, and has a minor child in his or her care.*

*''(B) EXCEPTION.—*

*''(i) PROVISION OF, OR ASSISTANCE IN LOCATING, ADULT-SUPERVISED LIVING ARRANGEMENT.— In the case of an individual who is described in clause (ii), the State agency referred to in section 402(a)(4) shall provide, or assist the individual in locating, a second chance home, maternity home, or other appropriate adult-supervised supportive living arrangement, taking into consideration the needs and concerns of the individual, unless the State agency determines that the individual's current living arrangement is appropriate, and thereafter shall require that the individual and the minor child referred to in subparagraph (A)(ii)(II) reside in such living arrangement as a condition of the continued receipt of assistance under the State program funded under this part attributable to funds provided by the Federal Government (or in an alternative appropriate arrangement, should circumstances change and the current arrangement cease to be appropriate).*

*''(ii) INDIVIDUAL DESCRIBED.—For purposes of clause (i), an individual is described in this clause if the individual is described in subparagraph (A)(ii), and—*

*''(I) the individual has no parent, legal guardian or other appropriate adult relative described in subclause (II) of his or her own who is living or whose whereabouts are known;*

*''(II) no living parent, legal guardian, or other appropriate adult relative, who would otherwise meet applicable State criteria to act as the individual's legal guardian, of such individual allows the individual to live in the home of such parent, guardian, or relative;*

*''(III) the State agency determines that—*

*''(aa) the individual or the minor child referred to in subparagraph (A)(ii)(II) is being or has been subjected to serious physical or emotional harm, sexual abuse, or exploitation in the residence of the individual's own parent or legal guardian; or*

*''(bb) substantial evidence exists of an act or failure to act that presents an imminent or serious harm if the individual and the minor child lived in the same residence with the individual's own parent or legal guardian; or*

*''(IV) the State agency otherwise determines that it is in the best interest of the minor child to waive the requirement of subparagraph (A) with respect to the individual or the minor child.*

*''(iii) SECOND-CHANCE HOME.—For purposes of this subparagraph, the term 'second-chance home' means an entity that provides individuals described in clause (ii) with a supportive and supervised living arrangement in which such individuals are required to learn parenting skills, including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children.*

*''(7) NO MEDICAL SERVICES.—*

*''(A) IN GENERAL.—Except as provided in subparagraph (B), a State to which a grant is made under section 403 shall not use any part of the grant to provide medical services.*

*''(B) EXCEPTION FOR FAMILY PLANNING SERVICES.—As used in subparagraph (A), the term 'medical services' does not include family planning services.*

*''(8) NO ASSISTANCE FOR MORE THAN 5 YEARS.—*

*''(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), a State to which a grant is made under section 403 shall not use any part of the grant to provide cash assistance to a family that includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences.*

*''(B) MINOR CHILD EXCEPTION.—In determining the number of months for which an individual who is a parent or pregnant has received assistance under the State program funded under this part, the State shall disregard any month for which such assistance was provided with respect to the individual and during which the individual was—*

*''(i) a minor child; and*

*''(ii) not the head of a household or married to the head of a household.*

*''(C) HARDSHIP EXCEPTION.—*

*''(i) IN GENERAL.—The State may exempt a family from the application of subparagraph (A) by reason of hardship or if the family includes an individual who has been battered or subjected to extreme cruelty.*

*''(ii) LIMITATION.—The number of families with respect to which an exemption made by a State under clause (i) is in effect for a fiscal year shall not exceed 15 percent of the average monthly number of families to which assistance is provided under the State program funded under this part.*

*''(iii) BATTERED OR SUBJECT TO EXTREME CRUELTY DEFINED.—For purposes of clause (i), an individual has been battered or subjected to extreme cruelty if the individual has been subjected to—*

*''(I) physical acts that resulted in, or threatened to result in, physical injury to the individual;*

*''(II) sexual abuse;*

*''(III) sexual activity involving a dependent child;*

*''(IV) being forced as the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities;*

*''(V) threats of, or attempts at, physical or sexual abuse;*

*''(VI) mental abuse; or*

*''(VII) neglect or deprivation of medical care.*

*''(D) RULE OF INTERPRETATION.—Subparagraph (A) shall not be interpreted to require any State to provide assistance to any individual for any period of time under the State program funded under this part.*

*''(9) DENIAL OF ASSISTANCE FOR 10 YEARS TO A PERSON FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN ASSISTANCE IN 2 OR MORE STATES.—A State to which a grant is made under section 403 shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under this title, title XIX, or the Food Stamp Act of 1977, or benefits in 2 or more States under the supplemental security income program under title XVI.*

*''(10) DENIAL OF ASSISTANCE FOR FUGITIVE FELONS AND PROBATION AND PAROLE VIOLATORS.—*

*''(A) IN GENERAL.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to any individual who is—*

*''(i) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or*

*''(ii) violating a condition of probation or parole imposed under Federal or State law.*

*''(B) EXCHANGE OF INFORMATION WITH LAW ENFORCEMENT AGENCIES.—If a State to which a grant is made under section 403 establishes safeguards against the use or disclosure of information about applicants or recipients of assistance under the State program funded under this part, the safeguards shall not prevent the State agency administering the program from furnishing a Federal, State, or local law enforcement officer, upon the request of the officer, with the current address of any recipient if the officer furnishes the agency with the name of the recipient and notifies the agency that—*

*''(i) the recipient—*

*''(I) is described in subparagraph (A); or*

*''(II) has information that is necessary for the officer to conduct the official duties of the officer; and*

*''(ii) the location or apprehension of the recipient is within such official duties.*

*''(11) DENIAL OF ASSISTANCE FOR MINOR CHILDREN WHO ARE ABSENT FROM THE HOME FOR A SIGNIFICANT PERIOD.—*

*''(A) IN GENERAL.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance for a minor child who has been, or is expected by a parent (or other caretaker relative) of the child to be, absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 90 consecutive days as the State may provide for in the State plan submitted pursuant to section 402.*

*''(B) STATE AUTHORITY TO ESTABLISH GOOD CAUSE EXCEPTIONS.—The State may establish such good cause exceptions to subparagraph (A) as the State considers appropriate if such exceptions are provided for in the State plan submitted pursuant to section 402.*

*''(C) DENIAL OF ASSISTANCE FOR RELATIVE WHO FAILS TO NOTIFY STATE AGENCY OF ABSENCE OF CHILD.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance for an individual who is a parent (or other caretaker relative) of a minor child and who fails to notify the agency administering the State program funded under this part of the absence of the minor child from the home for the period specified in or provided for pursuant to subparagraph (A), by the end of the 5-day period that begins with the date that it becomes clear to the parent (or relative) that the minor child will be absent for such period so specified or provided for.*

*''(12) INCOME SECURITY PAYMENTS NOT TO BE DISREGARDED IN DETERMINING THE AMOUNT OF ASSISTANCE TO BE PROVIDED TO A FAMILY.—If a State to which a grant is made under section 403 uses any part of the grant to provide assistance for any individual who is receiving a payment under a State plan for old-age assistance approved under section 2, a State program funded under part B that provides cash payments for foster care, or the supplemental security income program under title XVI, then the State shall not disregard the payment in determining the amount of assistance to be provided under the State program funded under this part, from funds provided by the Federal Government, to the family of which the individual is a member.*

''(b) ALIENS.—For special rules relating to the treatment of aliens, see section 402 of the Personal Responsibility and Work Opportunity Act of 1995.

**''SEC. 409. PENALTIES.**

''(a) IN GENERAL.—Subject to this section:

''(1) USE OF GRANT IN VIOLATION OF THIS PART.—

''(A) GENERAL PENALTY.—If an audit conducted under chapter 75 of title 31, United States Code, finds that an amount paid to a State under section 403 for a fiscal year has been used in violation of this part, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by the amount so used.

''(B) ENHANCED PENALTY FOR INTENTIONAL VIOLATIONS.—If the State does not prove to the satisfaction of the Secretary that the State did not intend to use the amount in violation of this part, the Secretary shall further reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by an amount equal to 5 percent of the State family assistance grant.

''(2) FAILURE TO SUBMIT REQUIRED REPORT.—

''(A) IN GENERAL.—If the Secretary determines that a State has not, within 1 month after the end of a fiscal quarter, submitted the report required by section 411(a) for the quarter year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 4 percent of the State family assistance grant.

''(B) RESCISSION OF PENALTY.—The Secretary shall rescind a penalty imposed on a State under subparagraph (A) with respect to a report for a fiscal quarter if the State submits the report before the end of the immediately succeeding fiscal quarter.

''(3) FAILURE TO SATISFY MINIMUM PARTICIPATION RATES.—

''(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has failed to comply with section 407(a) for the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 5 percent of the State family assistance grant.

''(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) based on the degree of noncompliance.

''(4) FAILURE TO PARTICIPATE IN THE INCOME AND ELIGIBILITY VERIFICATION SYSTEM.—If the Secretary determines that a State program funded under this part is not participating during a fiscal year in the income and eligibility verification system required by section 1137, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 2 percent of the State family assistance grant.

''(5) FAILURE TO COMPLY WITH PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT REQUIREMENTS UNDER PART D.—Notwithstanding any other provision of this Act, if the Secretary determines that the State agency that administers a program funded under this part does not enforce the penalties requested by the agency administering part D against recipients of assistance under the State program who fail to cooperate in establishing paternity in accordance with such part, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year (without regard to this section) by not more than 5 percent.

''(6) FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR STATE WELFARE PROGRAMS.—If the Secretary determines that a State has failed to repay any amount borrowed from the Federal Loan Fund for State Welfare Programs established under section 406 within the period of maturity applicable to the loan, plus any interest owed on the loan, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter (without regard to this section) by the outstanding loan amount, plus the interest owed on the outstanding amount. The Secretary shall not forgive any outstanding loan amount or interest owed on the outstanding amount.

''(7) FAILURE OF ANY STATE TO MAINTAIN CERTAIN LEVEL OF HISTORIC EFFORT.—

''(A) IN GENERAL.—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for fiscal year 1997, 1998, 1999, 2000, or 2001 by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year is less than the applicable percentage of historic State expenditures with respect to the fiscal year.

''(B) DEFINITIONS.—As used in this paragraph:

''(i) QUALIFIED STATE EXPENDITURES.—

''(I) IN GENERAL.—The term 'qualified State expenditures' means, with respect to a State and a fiscal year, the total expenditures by the State during the fiscal year, under all State programs, for any of the following with respect to eligible families:

''(aa) Cash assistance.

''(bb) Child care assistance.

''(cc) Educational activities designed to increase self-sufficiency, job training, and work.

''(dd) Administrative costs.

''(ee) Any other use of funds allowable under section 404(a)(1).

''(II) EXCLUSION OF TRANSFERS FROM OTHER STATE AND LOCAL PROGRAMS.—Such term does not include funding supplanted by transfers from other State and local programs.

''(III) ELIGIBLE FAMILIES.—As used in subclause (I), the term 'eligible families' means families eligible for assistance under the State program funded under this part, and families who would be eligible for such assistance but for the application of paragraph (2) or (8) of section 408(a) of this Act or section 402 of the Personal Responsibility and Work Opportunity Act of 1995.

''(ii) APPLICABLE PERCENTAGE.—The term 'applicable percentage' means—

''(I) for fiscal year 1996, 75 percent; and

''(II) for fiscal years 1997, 1998, 1999, and 2000, 75 percent reduced (if appropriate) in accordance with subparagraph (C)(iii).

''(iii) HISTORIC STATE EXPENDITURES.—The term 'historic State expenditures' means, with respect to a State and a fiscal year specified in subparagraph (A), the lesser of—

''(I) the expenditures by the State under parts A and F (as in effect during fiscal year 1994) for fiscal year 1994; or

''(II) the amount which bears the same ratio to the amount described in subclause (I) as—

''(aa) the State family assistance grant for the fiscal year immediately preceding the fiscal year specified in subparagraph (A), plus the total amount required to be paid to the State under former section 403 for fiscal year 1994 with respect to amounts expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994); bears to

''(bb) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994.

Such term does not include any expenditures under the State plan approved under part A (as so in effect) on behalf of individuals covered by a tribal family assistance plan approved under section 412, as determined by the Secretary.

''(iv) EXPENDITURES BY THE STATE.—The term 'expenditures by the State' does not include—

''(I) any expenditures from amounts made available by the Federal Government;

''(II) State funds expended for the medicaid program under title XIX; or

''(III) any State funds which are used to match Federal funds or are expended as a condition of receiving Federal funds under Federal programs other than under this title.

''(C) APPLICABLE PERCENTAGE REDUCED FOR STATES WITH BEST OR MOST IMPROVED PERFORMANCE IN CERTAIN AREAS.—

''(i) SCORING OF STATE PERFORMANCE.—Beginning with fiscal year 1997, the Secretary shall assign to each State a score that represents the performance of the State for the fiscal year in each category described in clause (ii).

''(ii) CATEGORIES.—The categories described in this clause are the following:

''(I) Increasing the number of families that received assistance under a State program funded under this part in the fiscal year, and that, during the fiscal year, become ineligible for such assistance as a result of unsubsidized employment.

''(II) Reducing the percentage of families that, within 18 months after becoming ineligible for assistance under the State program funded under this part, become eligible for such assistance.

''(III) Increasing the average earnings of families that receive assistance under this part.

''(IV) Reducing the percentage of children in the State that receive assistance under the State program funded under this part.

''(iii) REDUCTION OF MAINTENANCE OF EFFORT THRESHOLD.—

''(I) REDUCTION FOR STATES WITH 5 GREATEST SCORES IN EACH CATEGORY OF PERFORMANCE.—The applicable percentage for a State for a fiscal year shall be reduced by 2 percentage points, with respect to each category described in clause (ii) for which the score assigned to the State under clause (i) for the immediately preceding fiscal year is 1 of the 5 highest scores so assigned to States.

''(II) REDUCTION FOR STATES WITH 5 GREATEST IMPROVEMENT IN SCORES IN EACH CATEGORY OF PERFORMANCE.—The applicable percentage for a State for a fiscal year shall be reduced by 2 percentage points for a State for a fiscal year, with respect to each category described in clause (ii) for which the difference between the score assigned to the State under clause (i) for the immediately preceding fiscal year and the score so assigned to the State for the 2nd preceding fiscal year is 1 of the 5 greatest such differences.

''(III) LIMITATION ON REDUCTION.—The applicable percentage for a State for a fiscal year may not be reduced by more than 8 percentage points pursuant to this clause.

''(8) SUBSTANTIAL NONCOMPLIANCE OF STATE CHILD SUPPORT ENFORCEMENT PROGRAM WITH REQUIREMENTS OF PART D.—

''(A) IN GENERAL.—If a State program operated under part D is found as a result of a review conducted under section 452(a)(4) not to have complied substantially with the requirements of such part for any quarter, and the Secretary determines that the program is not complying substantially with such requirements at the time the finding is made, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the quarter and each subsequent quarter that ends before the 1st quarter throughout which the program is found not to be in substantial compliance with such requirements by—

''(i) not less than 1 nor more than 2 percent;

''(ii) not less than 2 nor more than 3 percent, if the finding is the 2nd consecutive such finding made as a result of such a review; or

''(iii) not less than 3 nor more than 5 percent, if the finding is the 3rd or a subsequent consecutive such finding made as a result of such a review.

''(B) DISREGARD OF NONCOMPLIANCE WHICH IS OF A TECHNICAL NATURE.—For purposes of subparagraph (A) and section 452(a)(4), a State which is not in full compliance with the requirements of this part shall be determined to be in substantial compliance with such requirements only if the Secretary determines that any noncompliance with such requirements is of a technical nature which does not adversely affect the performance of the State's program operated under part D.

''(9) FAILURE OF STATE RECEIVING AMOUNTS FROM CONTINGENCY FUND TO MAINTAIN 100 PERCENT OF HISTORIC EFFORT.—If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the State has failed, during the fiscal year, to expend under the State program funded under this part an amount equal to at least 100 percent of the level of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection) with respect to the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by the total of the amounts so paid to the State.

''(10) FAILURE TO EXPEND ADDITIONAL STATE FUNDS TO REPLACE GRANT REDUCTIONS.—If the grant payable to a State under section 403(a)(1) for a fiscal year is reduced by reason of this subsection, the State shall, during the immediately succeeding fiscal year, expend under the State program funded under this part an amount equal to the total amount of such reductions.

''(b) REASONABLE CAUSE EXCEPTION.—

''(1) IN GENERAL.—The Secretary may not impose a penalty on a State under subsection (a) with respect to a requirement if the Secretary determines that the State has reasonable cause for failing to comply with the requirement.

''(2) EXCEPTION.—Paragraph (1) of this subsection shall not apply to any penalty under subsection (a)(7).

''(c) CORRECTIVE COMPLIANCE PLAN.—

''(1) IN GENERAL.—

''(A) NOTIFICATION OF VIOLATION.—Before imposing a penalty against a State under subsection (a) with respect to a violation of this part, the Secretary shall notify the State of the violation and allow the State the opportunity to enter into a corrective compliance plan in accordance with this subsection which outlines how the State will correct the violation and how the State will insure continuing compliance with this part.

''(B) 60-DAY PERIOD TO PROPOSE A CORRECTIVE COMPLIANCE PLAN.—During the 60-day period that begins on the date the State receives a notice provided under subparagraph (A) with respect to a violation, the State may submit to the Federal Government a corrective compliance plan to correct the violation.

''(C) CONSULTATION ABOUT MODIFICATIONS.—During the 60-day period that begins with the date the Secretary receives a corrective compliance plan submitted by a State in accordance with subparagraph (B), the Secretary may consult with the State on modifications to the plan.

''(D) ACCEPTANCE OF PLAN.— A corrective compliance plan submitted by a State in accordance with subparagraph (B) is deemed to be accepted by the Secretary if the Secretary does not accept or reject the plan during 60-day period that begins on the date the plan is submitted.

''(2) EFFECT OF CORRECTING VIOLATION.—The Secretary may not impose any penalty under subsection (a) with respect to any violation covered by a State corrective compliance plan accepted by the Secretary if the State corrects the violation pursuant to the plan.

''(3) EFFECT OF FAILING TO CORRECT VIOLATION.—The Secretary shall assess some or all of a penalty imposed on a State under subsection (a) with respect to a violation if the State does not, in a timely manner, correct the violation pursuant to a State corrective compliance plan accepted by the Secretary.

''(d) LIMITATION ON AMOUNT OF PENALTY.—

''(1) IN GENERAL.—In imposing the penalties described in subsection (a), the Secretary shall not reduce any quarterly payment to a State by more than 25 percent.

''(2) CARRYFORWARD OF UNRECOVERED PENALTIES.—To the extent that paragraph (1) of this subsection prevents the Secretary from recovering during a fiscal year the full amount of penalties imposed on a State under subsection (a) of this section for a prior fiscal year, the Secretary shall apply any remaining amount of such penalties to the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year.

**''SEC. 410. APPEAL OF ADVERSE DECISION.**

''(a) IN GENERAL.—Within 5 days after the date the Secretary takes any adverse action under this part with respect to a State, the Secretary shall notify the chief executive officer of the State of the adverse action, including any action with respect to the State plan submitted under section 402 or the imposition of a penalty under section 409.

''(b) ADMINISTRATIVE REVIEW.—

''(1) IN GENERAL.—Within 60 days after the date a State receives notice under subsection (a) of an adverse action, the State may appeal the action, in whole or in part, to the Departmental Appeals Board established in the Department of Health and Human Services (in this section referred to as the 'Board') by filing an appeal with the Board.

''(2) PROCEDURAL RULES.—The Board shall consider an appeal filed by a State under paragraph (1) on the basis of such documentation as the State may submit and as the Board may require to support the final decision of the Board. In deciding whether to uphold an adverse action or any portion of such an action, the Board shall conduct a thorough review of the issues and take into account all relevant evidence. The Board shall make a final determination with respect to an appeal filed under paragraph (1) not less than 60 days after the date the appeal is filed.

''(c) JUDICIAL REVIEW OF ADVERSE DECISION.—

''(1) IN GENERAL.—Within 90 days after the date of a final decision by the Board under this section with respect to an adverse action taken against a State, the State may obtain judicial review of the final decision (and the findings incorporated into the final decision) by filing an action in—

''(A) the district court of the United States for the judicial district in which the principal or headquarters office of the State agency is located; or

''(B) the United States District Court for the District of Columbia.

''(2) PROCEDURAL RULES.—The district court in which an action is filed under paragraph (1) shall review the final decision of the Board on the record established in the administrative proceeding, in accordance with the standards of review prescribed by subparagraphs (A) through (E) of section 706(2) of title 5, United States Code. The review shall be on the basis of the documents and supporting data submitted to the Board.

**''SEC. 411. DATA COLLECTION AND REPORTING.**

''(a) QUARTERLY REPORTS BY STATES.—

''(1) GENERAL REPORTING REQUIREMENT.—

''(A) CONTENTS OF REPORT.—Beginning July 1, 1996, each State shall collect on a monthly basis, and report to the Secretary on a quarterly basis, the following disaggregated case record information on the families receiving assistance under the State program funded under this part:

''(i) The county of residence of the family.

''(ii) Whether a child receiving such assistance or an adult in the family is disabled.

''(iii) The ages of the members of such families.

''(iv) The number of individuals in the family, and the relation of each family member to the youngest child in the family.

''(v) The employment status and earnings of the employed adult in the family.

''(vi) The marital status of the adults in the family, including whether such adults have never married, are widowed, or are divorced.

''(vii) The race and educational status of each adult in the family.

''(viii) The race and educational status of each child in the family.

''(ix) Whether the family received subsidized housing, medical assistance under the State plan approved under title XIX, food stamps, or subsidized child care, and if the latter 2, the amount received.

''(x) The number of months that the family has received each type of assistance under the program.

''(xi) If the adults participated in, and the number of hours per week of participation in, the following activities:

''(I) Education.

''(II) Subsidized private sector employment.

''(III) Unsubsidized employment.

''(IV) Public sector employment, work experience, or community service.

''(V) Job search.

''(VI) Job skills training or on-the-job training.

''(VII) Vocational education.

''(xii) Information necessary to calculate participation rates under section 407.

''(xiii) The type and amount of assistance received under the program, including the amount of and reason for any reduction of assistance (including sanctions).

''(xiv) From a sample of closed cases, whether the family left the program, and if so, whether the family left due to—

''(I) employment;

''(II) marriage;

''(III) the prohibition set forth in section 408(a)(8);

''(IV) sanction; or

''(V) State policy.

''(xv) Any amount of unearned income received by any member of the family.

''(xvi) The citizenship of the members of the family.

''(B) USE OF ESTIMATES.—

''(i) AUTHORITY.—A State may comply with subparagraph (A) by submitting an estimate which is obtained through the use of scientifically acceptable sampling methods approved by the Secretary.

''(ii) SAMPLING AND OTHER METHODS.—The Secretary shall provide the States with such case sampling plans and data collection procedures as the Secretary deems necessary to produce statistically valid estimates of the performance of State programs funded under this part. The Secretary may develop and implement procedures for verifying the quality of data submitted by the States.

''(2) REPORT ON USE OF FEDERAL FUNDS TO COVER ADMINISTRATIVE COSTS AND OVERHEAD.—The report required by paragraph (1) for a fiscal quarter shall include a statement of the percentage of the funds paid to the State under this part for the quarter that are used to cover administrative costs or overhead.

''(3) REPORT ON STATE EXPENDITURES ON PROGRAMS FOR NEEDY FAMILIES.—The report required by paragraph (1) for a fiscal quarter shall include a statement of the total amount expended by the State during the quarter on programs for needy families.

''(4) REPORT ON NONCUSTODIAL PARENTS PARTICIPATING IN WORK ACTIVITIES.—The report required by paragraph (1) for a fiscal quarter shall include the number of noncustodial parents in the State who participated in work activities (as defined in section 407(d)) during the quarter.

''(5) REPORT ON TRANSITIONAL SERVICES.—The report required by paragraph (1) for a fiscal quarter shall include the total amount expended by the State during the quarter to provide transitional services to a family that has ceased to receive assistance under this part because of employment, along with a description of such services.

''(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to define the data elements with respect to which reports are required by this subsection.

''(b) ANNUAL REPORTS TO THE CONGRESS BY THE SECRETARY.—Not later than 6 months after

the end of fiscal year 1997, and each fiscal year thereafter, the Secretary shall transmit to the Congress a report describing—

''(1) whether the States are meeting—

''(A) the participation rates described in section 407(a); and

''(B) the objectives of—

''(i) increasing employment and earnings of needy families, and child support collections; and

''(ii) decreasing out-of-wedlock pregnancies and child poverty;

''(2) the demographic and financial characteristics of families applying for assistance, families receiving assistance, and families that become ineligible to receive assistance;

''(3) the characteristics of each State program funded under this part; and

''(4) the trends in employment and earnings of needy families with minor children living at home.

**''SEC. 412. DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES.**

''(a) GRANTS FOR INDIAN TRIBES.—

''(1) TRIBAL FAMILY ASSISTANCE GRANT.—

''(A) IN GENERAL.—For each of fiscal years 1997, 1998, 1999, and 2000, the Secretary shall pay to each Indian tribe that has an approved tribal family assistance plan a tribal family assistance grant for the fiscal year in an amount equal to the amount determined under subparagraph (B), and shall reduce the grant payable under section 403(a)(1) to any State in which lies the service area or areas of the Indian tribe by that portion of the amount so determined that is attributable to expenditures by the State.

''(B) AMOUNT DETERMINED.—

''(i) IN GENERAL.—The amount determined under this subparagraph is an amount equal to the total amount of the Federal payments to a State or States under section 403 (as in effect during such fiscal year) for fiscal year 1994 attributable to expenditures (other than child care expenditures) by the State or States under parts A and F (as so in effect) for fiscal year 1994 for Indian families residing in the service area or areas identified by the Indian tribe pursuant to subsection (b)(1)(C) of this section.

''(ii) USE OF STATE SUBMITTED DATA.—

''(I) IN GENERAL.—The Secretary shall use State submitted data to make each determination under clause (i).

''(II) DISAGREEMENT WITH DETERMINATION.—If an Indian tribe or tribal organization disagrees with State submitted data described under subclause (I), the Indian tribe or tribal organization may submit to the Secretary such additional information as may be relevant to making the determination under clause (i) and the Secretary may consider such information before making such determination.

''(2) GRANTS FOR INDIAN TRIBES THAT RECEIVED JOBS FUNDS.—

''(A) IN GENERAL.—The Secretary shall pay to each eligible Indian tribe for each of fiscal years 1996, 1997, 1998, 1999, and 2000 a grant in an amount equal to the amount received by the Indian tribe in fiscal year 1994 under section 482(i) (as in effect during fiscal year 1994).

''(B) ELIGIBLE INDIAN TRIBE.—For purposes of subparagraph (A), the term 'eligible Indian tribe' means an Indian tribe or Alaska Native organization that conducted a job opportunities and basic skills training program in fiscal year 1995 under section 482(i) (as in effect during fiscal year 1995).

''(C) USE OF GRANT.—Each Indian tribe to which a grant is made under this paragraph shall use the grant for the purpose of operating a program to make work activities available to members of the Indian tribe.

''(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $7,638,474 for each fiscal year specified in subparagraph (A) for grants under subparagraph (A).

''(b) 3-YEAR TRIBAL FAMILY ASSISTANCE PLAN.—

''(1) IN GENERAL.—Any Indian tribe that desires to receive a tribal family assistance grant shall submit to the Secretary a 3-year tribal family assistance plan that—

''(A) outlines the Indian tribe's approach to providing welfare-related services for the 3-year period, consistent with this section;

''(B) specifies whether the welfare-related services provided under the plan will be provided by the Indian tribe or through agreements, contracts, or compacts with intertribal consortia, States, or other entities;

''(C) identifies the population and service area or areas to be served by such plan;

''(D) provides that a family receiving assistance under the plan may not receive duplicative assistance from other State or tribal programs funded under this part;

''(E) identifies the employment opportunities in or near the service area or areas of the Indian tribe and the manner in which the Indian tribe will cooperate and participate in enhancing such opportunities for recipients of assistance under the plan consistent with any applicable State standards; and

''(F) applies the fiscal accountability provisions of section 5(f)(1) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450c(f)(1)), relating to the submission of a single-agency audit report required by chapter 75 of title 31, United States Code.

''(2) APPROVAL.—The Secretary shall approve each tribal family assistance plan submitted in accordance with paragraph (1).

''(3) CONSORTIUM OF TRIBES.—Nothing in this section shall preclude the development and submission of a single tribal family assistance plan by the participating Indian tribes of an intertribal consortium.

''(c) MINIMUM WORK PARTICIPATION REQUIREMENTS AND TIME LIMITS.—The Secretary, with the participation of Indian tribes, shall establish for each Indian tribe receiving a grant under this section minimum work participation requirements, appropriate time limits for receipt of welfare-related services under the grant, and penalties against individuals—

''(1) consistent with the purposes of this section;

''(2) consistent with the economic conditions and resources available to each tribe; and

''(3) similar to comparable provisions in section 407(d).

''(d) EMERGENCY ASSISTANCE.—Nothing in this section shall preclude an Indian tribe from seeking emergency assistance from any Federal loan program or emergency fund.

''(e) ACCOUNTABILITY.—Nothing in this section shall be construed to limit the ability of the Secretary to maintain program funding accountability consistent with—

''(1) generally accepted accounting principles; and

''(2) the requirements of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.).

''(f) PENALTIES.—

''(1) Subsections (a)(1), (a)(6), and (b) of section 409, shall apply to an Indian tribe with an approved tribal assistance plan in the same manner as such subsections apply to a State.

''(2) Section 409(a)(3) shall apply to an Indian tribe with an approved tribal assistance plan by substituting 'meet minimum work participation requirements established under section 412(c)' for 'comply with section 407(a)'.

''(g) DATA COLLECTION AND REPORTING.—Section 411 shall apply to an Indian tribe with an approved tribal family assistance plan.

''(h) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—

''(1) IN GENERAL.—Notwithstanding any other provision of this section, and except as provided in paragraph (2), an Indian tribe in the State of Alaska that receives a tribal family assistance grant under this section shall use the grant to operate a program in accordance with requirements comparable to the requirements applicable to the program of the State of Alaska funded under this part. Comparability of programs shall be established on the basis of program criteria developed by the Secretary in consultation with the State of Alaska and such Indian tribes.

''(2) WAIVER.—An Indian tribe described in paragraph (1) may apply to the appropriate State authority to receive a waiver of the requirement of paragraph (1).

**''SEC. 413. RESEARCH, EVALUATIONS, AND NATIONAL STUDIES.**

''(a) RESEARCH.—The Secretary shall conduct research on the benefits, effects, and costs of operating different State programs funded under this part, including time limits relating to eligibility for assistance. The research shall include studies on the effects of different programs and the operation of such programs on welfare dependency, illegitimacy, teen pregnancy, employment rates, child well-being, and any other area the Secretary deems appropriate. The Secretary shall also conduct research on the costs and benefits of State activities under section 409.

''(b) DEVELOPMENT AND EVALUATION OF INNOVATIVE APPROACHES TO REDUCING WELFARE DEPENDENCY AND INCREASING CHILD WELL-BEING.—

''(1) IN GENERAL.—The Secretary may assist States in developing, and shall evaluate, innovative approaches for reducing welfare dependency and increasing the well-being of minor children living at home with respect to recipients of assistance under programs funded under this part. The Secretary may provide funds for training and technical assistance to carry out the approaches developed pursuant to this paragraph.

''(2) EVALUATIONS.—In performing the evaluations under paragraph (1), the Secretary shall, to the maximum extent feasible, use random assignment as an evaluation methodology.

''(c) DISSEMINATION OF INFORMATION.—The Secretary shall develop innovative methods of disseminating information on any research, evaluations, and studies conducted under this section, including the facilitation of the sharing of information and best practices among States and localities through the use of computers and other technologies.

''(d) ANNUAL RANKING OF STATES AND REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—

''(1) ANNUAL RANKING OF STATES.—The Secretary shall rank annually the States to which grants are paid under section 403 in the order of their success in placing recipients of assistance under the State program funded under this part into long-term private sector jobs, reducing the overall welfare caseload, and, when a practicable method for calculating this information becomes available, diverting individuals from formally applying to the State program and receiving assistance. In ranking States under this subsection, the Secretary shall take into account the average number of minor children living at home in families in the State that have incomes below the poverty line and the amount of funding provided each State for such families.

''(2) ANNUAL REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—The Secretary shall review the programs of the 3 States most recently ranked highest under paragraph (1) and the 3 States most recently ranked lowest under paragraph (1) that provide parents with work experience, assistance in finding employment, and other work preparation activities and support services to enable the families of such parents to leave the program and become self-sufficient.

''(e) ANNUAL RANKING OF STATES AND REVIEW OF ISSUES RELATING TO OUT-OF-WEDLOCK BIRTHS.—

''(1) ANNUAL RANKING OF STATES.—

''(A) IN GENERAL.—The Secretary shall annually rank States to which grants are made under section 403 based on the following ranking factors:

''(i) ABSOLUTE OUT-OF-WEDLOCK RATIOS.—The ratio represented by—

''(I) the total number of out-of-wedlock births in families receiving assistance under the State program under this part in the State for the most recent fiscal year for which information is available; over

''(II) the total number of births in families receiving assistance under the State program under this part in the State for such year.

''(ii) NET CHANGES IN THE OUT-OF-WEDLOCK RATIO.—The difference between the ratio described in subparagraph (A)(i) with respect to a State for the most recent fiscal year for which such information is available and the ratio with respect to the State for the immediately preceding year.

''(2) ANNUAL REVIEW.—The Secretary shall review the programs of the 5 States most recently ranked highest under paragraph (1) and the 5 States most recently ranked the lowest under paragraph (1).

''(f) STATE-INITIATED EVALUATIONS.—A State shall be eligible to receive funding to evaluate the State program funded under this part if—

''(1) the State submits a proposal to the Secretary for the evaluation;

''(2) the Secretary determines that the design and approach of the evaluation is rigorous and is likely to yield information that is credible and will be useful to other States, and

''(3) unless otherwise waived by the Secretary, the State contributes to the cost of the evaluation, from non-Federal sources, an amount equal to at least 10 percent of the cost of the evaluation.

''(g) FUNDING OF STUDIES AND DEMONSTRATIONS.—

''(1) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $15,000,000 for each fiscal year specified in section 403(a)(1) for the purpose of paying—

''(A) the cost of conducting the research described in subsection (a);

''(B) the cost of developing and evaluating innovative approaches for reducing welfare dependency and increasing the well-being of minor children under subsection (b);

''(C) the Federal share of any State-initiated study approved under subsection (f); and

''(D) an amount determined by the Secretary to be necessary to operate and evaluate demonstration projects, relating to this part, that are in effect or approved under section 1115 as of September 30, 1995, and are continued after such date.

''(2) ALLOCATION.—Of the amount appropriated under paragraph (1) for a fiscal year—

''(A) 50 percent shall be allocated for the purposes described in subparagraphs (A) and (B) of paragraph (1), and

''(B) 50 percent shall be allocated for the purposes described in subparagraphs (C) and (D) of paragraph (1).

**''SEC. 414. STUDY BY THE CENSUS BUREAU.**

''(a) IN GENERAL.—The Bureau of the Census shall expand the Survey of Income and Program Participation as necessary to obtain such information as will enable interested persons to evaluate the impact of the amendments made by title I of the Personal Responsibility and Work Opportunity Act of 1995 on a random national sample of recipients of assistance under State programs funded under this part and (as appropriate) other low income families, and in doing so, shall pay particular attention to the issues of out-of-wedlock birth, welfare dependency, the beginning and end of welfare spells, and the causes of repeat welfare spells.

''(b) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $10,000,000 for each of fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002 for payment to the Bureau of the Census to carry out subsection (a).

**''SEC. 415. WAIVERS.**

''(a) CONTINUATION OF WAIVERS.—

''(1) WAIVERS IN EFFECT ON DATE OF ENACTMENT OF WELFARE REFORM.—Except as provided in paragraph (3), if any waiver granted to a State under section 1115 or otherwise which relates to the provision of assistance under a State plan under this part (as in effect on September 30, 1995) is in effect as of the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995, the amendments made by such Act shall not apply with respect to the State before the expiration (determined without regard to any extensions) of the waiver to the extent such amendments are inconsistent with the waiver.

''(2) WAIVERS GRANTED SUBSEQUENTLY.—Except as provided in paragraph (3), if any waiver granted to a State under section 1115 or otherwise which relates to the provision of assistance under a State plan under this part (as in effect on September 30, 1995) is submitted to the Secretary before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995 and approved by the Secretary before the effective date of this title, and the State demonstrates to the satisfaction of the Secretary that the waiver will not result in Federal expenditures under title IV of this Act (as in effect without regard to the amendments made by the Personal Responsibility and Work Opportunity Act of 1995) that are greater than would occur in the absence of the waiver, such amendments shall not apply with respect to the State before the expiration (determined without regard to any extensions) of the waiver to the extent such amendments are inconsistent with the waiver.

''(3) FINANCING LIMITATION.—Notwithstanding any other provision of law, beginning with fiscal year 1996, a State operating under a waiver described in paragraph (1) shall be entitled to payment under section 403 for the fiscal year, in lieu of any other payment provided for in the waiver.

''(b) STATE OPTION TO TERMINATE WAIVER.—

''(1) IN GENERAL.—A State may terminate a waiver described in subsection (a) before the expiration of the waiver.

''(2) REPORT.—A State which terminates a waiver under paragraph (1) shall submit a report to the Secretary summarizing the waiver and any available information concerning the result or effect of the waiver.

''(3) HOLD HARMLESS PROVISION.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, a State that, not later than the date described in subparagraph (B), submits a written request to terminate a waiver described in subsection (a) shall be held harmless for accrued cost neutrality liabilities incurred under the waiver.

''(B) DATE DESCRIBED.—The date described in this subparagraph is the later of—

''(i) January 1, 1996; or

''(ii) 90 days following the adjournment of the first regular session of the State legislature that begins after the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995.

''(c) SECRETARIAL ENCOURAGEMENT OF CURRENT WAIVERS.—The Secretary shall encourage any State operating a waiver described in subsection (a) to continue the waiver and to evaluate, using random sampling and other characteristics of accepted scientific evaluations, the result or effect of the waiver.

''(d) CONTINUATION OF INDIVIDUAL WAIVERS.—A State may elect to continue 1 or more individual waivers described in subsection (a).

**''SEC. 416. ASSISTANT SECRETARY FOR FAMILY SUPPORT.**

''The programs under this part and part D shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided for by law.

**''SEC. 417. LIMITATION ON FEDERAL AUTHORITY.**

''No officer or employee of the Federal Government may regulate the conduct of States under this part or enforce any provision of this part, except to the extent expressly provided in this part.

**''SEC. 418. DEFINITIONS.**

''As used in this part:

''(1) ADULT.—The term 'adult' means an individual who is not a minor child.

''(2) MINOR CHILD.—The term 'minor child' means an individual who—

''(A) has not attained 18 years of age; or

''(B) has not attained 19 years of age and is a full-time student in a secondary school (or in the equivalent level of vocational or technical training).

''(3) FISCAL YEAR.—The term 'fiscal year' means any 12-month period ending on September 30 of a calendar year.

''(4) INDIAN, INDIAN TRIBE, AND TRIBAL ORGANIZATION.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the terms 'Indian', 'Indian tribe', and 'tribal organization' have the meaning given such terms by section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

''(B) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—The term 'Indian tribe' means, with respect to the State of Alaska, only the Metlakatla Indian Community of the Annette Islands Reserve and the following Alaska Native regional nonprofit corporations:

''(i) Arctic Slope Native Association.

''(ii) Kawerak, Inc.

''(iii) Maniilaq Association.

''(iv) Association of Village Council Presidents.

''(v) Tanana Chiefs Conference.

''(vi) Cook Inlet Tribal Council.

''(vii) Bristol Bay Native Association.

''(viii) Aleutian and Pribilof Island Association.

''(ix) Chugachmuit.

''(x) Tlingit Haida Central Council.

''(xi) Kodiak Area Native Association.

''(xii) Copper River Native Association.

''(5) STATE.—Except as otherwise specifically provided, the term 'State' means the 50 States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, and American Samoa.''.

**SEC. 104. SERVICES PROVIDED BY CHARITABLE, RELIGIOUS, OR PRIVATE ORGANIZATIONS.**

(a) IN GENERAL.—

(1) STATE OPTIONS.—A State may—

(A) administer and provide services under the programs described in subparagraphs (A) and (B)(i) of paragraph (2) through contracts with charitable, religious, or private organizations; and

(B) provide beneficiaries of assistance under the programs described in subparagraphs (A) and (B)(ii) of paragraph (2) with certificates, vouchers, or other forms of disbursement which are redeemable with such organizations.

(2) PROGRAMS DESCRIBED.—The programs described in this paragraph are the following programs:

(A) A State program funded under part A of title IV of the Social Security Act (as amended by section 103 of this Act).

(B) Any other program established or modified under title I, II, or VI of this Act, that—

(i) permits contracts with organizations; or

(ii) permits certificates, vouchers, or other forms of disbursement to be provided to beneficiaries, as a means of providing assistance.

(b) RELIGIOUS ORGANIZATIONS.—The purpose of this section is to allow States to contract with religious organizations, or to allow religious organizations to accept certificates, vouchers, or other forms of disbursement under any program described in subsection (a)(2), on the same basis as any other nongovernmental provider without impairing the religious character of such organizations, and without diminishing the religious

freedom of beneficiaries of assistance funded under such program.

(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS.—In the event a State exercises its authority under subsection (a), religious organizations are eligible, on the same basis as any other private organization, as contractors to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, under any program described in subsection (a)(2) so long as the programs are implemented consistent with the Establishment Clause of the United States Constitution. Except as provided in subsection (k), neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization which is or applies to be a contractor to provide assistance, or which accepts certificates, vouchers, or other forms of disbursement, on the basis that the organization has a religious character.

(d) RELIGIOUS CHARACTER AND FREEDOM.—

(1) RELIGIOUS ORGANIZATIONS.—A religious organization with a contract described in subsection (a)(1)(A), or which accepts certificates, vouchers, or other forms of disbursement under subsection (a)(1)(B), shall retain its independence from Federal, State, and local governments, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State shall require a religious organization to—

(A) alter its form of internal governance; or

(B) remove religious art, icons, scripture, or other symbols;

in order to be eligible to contract to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, funded under a program described in subsection (a)(2).

(e) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

(1) IN GENERAL.—If an individual described in paragraph (2) has an objection to the religious character of the organization or institution from which the individual receives, or would receive, assistance funded under any program described in subsection (a)(2), the State in which the individual resides shall provide such individual (if otherwise eligible for such assistance) within a reasonable period of time after the date of such objection with assistance from an alternative provider that is accessible to the individual and the value of which is not less than the value of the assistance which the individual would have received from such organization.

(2) INDIVIDUAL DESCRIBED.—An individual described in this paragraph is an individual who receives, applies for, or requests to apply for, assistance under a program described in subsection (a)(2).

(f) EMPLOYMENT PRACTICES.—A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 (42 U.S.C. 2000e–1a) regarding employment practices shall not be affected by its participation in, or receipt of funds from, programs described in subsection (a)(2).

(g) NONDISCRIMINATION AGAINST BENEFICIARIES.—Except as otherwise provided in law, a religious organization shall not discriminate against an individual in regard to rendering assistance funded under any program described in subsection (a)(2) on the basis of religion, a religious belief, or refusal to actively participate in a religious practice.

(h) FISCAL ACCOUNTABILITY.—

(1) IN GENERAL.—Except as provided in paragraph (2), any religious organization contracting to provide assistance funded under any program described in subsection (a)(2) shall be subject to the same regulations as other contractors to account in accord with generally accepted auditing principles for the use of such funds provided under such programs.

(2) LIMITED AUDIT.—If such organization segregates Federal funds provided under such programs into separate accounts, then only the financial assistance provided with such funds shall be subject to audit.

(i) COMPLIANCE.—Any party which seeks to enforce its rights under this section may assert a civil action for injunctive relief exclusively in an appropriate State court against the entity or agency that allegedly commits such violation.

(j) LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.—No funds provided directly to institutions or organizations to provide services and administer programs under subsection (a)(1)(A) shall be expended for sectarian worship, instruction, or proselytization.

(k) PREEMPTION.—Nothing in this section shall be construed to preempt any provision of a State constitution or State statute that prohibits or restricts the expenditure of State funds in or by religious organizations.

**SEC. 105. CENSUS DATA ON GRANDPARENTS AS PRIMARY CAREGIVERS FOR THEIR GRANDCHILDREN.**

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Commerce, in carrying out section 141 of title 13, United States Code, shall expand the data collection efforts of the Bureau of the Census (in this section referred to as the ''Bureau'') to enable the Bureau to collect statistically significant data, in connection with its decennial census and its mid-decade census, concerning the growing trend of grandparents who are the primary caregivers for their grandchildren.

(b) EXPANDED CENSUS QUESTION.—In carrying out subsection (a), the Secretary of Commerce shall expand the Bureau's census question that details households which include both grandparents and their grandchildren. The expanded question shall be formulated to distinguish between the following households:

(1) A household in which a grandparent temporarily provides a home for a grandchild for a period of weeks or months during periods of parental distress.

(2) A household in which a grandparent provides a home for a grandchild and serves as the primary caregiver for the grandchild.

**SEC. 106. REPORT ON DATA PROCESSING.**

(a) IN GENERAL.—Within 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall prepare and submit to the Congress a report on—

(1) the status of the automated data processing systems operated by the States to assist management in the administration of State programs under part A of title IV of the Social Security Act (whether in effect before or after October 1, 1995); and

(2) what would be required to establish a system capable of—

(A) tracking participants in public programs over time; and

(B) checking case records of the States to determine whether individuals are participating in public programs of 2 or more States.

(b) PREFERRED CONTENTS.—The report required by subsection (a) should include—

(1) a plan for building on the automated data processing systems of the States to establish a system with the capabilities described in subsection (a)(2); and

(2) an estimate of the amount of time required to establish such a system and of the cost of establishing such a system.

**SEC. 107. STUDY ON ALTERNATIVE OUTCOMES MEASURES.**

(a) STUDY.—The Secretary shall, in cooperation with the States, study and analyze outcomes measures for evaluating the success of the States in moving individuals out of the welfare system through employment as an alternative to the minimum participation rates described in section 407 of the Social Security Act. The study shall include a determination as to whether such alternative outcomes measures should be applied on a national or a State-by-State basis and a preliminary assessment of the effects of section 409(a)(7)(C) of such Act.

(b) REPORT.—Not later than September 30, 1998, the Secretary shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives a report containing the findings of the study required by subsection (a).

**SEC. 108. CONFORMING AMENDMENTS TO THE SOCIAL SECURITY ACT.**

(a) AMENDMENTS TO TITLE II.—

(1) Section 205(c)(2)(C)(vi) (42 U.S.C. 405(c)(2)(C)(vi)), as so redesignated by section 321(a)(9)(B) of the Social Security Independence and Program Improvements Act of 1994, is amended—

(A) by inserting ''an agency administering a program funded under part A of title IV or'' before ''an agency operating''; and

(B) by striking ''A or D of title IV of this Act'' and inserting ''D of such title''.

(2) Section 228(d)(1) (42 U.S.C. 428(d)(1)) is amended by inserting ''under a State program funded under'' before ''part A of title IV''.

(b) AMENDMENTS TO PART D OF TITLE IV.—

(1) Section 451 (42 U.S.C. 651) is amended by striking ''aid'' and inserting ''assistance under a State program funded''.

(2) Section 452(a)(10)(C) (42 U.S.C. 652(a)(10)(C)) is amended—

(A) by striking ''aid to families with dependent children'' and inserting ''assistance under a State program funded under part A'';

(B) by striking ''such aid'' and inserting ''such assistance''; and

(C) by striking ''under section 402(a)(26) or'' and inserting ''pursuant to section 408(a)(4) or under section''.

(3) Section 452(a)(10)(F) (42 U.S.C. 652(a)(10)(F)) is amended—

(A) by striking ''aid under a State plan approved'' and inserting ''assistance under a State program funded''; and

(B) by striking ''in accordance with the standards referred to in section 402(a)(26)(B)(ii)'' and inserting ''by the State''.

(4) Section 452(b) (42 U.S.C. 652(b)) is amended in the first sentence by striking ''aid under the State plan approved under part A'' and inserting ''assistance under the State program funded under part A''.

(5) Section 452(d)(3)(B)(i) (42 U.S.C. 652(d)(3)(B)(i)) is amended by striking ''1115(c)'' and inserting ''1115(b)''.

(6) Section 452(g)(2)(A)(ii)(I) (42 U.S.C. 652(g)(2)(A)(ii)(I)) is amended by striking ''aid is being paid under the State's plan approved under part A or E'' and inserting ''assistance is being provided under the State program funded under part A''.

(7) Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended in the matter following clause (iii) by striking ''aid was being paid under the State's plan approved under part A or E'' and inserting ''assistance was being provided under the State program funded under part A''.

(8) Section 452(g)(2) (42 U.S.C. 652(g)(2)) is amended in the matter following subparagraph (B)—

(A) by striking ''who is a dependent child'' and inserting ''with respect to whom assistance is being provided under the State program funded under part A'';

(B) by inserting ''by the State agency administering the State plan approved under this part'' after ''found''; and

(C) by striking ''under section 402(a)(26)'' and inserting ''with the State in establishing paternity''.

(9) Section 452(h) (42 U.S.C. 652(h)) is amended by striking ''under section 402(a)(26)'' and inserting ''pursuant to section 408(a)(4)''.

(10) Section 453(c)(3) (42 U.S.C. 653(c)(3)) is amended by striking ''aid under part A of this title'' and inserting ''assistance under a State program funded under part A''.

(11) Section 454(5)(A) (42 U.S.C. 654(5)(A))) is amended—

(A) by striking ''under section 402(a)(26)'' and inserting ''pursuant to section 408(a)(4)''; and

(B) by striking ''; except that this paragraph shall not apply to such payments for any month following the first month in which the amount collected is sufficient to make such family ineligible for assistance under the State plan approved under part A;'' and inserting a comma.

(12) Section 454(6)(D) (42 U.S.C. 654(6)(D)) is amended by striking ''aid under a State plan approved'' and inserting ''assistance under a State program funded''.

(13) Section 456(a)(1) (42 U.S.C. 656(a)(1)) is amended by striking ''under section 402(a)(26)''.

(14) Section 466(a)(3)(B) (42 U.S.C. 666(a)(3)(B)) is amended by striking ''402(a)(26)'' and inserting ''408(a)(4)''.

(15) Section 466(b)(2) (42 U.S.C. 666(b)(2)) is amended by striking ''aid'' and inserting ''assistance under a State program funded''.

(16) Section 469(a) (42 U.S.C. 669(a)) is amended—

(A) by striking ''aid under plans approved'' and inserting ''assistance under State programs funded''; and

(B) by striking ''such aid'' and inserting ''such assistance''.

(c) REPEAL OF PART F OF TITLE IV.—Part F of title IV (42 U.S.C. 681–687) is repealed.

(d) AMENDMENT TO TITLE X.—Section 1002(a)(7) (42 U.S.C. 1202(a)(7)) is amended by striking ''aid to families with dependent children under the State plan approved under section 402 of this Act'' and inserting ''assistance under a State program funded under part A of title IV''.

(e) AMENDMENTS TO TITLE XI.—

(1) Section 1108 (42 U.S.C. 1308) is amended—

(A) by redesignating subsection (c) as subsection (g);

(B) by striking all that precedes subsection (c) and inserting the following:

**''SEC. 1108. ADDITIONAL GRANTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA; LIMITATION ON TOTAL PAYMENTS.**

''(a) LIMITATION ON TOTAL PAYMENTS TO EACH TERRITORY.—Notwithstanding any other provision of this Act, the total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, under parts A and B of title IV, and under subsection (b) of this section, for payment to any territory for a fiscal year shall not exceed the ceiling amount for the territory for the fiscal year.

''(b) ENTITLEMENT TO MATCHING GRANT.—

''(1) IN GENERAL.—Each territory shall be entitled to receive from the Secretary for each fiscal year a grant in an amount equal to 75 percent of the amount (if any) by which—

''(A) the total expenditures of the territory during the fiscal year under the territory programs funded under parts A and B of title IV; exceeds

''(B) the sum of—

''(i) the total amount required to be paid to the territory (other than with respect to child care) under former section 403 (as in effect on September 30, 1995) for fiscal year 1995, which shall be determined by applying subparagraphs (C) and (D) of section 403(a)(1) to the territory;

''(ii) the total amount required to be paid to the territory under former section 434 (as so in effect) for fiscal year 1995; and

''(iii) the total amount expended by the territory during fiscal year 1995 pursuant to parts A, B, and F of title IV (as so in effect), other than for child care.

''(2) USE OF GRANT.—Any territory to which a grant is made under paragraph (1) may expend the amount under any program operated or funded under any provision of law specified in subsection (a).

''(c) DEFINITIONS.—As used in this section:

''(1) TERRITORY.—The term 'territory' means Puerto Rico, the Virgin Islands, Guam, and American Samoa.

''(2) CEILING AMOUNT.—The term 'ceiling amount' means, with respect to a territory and a fiscal year, the mandatory ceiling amount with respect to the territory plus the discretionary ceiling amount with respect to the territory, reduced for the fiscal year in accordance with subsection (f).

''(3) MANDATORY CEILING AMOUNT.—The term 'mandatory ceiling amount' means—

''(A) $105,538,000 with respect to for Puerto Rico;

''(B) $4,902,000 with respect to Guam;

''(C) $3,742,000 with respect to the Virgin Islands; and

''(D) $1,122,000 with respect to American Samoa.

''(4) DISCRETIONARY CEILING AMOUNT.—The term 'discretionary ceiling amount' means, with respect to a territory and a fiscal year, the total amount appropriated pursuant to subsection (d)(3) for the fiscal year for payment to the territory.

''(5) TOTAL AMOUNT EXPENDED BY THE TERRITORY.—The term 'total amount expended by the territory'—

''(A) does not include expenditures during the fiscal year from amounts made available by the Federal Government; and

''(B) when used with respect to fiscal year 1995, also does not include—

''(i) expenditures during fiscal year 1995 under subsection (g) or (i) of section 402 (as in effect on September 30, 1995); or

''(ii) any expenditures during fiscal year 1995 for which the territory (but for section 1108, as in effect on September 30, 1995) would have received reimbursement from the Federal Government.

''(d) DISCRETIONARY GRANTS.—

''(1) IN GENERAL.—The Secretary shall make a grant to each territory for any fiscal year in the amount appropriated pursuant to paragraph (3) for the fiscal year for payment to the territory.

''(2) USE OF GRANT.—Any territory to which a grant is made under paragraph (1) may expend the amount under any program operated or funded under any provision of law specified in subsection (a).

''(3) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—For grants under paragraph (1), there are authorized to be appropriated to the Secretary for each fiscal year—

''(A) $7,951,000 for payment to Puerto Rico;

''(B) $345,000 for payment to Guam;

''(C) $275,000 for payment to the Virgin Islands; and

''(D) $190,000 for payment to American Samoa.

''(e) AUTHORITY TO TRANSFER FUNDS AMONG PROGRAMS.—Notwithstanding any other provision of this Act, any territory to which an amount is paid under any provision of law specified in subsection (a) may use part or all of the amount to carry out any program operated by the territory, or funded, under any other such provision of law.

''(f) MAINTENANCE OF EFFORT.—The ceiling amount with respect to a territory shall be reduced for a fiscal year by an amount equal to the amount (if any) by which—

''(1) the total amount expended by the territory under all programs of the territory operated pursuant to the provisions of law specified in subsection (a) (as such provisions were in effect for fiscal year 1995) for fiscal year 1995; exceeds

''(2) the total amount expended by the territory under all programs of the territory that are funded under the provisions of law specified in subsection (a) for the fiscal year that immediately precedes the fiscal year referred to in the matter preceding paragraph (1).''; and

(C) by striking subsections (d) and (e).

(2) Section 1109 (42 U.S.C. 1309) is amended by striking ''or part A of title IV,''.

(3) Section 1115 (42 U.S.C. 1315) is amended—

(A) in subsection (a)(2)—

(i) by inserting ''(A)'' after ''(2)'';

(ii) by striking ''403,'';

(iii) by striking the period at the end and inserting '', and''; and

(iv) by adding at the end the following new subparagraph:

''(B) costs of such project which would not otherwise be a permissible use of funds under part A of title IV and which are not included as part of the costs of projects under section 1110, shall to the extent and for the period prescribed by the Secretary, be regarded as a permissible use of funds under such part.''; and

(B) in subsection (c)(3), by striking ''under the program of aid to families with dependent children'' and inserting ''part A of such title''.

(4) Section 1116 (42 U.S.C. 1316) is amended—

(A) in each of subsections (a)(1), (b), and (d), by striking ''or part A of title IV,''; and

(B) in subsection (a)(3), by striking ''404,''.

(5) Section 1118 (42 U.S.C. 1318) is amended—

(A) by striking ''403(a),'';

(B) by striking ''and part A of title IV,''; and

(C) by striking '', and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV''.

(6) Section 1119 (42 U.S.C. 1319) is amended—

(A) by striking ''or part A of title IV''; and

(B) by striking ''403(a),''.

(7) Section 1133(a) (42 U.S.C. 1320b–3(a)) is amended by striking ''or part A of title IV,''.

(8) Section 1136 (42 U.S.C. 1320b–6) is repealed.

(9) Section 1137 (42 U.S.C. 1320b–7) is amended—

(A) in subsection (b), by striking paragraph (1) and inserting the following:

''(1) any State program funded under part A of title IV of this Act;''; and

(B) in subsection (d)(1)(B)—

(i) by striking ''In this subsection—'' and all that follows through ''(ii) in'' and inserting ''In this subsection, in'';

(ii) by redesignating subclauses (I), (II), and (III) as clauses (i), (ii), and (iii); and

(iii) by moving such redesignated material 2 ems to the left.

(f) AMENDMENT TO TITLE XIV.—Section 1402(a)(7) (42 U.S.C. 1352(a)(7)) is amended by striking ''aid to families with dependent children under the State plan approved under section 402 of this Act'' and inserting ''assistance under a State program funded under part A of title IV''.

(g) AMENDMENT TO TITLE XVI AS IN EFFECT WITH RESPECT TO THE TERRITORIES.—Section 1602(a)(11), as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972 (42 U.S.C. 1382 note), is amended by striking ''aid under the State plan approved'' and inserting ''assistance under a State program funded''.

(h) AMENDMENT TO TITLE XVI AS IN EFFECT WITH RESPECT TO THE STATES.—Section 1611(c)(5)(A) (42 U.S.C. 1382(c)(5)(A)) is amended to read as follows: ''(A) a State program funded under part A of title IV,''.

(i) AMENDMENT TO TITLE XIX.—Section 1902(j) (42 U.S.C. 1396a(j)) is amended by striking ''1108(c)'' and inserting ''1108(g)''.

**SEC. 109. CONFORMING AMENDMENTS TO THE FOOD STAMP ACT OF 1977 AND RELATED PROVISIONS.**

(a) Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended—

(1) in the second sentence of subsection (a), by striking ''plan approved'' and all that follows through ''title IV of the Social Security Act'' and inserting ''program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)'';

(2) in subsection (d)—

(A) in paragraph (5), by striking ''assistance to families with dependent children'' and inserting ''assistance under a State program funded''; and

(B) by striking paragraph (13) and redesignating paragraphs (14), (15), and (16) as paragraphs (13), (14), and (15), respectively;

(3) in subsection (j), by striking ''plan approved under part A of title IV of such Act (42 U.S.C. 601 et seq.)'' and inserting ''program funded under part A of title IV of the Act (42 U.S.C. 601 et seq.)''; and

(4) by striking subsection (m).

(b) Section 6 of such Act (7 U.S.C. 2015) is amended—

(1) in subsection (c)(5), by striking ''the State plan approved'' and inserting ''the State program funded''; and

(2) in subsection (e)(6), by striking ''aid to families with dependent children'' and inserting ''benefits under a State program funded''.

(c) Section 16(g)(4) of such Act (7 U.S.C. 2025(g)(4)) is amended by striking ''State plans under the Aid to Families with Dependent Children Program under'' and inserting ''State programs funded under part A of''.

(d) Section 17 of such Act (7 U.S.C. 2026) is amended—

(1) in the first sentence of subsection (b)(1)(A), by striking ''to aid to families with dependent children under part A of title IV of the Social Security Act'' and inserting ''or are receiving assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)''; and

(2) in subsection (b)(3), by adding at the end the following new subparagraph:

''(I) The Secretary may not grant a waiver under this paragraph on or after October 1, 1995. Any reference in this paragraph to a provision of title IV of the Social Security Act shall be deemed to be a reference to such provision as in effect on September 30, 1995.'';

(e) Section 20 of such Act (7 U.S.C. 2029) is amended—

(1) in subsection (a)(2)(B) by striking ''operating—'' and all that follows through ''(ii) any other'' and inserting ''operating any''; and

(2) in subsection (b)—

(A) in paragraph (1)—

(i) by striking ''(b)(1) A household'' and inserting ''(b) A household''; and

(ii) in subparagraph (B), by striking ''training program'' and inserting ''activity'';

(B) by striking paragraph (2); and

(C) by redesignating subparagraphs (A) through (F) as paragraphs (1) through (6), respectively.

(f) Section 5(h)(1) of the Agriculture and Consumer Protection Act of 1973 (Public Law 93–186; 7 U.S.C. 612c note) is amended by striking ''the program for aid to families with dependent children'' and inserting ''the State program funded''.

(g) Section 9 of the National School Lunch Act (42 U.S.C. 1758) is amended—

(1) in subsection (b)—

(A) in paragraph (2)(C)(ii)(II)—

(i) by striking ''program for aid to families with dependent children'' and inserting ''State program funded''; and

(ii) by inserting before the period at the end the following: ''that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995''; and

(B) in paragraph (6)—

(i) in subparagraph (A)(ii)—

(I) by striking ''an AFDC assistance unit (under the aid to families with dependent children program authorized'' and inserting ''a family (under the State program funded''; and

(II) by striking '', in a State'' and all that follows through ''9902(2)))'' and inserting ''that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995''; and

(ii) in subparagraph (B), by striking ''aid to families with dependent children'' and inserting ''assistance under the State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995''; and

(2) in subsection (d)(2)(C)—

(A) by striking ''program for aid to families with dependent children'' and inserting ''State program funded''; and

(B) by inserting before the period at the end the following: ''that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995''.

(h) Section 17(d)(2)(A)(ii)(II) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(d)(2)(A)(ii)(II)) is amended—

(1) by striking ''program for aid to families with dependent children established'' and inserting ''State program funded''; and

(2) by inserting before the semicolon the following: ''that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995''.

***SEC. 110. CONFORMING AMENDMENTS TO OTHER LAWS.***

(a) Subsection (b) of section 508 of the Unemployment Compensation Amendments of 1976 (42 U.S.C. 603a; Public Law 94–566; 90 Stat. 2689) is amended to read as follows:

''(b) PROVISION FOR REIMBURSEMENT OF EXPENSES.—For purposes of section 455 of the Social Security Act, expenses incurred to reimburse State employment offices for furnishing information requested of such offices—

''(1) pursuant to the third sentence of section 3(a) of the Act entitled 'An Act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes', approved June 6, 1933 (29 U.S.C. 49b(a)), or

''(2) by a State or local agency charged with the duty of carrying a State plan for child support approved under part D of title IV of the Social Security Act,

shall be considered to constitute expenses incurred in the administration of such State plan.''.

(b) Section 9121 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note) is repealed.

(c) Section 9122 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note) is repealed.

(d) Section 221 of the Housing and Urban-Rural Recovery Act of 1983 (42 U.S.C. 602 note), relating to treatment under AFDC of certain rental payments for federally assisted housing, is repealed.

(e) Section 159 of the Tax Equity and Fiscal Responsibility Act of 1982 (42 U.S.C. 602 note) is repealed.

(f) Section 202(d) of the Social Security Amendments of 1967 (81 Stat. 882; 42 U.S.C. 602 note) is repealed.

(g) Section 903 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 11381 note), relating to demonstration projects to reduce number of AFDC families in welfare hotels, is amended—

(1) in subsection (a), by striking ''aid to families with dependent children under a State plan approved'' and inserting ''assistance under a State program funded''; and

(2) in subsection (c), by striking ''aid to families with dependent children in the State under a State plan approved'' and inserting ''assistance in the State under a State program funded''.

(h) The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(1) in section 404C(c)(3) (20 U.S.C. 1070a–23(c)(3)), by striking ''(Aid to Families with Dependent Children)''; and

(2) in section 480(b)(2) (20 U.S.C. 1087vv(b)(2)), by striking ''aid to families with dependent children under a State plan approved'' and inserting ''assistance under a State program funded''.

(i) The Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2301 et seq.) is amended—

(1) in section 231(d)(3)(A)(ii) (20 U.S.C. 2341(d)(3)(A)(ii)), by striking ''the program for aid to dependent children'' and inserting ''the State program funded'';

(2) in section 232(b)(2)(B) (20 U.S.C. 2341a(b)(2)(B)), by striking ''the program for aid to families with dependent children'' and inserting ''the State program funded''; and

(3) in section 521(14)(B)(iii) (20 U.S.C. 2471(14)(B)(iii)), by striking ''the program for aid to families with dependent children'' and inserting ''the State program funded''.

(j) The Elementary and Secondary Education Act of 1965 (20 U.S.C. 2701 et seq.) is amended—

(1) in section 1113(a)(5) (20 U.S.C. 6313(a)(5)), by striking ''Aid to Families with Dependent Children Program'' and inserting ''State program funded under part A of title IV of the Social Security Act'';

(2) in section 1124(c)(5) (20 U.S.C. 6333(c)(5)), by striking ''the program of aid to families with dependent children under a State plan approved under'' and inserting ''a State program funded under part A of''; and

(3) in section 5203(b)(2) (20 U.S.C. 7233(b)(2))—

(A) in subparagraph (A)(xi), by striking ''Aid to Families with Dependent Children benefits'' and inserting ''assistance under a State program funded under part A of title IV of the Social Security Act''; and

(B) in subparagraph (B)(viii), by striking ''Aid to Families with Dependent Children'' and inserting ''assistance under the State program funded under part A of title IV of the Social Security Act''.

(k) Chapter VII of title I of Public Law 99–88 (25 U.S.C. 13d–1) is amended to read as follows: ''Provided further, That general assistance payments made by the Bureau of Indian Affairs shall be made—

''(1) after April 29, 1985, and before October 1, 1995, on the basis of Aid to Families with Dependent Children (AFDC) standards of need; and

''(2) on and after October 1, 1995, on the basis of standards of need established under the State program funded under part A of title IV of the Social Security Act,

except that where a State ratably reduces its AFDC or State program payments, the Bureau shall reduce general assistance payments in such State by the same percentage as the State has reduced the AFDC or State program payment.''.

(l) The Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.) is amended—

(1) in section 51(d)(9) (26 U.S.C. 51(d)(9)), by striking all that follows ''agency as'' and inserting ''being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer.'';

(2) in section 3304(a)(16) (26 U.S.C. 3304(a)(16)), by striking ''eligibility for aid or services,'' and all that follows through ''children approved'' and inserting ''eligibility for assistance, or the amount of such assistance, under a State program funded'';

(3) in section 6103(l)(7)(D)(i) (26 U.S.C. 6103(l)(7)(D)(i)), by striking ''aid to families with dependent children provided under a State plan approved'' and inserting ''a State program funded'';

(4) in section 6103(l)(10) (26 U.S.C. 6103(l)(10))—

(A) by striking ''(c) or (d)'' each place it appears and inserting ''(c), (d), or (e)''; and

(B) by adding at the end of subparagraph (B) the following new sentence: ''Any return information disclosed with respect to section 6402(e) shall only be disclosed to officers and employees of the State agency requesting such information.'';

(5) in section 6103(p)(4) (26 U.S.C. 6103(p)(4)), in the matter preceding subparagraph (A)—

(A) by striking ''(5), (10)'' and inserting ''(5)''; and

(B) by striking ''(9), or (12)'' and inserting ''(9), (10), or (12)'';

(6) in section 6334(a)(11)(A) (26 U.S.C. 6334(a)(11)(A)), by striking ''(relating to aid to families with dependent children)'';

(7) in section 6402 (26 U.S.C. 6402)—

(A) in subsection (a), by striking ''(c) and (d)'' and inserting ''(c), (d), and (e)'';

(B) by redesignating subsections (e) through (i) as subsections (f) through (j), respectively; and

(C) by inserting after subsection (d) the following:

''(e) COLLECTION OF OVERPAYMENTS UNDER TITLE IV–A OF THE SOCIAL SECURITY ACT.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced (after reductions pursuant to subsections (c) and (d), but before a credit against future liability for an internal revenue tax) in accordance with section 405(e) of the Social Security Act (concerning recovery of overpayments to individuals under State plans approved under part A of title IV of such Act).''; and

(8) in section 7523(b)(3)(C) (26 U.S.C. 7523(b)(3)(C)), by striking ''aid to families with dependent children'' and inserting ''assistance under a State program funded under part A of title IV of the Social Security Act''.

(m) Section 3(b) of the Wagner-Peyser Act (29 U.S.C. 49b(b)) is amended by striking ''State plan approved under part A of title IV'' and inserting ''State program funded under part A of title IV''.

(n) The Job Training Partnership Act (29 U.S.C. 1501 et seq.) is amended—

(1) in section 4(29)(A)(i) (29 U.S.C. 1503(29)(A)(i)), by striking ''(42 U.S.C. 601 et seq.)'';

(2) in section 106(b)(6)(C) (29 U.S.C. 1516(b)(6)(C)), by striking ''State aid to families with dependent children records,'' and inserting ''records collected under the State program funded under part A of title IV of the Social Security Act,'';

(3) in section 121(b)(2) (29 U.S.C. 1531(b)(2))—

(A) by striking ''the JOBS program'' and inserting ''the work activities required under title IV of the Social Security Act''; and

(B) by striking the second sentence;

(4) in section 123(c) (29 U.S.C. 1533(c))—

(A) in paragraph (1)(E), by repealing clause (vi); and

(B) in paragraph (2)(D), by repealing clause (v);

(5) in section 203(b)(3) (29 U.S.C. 1603(b)(3)), by striking '', including recipients under the JOBS program'';

(6) in subparagraphs (A) and (B) of section 204(a)(1) (29 U.S.C. 1604(a)(1) (A) and (B)), by striking ''(such as the JOBS program)'' each place it appears;

(7) in section 205(a) (29 U.S.C. 1605(a)), by striking paragraph (4) and inserting the following:

''(4) the portions of title IV of the Social Security Act relating to work activities;'';

(8) in section 253 (29 U.S.C. 1632)—

(A) in subsection (b)(2), by repealing subparagraph (C); and

(B) in paragraphs (1)(B) and (2)(B) of subsection (c), by striking ''the JOBS program or'' each place it appears;

(9) in section 264 (29 U.S.C. 1644)—

(A) in subparagraphs (A) and (B) of subsection (b)(1), by striking ''(such as the JOBS program)'' each place it appears; and

(B) in subparagraphs (A) and (B) of subsection (d)(3), by striking ''and the JOBS program'' each place it appears;

(10) in section 265(b) (29 U.S.C. 1645(b)), by striking paragraph (6) and inserting the following:

''(6) the portion of title IV of the Social Security Act relating to work activities;'';

(11) in the second sentence of section 429(e) (29 U.S.C. 1699(e)), by striking ''and shall be in an amount that does not exceed the maximum amount that may be provided by the State pursuant to section 402(g)(1)(C) of the Social Security Act (42 U.S.C. 602(g)(1)(C))'';

(12) in section 454(c) (29 U.S.C. 1734(c)), by striking ''JOBS and'';

(13) in section 455(b) (29 U.S.C. 1735(b)), by striking ''the JOBS program,'';

(14) in section 501(1) (29 U.S.C. 1791(1)), by striking ''aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)'' and inserting ''assistance under the State program funded under part A of title IV of the Social Security Act'';

(15) in section 506(1)(A) (29 U.S.C. 1791e(1)(A)), by striking ''aid to families with dependent children'' and inserting ''assistance under the State program funded'';

(16) in section 508(a)(2)(A) (29 U.S.C. 1791g(a)(2)(A)), by striking ''aid to families with dependent children'' and inserting ''assistance under the State program funded''; and

(17) in section 701(b)(2)(A) (29 U.S.C. 1792(b)(2)(A))—

(A) in clause (v), by striking the semicolon and inserting ''; and''; and

(B) by striking clause (vi).

(o) Section 3803(c)(2)(C)(iv) of title 31, United States Code, is amended to read as follows:

''(iv) assistance under a State program funded under part A of title IV of the Social Security Act''.

(p) Section 2605(b)(2)(A)(i) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(b)(2)(A)(i)) is amended to read as follows:

''(i) assistance under the State program funded under part A of title IV of the Social Security Act;''.

(q) Section 303(f)(2) of the Family Support Act of 1988 (42 U.S.C. 602 note) is amended—

(1) by striking ''(A)''; and

(2) by striking subparagraphs (B) and (C).

(r) The Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900 et seq.) is amended—

(1) in the first section 255(h) (2 U.S.C. 905(h)), by striking ''Aid to families with dependent children (75–0412–0–1–609);'' and inserting ''Block grants to States for temporary assistance for needy families;''; and

(2) in section 256 (2 U.S.C. 906)—

(A) by striking subsection (k); and

(B) by redesignating subsection (l) as subsection (k).

(s) The Immigration and Nationality Act (8 U.S.C. 1101 et seq.) is amended—

(1) in section 210(f) (8 U.S.C. 1160(f)), by striking ''aid under a State plan approved under'' each place it appears and inserting ''assistance under a State program funded under'';

(2) in section 245A(h) (8 U.S.C. 1255a(h))—

(A) in paragraph (1)(A)(i), by striking ''program of aid to families with dependent children'' and inserting ''State program of assistance''; and

(B) in paragraph (2)(B), by striking ''aid to families with dependent children'' and inserting ''assistance under a State program funded under part A of title IV of the Social Security Act''; and

(3) in section 412(e)(4) (8 U.S.C. 1522(e)(4)), by striking ''State plan approved'' and inserting ''State program funded''.

(t) Section 640(a)(4)(B)(i) of the Head Start Act (42 U.S.C. 9835(a)(4)(B)(i)) is amended by striking ''program of aid to families with dependent children under a State plan approved'' and inserting ''State program of assistance funded''.

(u) Section 9 of the Act of April 19, 1950 (64 Stat. 47, chapter 92; 25 U.S.C. 639) is repealed.

(v) Subparagraph (E) of section 213(d)(6) of the School-To-Work Opportunities Act of 1994 (20 U.S.C. 6143(d)(6)) is amended to read as follows:

''(E) part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) relating to work activities;''.

(w) Section 552a(a)(8)(B)(iv)(III) of title 5, United States Code, is amended by striking ''section 464 or 1137 of the Social Security Act'' and inserting ''section 404(e), 464, or 1137 of the Social Security Act.''.

**SEC. 111. DEVELOPMENT OF PROTOTYPE OF COUNTERFEIT-RESISTANT SOCIAL SECURITY CARD REQUIRED.**

(a) DEVELOPMENT.—

(1) IN GENERAL.—The Commissioner of Social Security (in this section referred to as the ''Commissioner'') shall, in accordance with this section, develop a prototype of a counterfeit-resistant social security card. Such prototype card shall—

(A) be made of a durable, tamper-resistant material such as plastic or polyester,

(B) employ technologies that provide security features, such as magnetic stripes, holograms, and integrated circuits, and

(C) be developed so as to provide individuals with reliable proof of citizenship or legal resident alien status.

(2) ASSISTANCE BY ATTORNEY GENERAL.—The Attorney General of the United States shall provide such information and assistance as the Commissioner deems necessary to enable the Commissioner to comply with this section.

(b) STUDY AND REPORT.—

(1) IN GENERAL.—The Commissioner shall conduct a study and issue a report to Congress which examines different methods of improving the social security card application process.

(2) ELEMENTS OF STUDY.—The study shall include an evaluation of the cost and work load implications of issuing a counterfeit-resistant social security card for all individuals over a 3-, 5-, and 10-year period. The study shall also evaluate the feasibility and cost implications of imposing a user fee for replacement cards and cards issued to individuals who apply for such a card prior to the scheduled 3-, 5-, and 10-year phase-in options.

(3) DISTRIBUTION OF REPORT.—The Commissioner shall submit copies of the report described in this subsection along with a facsimile of the prototype card as described in subsection (a) to the Committees on Ways and Means and Judiciary of the House of Representatives and the Committees on Finance and Judiciary of the Senate within 1 year after the date of the enactment of this Act.

**SEC. 112. DISCLOSURE OF RECEIPT OF FEDERAL FUNDS.**

(a) IN GENERAL.—Whenever an organization that accepts Federal funds under this Act or the amendments made by this Act makes any communication that in any way intends to promote public support or opposition to any policy of a Federal, State, or local government through any broadcasting station, newspaper, magazine, outdoor advertising facility, direct mailing, or any other type of general public advertising, such communication shall state the following: ''This was prepared and paid for by an organization that accepts taxpayer dollars.''.

(b) FAILURE TO COMPLY.—If an organization makes any communication described in subsection (a) and fails to provide the statement required by that subsection, such organization shall be ineligible to receive Federal funds under this Act or the amendments made by this Act.

(c) DEFINITION.—For purposes of this section, the term ''organization'' means an organization described in section 501(c) of the Internal Revenue Code of 1986.

(d) EFFECTIVE DATES.—This section shall take effect—

(1) with respect to printed communications 1 year after the date of enactment of this Act; and

(2) with respect to any other communication on the date of enactment of this Act.

**SEC. 113. MODIFICATIONS TO THE JOB OPPORTUNITIES FOR CERTAIN LOW-INCOME INDIVIDUALS PROGRAM.**

Section 505 of the Family Support Act of 1988 (42 U.S.C. 1315 note) is amended—

(1) in the heading, by striking ''**DEMONSTRATION**'';

(2) by striking ''demonstration'' each place such term appears;

(3) in subsection (a), by striking ''in each of fiscal years'' and all that follows through ''10'' and inserting ''shall enter into agreements with'';

(4) in subsection (b)(3), by striking ''aid to families with dependent children under part A of title IV of the Social Security Act'' and inserting ''assistance under the program funded part A of title IV of the Social Security Act of the State in which the individual resides'';

(5) in subsection (c)—

(A) in paragraph (1)(C), by striking ''aid to families with dependent children under part A of title IV of the Social Security Act'' and inserting ''assistance under a State program funded part A of title IV of the Social Security Act'';

(B) in paragraph (2), by striking ''aid to families with dependent children under title IV of such Act'' and inserting ''assistance under a State program funded part A of title IV of the Social Security Act'';

(6) in subsection (d), by striking ''job opportunities and basic skills training program (as provided for under title IV of the Social Security Act)'' and inserting ''the State program funded under part A of title IV of the Social Security Act''; and

(7) by striking subsections (e) through (g) and inserting the following:

''(e) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of conducting projects under this section, there is authorized to be appropriated an amount not to exceed $25,000,000 for any fiscal year.''.

**SEC. 114. MEDICAID ELIGIBILITY UNDER TITLE IV OF THE SOCIAL SECURITY ACT.**

(a) IN GENERAL.—Section 1902(a)(10)(A) (42 U.S.C. 1396a(a)(10)(A)) is amended—

(1) in clause (i), by amending subclause (I) to read as follows:

''(I) who are receiving a foster care maintenance payment described in section 423(b)(1)(A) or an adoption assistance payment described in section 423(b)(1)(B),''; and

(2) in clause (ii)—

(A) by striking ''or'' at the end of subclause (XI),

(B) by adding ''or'' at the end of subclause (XII), and

(C) by adding at the end the following new subclause:

''(XIII) to individuals (which may include individuals who receive payment under any plan of the State approved under title I, X, XIV, or XVI, or a program funded under part A of title IV of this Act, as amended by the Personal Responsibility and Work Opportunity Act of 1995, and other similar individuals) who meet such eligibility criteria as the State establishes, so long as the State demonstrates to the satisfaction of the Secretary that the application of such criteria does not result in Federal expenditures under this title that are greater than the Federal expenditures that would have been made under this title if such Act had not been enacted,''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to medical assistance for items and services furnished on or after the date of the enactment of this Act.

**SEC. 115. SECRETARIAL SUBMISSION OF LEGISLATIVE PROPOSAL FOR TECHNICAL AND CONFORMING AMENDMENTS.**

Not later than 90 days after the date of the enactment of this Act, the Secretary of Health and Human Services and the Commissioner of Social Security, in consultation, as appropriate, with the heads of other Federal agencies, shall submit to the appropriate committees of Congress a legislative proposal proposing such technical and conforming amendments as are necessary to bring the law into conformity with the policy embodied in this title.

**SEC. 116. EFFECTIVE DATE; TRANSITION RULE.**

(a) IN GENERAL.—Except as otherwise provided in this title, this title and the amendments made by this title shall take effect on October 1, 1996.

(b) TRANSITION RULES.—

(1) STATE OPTION TO ACCELERATE EFFECTIVE DATE.—

(A) IN GENERAL.—If, within 3 months after the date of the enactment of this Act, the Secretary of Health and Human Services receives from a State a plan described in section 402(a) of the Social Security Act (as added by the amendment made by section 103 of this Act), this title and the amendments made by this title (except section 409(a)(7) of the Social Security Act, as added by the amendment made by such section 103) shall also apply with respect to the State during the period that begins on the date of such receipt and ends on September 30, 1996, except that the State shall be considered an eligible State for fiscal year 1996 for purposes of part A of title IV of the Social Security Act (as in effect pursuant to the amendment made by such section 103).

(B) LIMITATIONS ON FEDERAL OBLIGATIONS.—

(i) UNDER AFDC PROGRAM.—If the Secretary receives from a State the plan referred to in subparagraph (A), the total obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures by the State after the date of the enactment of this Act shall not exceed an amount equal to—

(I) the State family assistance grant (as defined in section 403(a)(1)(B) of the Social Security Act (as in effect pursuant to the amendment made by section 103 of this Act)); minus

(II) any obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures by the State during the period that begins on October 1, 1995, and ends on the day before the date of the enactment of this Act.

(ii) UNDER TEMPORARY FAMILY ASSISTANCE PROGRAM.—Notwithstanding section 403(a)(1) of the Social Security Act (as in effect pursuant to the amendment made by section 103 of this Act), the total obligations of the Federal Government to a State under such section 403(a)(1) for fiscal year 1996 after the termination of the State AFDC program shall not exceed an amount equal to—

(I) the amount described in clause (i)(I) of this subparagraph; minus

(II) any obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures by the State on or after October 1, 1995.

''(iii) CHILD CARE OBLIGATIONS EXCLUDED IN DETERMINING FEDERAL AFDC OBLIGATIONS.—As used in this subparagraph, the term ''obligations of the Federal Government to the State under part A of title IV of the Social Security Act'' does not include any obligation of the Federal Government with respect to child care expenditures by the State.

(C) SUBMISSION OF STATE PLAN FOR FISCAL YEAR 1996 DEEMED ACCEPTANCE OF GRANT LIMITATIONS AND FORMULA.—The submission of a plan by a State pursuant to subparagraph (A) is deemed to constitute the State's acceptance of the grant reductions under subparagraph (B)(ii) (including the formula for computing the amount of the reduction).

(D) DEFINITIONS.—As used in this paragraph:

(i) STATE AFDC PROGRAM.—The term ''State AFDC program'' means the State program under parts A and F of title IV of the Social Security Act (as in effect on September 30, 1995).

''(ii) STATE.—The term ''State'' means the 50 States and the District of Columbia.

(2) CLAIMS, ACTIONS, AND PROCEEDINGS.—The amendments made by this title shall not apply with respect to—

(A) powers, duties, functions, rights, claims, penalties, or obligations applicable to aid, assistance, or services provided before the effective date of this title under the provisions amended; and

(B) administrative actions and proceedings commenced before such date, or authorized before such date to be commenced, under such provisions.

(3) CLOSING OUT ACCOUNT FOR THOSE PROGRAMS TERMINATED OR SUBSTANTIALLY MODIFIED BY THIS TITLE.—In closing out accounts, Federal and State officials may use scientifically acceptable statistical sampling techniques. Claims made with respect to State expenditures under a State plan approved under part A of title IV of the Social Security Act (as in effect before the effective date of this Act) with respect to assistance or services provided on or before September 30, 1995, shall be treated as claims with respect to expenditures during fiscal year 1995 for purposes of reimbursement even if payment was made by a State on or after October 1, 1995. Each State shall complete the filing of all claims under the State plan (as so in effect) no later than September 30, 1997. The head of each Federal department shall—

(A) use the single audit procedure to review and resolve any claims in connection with the close out of programs under such State plans; and

(B) reimburse States for any payments made for assistance or services provided during a prior fiscal year from funds for fiscal year 1995, rather than from funds authorized by this title.

(4) CONTINUANCE IN OFFICE OF ASSISTANT SECRETARY FOR FAMILY SUPPORT.—The individual who, on the day before the effective date of this title, is serving as Assistant Secretary for Family Support within the Department of Health and Human Services shall, until a successor is appointed to such position—

(A) continue to serve in such position; and

(B) except as otherwise provided by law—

(i) continue to perform the functions of the Assistant Secretary for Family Support under section 417 of the Social Security Act (as in effect before such effective date); and

(ii) have the powers and duties of the Assistant Secretary for Family Support under section 416 of the Social Security Act (as in effect pursuant to the amendment made by section 103 of this Act).

## TITLE II—SUPPLEMENTAL SECURITY INCOME

**SEC. 200. REFERENCE TO SOCIAL SECURITY ACT.**

Except as otherwise specifically provided, wherever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Social Security Act.

### Subtitle A—Eligibility Restrictions

**SEC. 201. DENIAL OF SSI BENEFITS FOR 10 YEARS TO INDIVIDUALS FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN BENEFITS SIMULTANEOUSLY IN 2 OR MORE STATES.**

(a) IN GENERAL.—Section 1614(a) (42 U.S.C. 1382c(a)) is amended by adding at the end the following new paragraph:

''(5) An individual shall not be considered an eligible individual for the purposes of this title during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under title IV, title XIX, or the Food Stamp Act of 1977, or benefits in 2 or more States under the supplemental security income program under this title.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

***SEC. 202. DENIAL OF SSI BENEFITS FOR FUGITIVE FELONS AND PROBATION AND PAROLE VIOLATORS.***

*(a) IN GENERAL.—Section 1611(e) (42 U.S.C. 1382(e)) is amended by inserting after paragraph (3) the following new paragraph:*

*''(4) A person shall not be considered an eligible individual or eligible spouse for purposes of this title with respect to any month if during such month the person is—*

*''(A) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the person flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the person flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or*

*''(B) violating a condition of probation or parole imposed under Federal or State law.''.*

*(b) EXCHANGE OF INFORMATION WITH LAW ENFORCEMENT AGENCIES.—Section 1611(e) (42 U.S.C. 1382(e)), as amended by subsection (a), is amended by inserting after paragraph (4) the following new paragraph:*

*''(5) Notwithstanding any other provision of law, the Commissioner shall furnish any Federal, State, or local law enforcement officer, upon the request of the officer, with the current address, Social Security number, and photograph (if applicable) of any recipient of benefits under this title, if the officer furnishes the Commissioner with the name of the recipient and notifies the Commissioner that—*

*''(A) the recipient—*

*''(i) is described in subparagraph (A) or (B) of paragraph (4); or*

*''(ii) has information that is necessary for the officer to conduct the officer's official duties; and*

*''(B) the location or apprehension of the recipient is within the officer's official duties.''.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.*

***Subtitle B—Benefits for Disabled Children***

***SEC. 211. DEFINITION AND ELIGIBILITY RULES.***

*(a) DEFINITION OF CHILDHOOD DISABILITY.—Section 1614(a)(3) (42 U.S.C. 1382c(a)(3)), as amended by section 201(a), is amended—*

*(1) in subparagraph (A), by striking ''An individual'' and inserting ''Except as provided in subparagraph (C), an individual'';*

*(2) in subparagraph (A), by striking ''(or, in the case of an individual under the age of 18, if he suffers from any medically determinable physical or mental impairment of comparable severity)'';*

*(3) by redesignating subparagraphs (C) through (I) as subparagraphs (D) through (J), respectively;*

*(4) by inserting after subparagraph (B) the following new subparagraph:*

*''(C) An individual under the age of 18 shall be considered disabled for the purposes of this title if that individual has a medically determinable physical or mental impairment, which results in marked and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Notwithstanding the preceding sentence, no individual under the age of 18 who engages in substantial gainful activity (determined in accordance with regulations prescribed pursuant to subparagraph (E)) may be considered to be disabled.''; and*

*(5) in subparagraph (F), as redesignated by paragraph (3), by striking ''(D)'' and inserting ''(E)''.*

*(b) CHANGES TO CHILDHOOD SSI REGULATIONS.—*

*(1) MODIFICATION TO MEDICAL CRITERIA FOR EVALUATION OF MENTAL AND EMOTIONAL DISORDERS.—The Commissioner of Social Security shall modify sections 112.00C.2. and 112.02B.2.c.(2) of appendix 1 to subpart P of part 404 of title 20, Code of Federal Regulations, to eliminate references to maladaptive behavior in the domain of personal/behavorial function.*

*(2) DISCONTINUANCE OF INDIVIDUALIZED FUNCTIONAL ASSESSMENT.—The Commissioner of Social Security shall discontinue the individualized functional assessment for children set forth in sections 416.924d and 416.924e of title 20, Code of Federal Regulations.*

*(c) MEDICAL IMPROVEMENT REVIEW STANDARD AS IT APPLIES TO INDIVIDUALS UNDER THE AGE OF 18.—Section 1614(a)(4) (42 U.S.C. 1382(a)(4)) is amended—*

*(1) by redesignating subclauses (I) and (II) of clauses (i) and (ii) of subparagraph (B) as items (aa) and (bb), respectively;*

*(2) by redesignating clauses (i) and (ii) of subparagraphs (A) and (B) as subclauses (I) and (II), respectively;*

*(3) by redesignating subparagraphs (A) through (C) as clauses (i) through (iii), respectively, and by moving their left hand margin 2 ems to the right;*

*(4) by inserting before clause (i) (as redesignated by paragraph (3)) the following:*

*''(A) in the case of an individual who is age 18 or older—'';*

*(5) at the end of subparagraph (A)(iii) (as redesignated by paragraphs (3) and (4)), by striking the period and inserting ''; or'';*

*(6) by inserting after and below subparagraph (A)(iii) (as so redesignated) the following:*

*''(B) in the case of an individual who is under the age of 18—*

*''(i) substantial evidence which demonstrates that there has been medical improvement in the individual's impairment or combination of impairments, and that such impairment or combination of impairments no longer results in marked and severe functional limitations; or*

*''(ii) substantial evidence which demonstrates that, as determined on the basis of new or improved diagnostic techniques or evaluations, the individual's impairment or combination of impairments, is not as disabling as it was considered to be at the time of the most recent prior decision that the individual was under a disability or continued to be under a disability, and such impairment or combination of impairments does not result in marked or severe functional limitations; or'';*

*(7) by redesignating subparagraph (D) as subparagraph (C) and by inserting in such subparagraph ''in the case of any individual,'' before ''substantial evidence''; and*

*(8) in the first sentence following subparagraph (C) (as redesignated by paragraph (7)), by—*

*(A) inserting ''(i)'' before ''to restore''; and*

*(B) inserting '', or (ii) in the case of an individual under the age of 18, to eliminate or improve the individual's impairment or combination of impairments so that it no longer results in marked and severe functional limitations'' immediately before the period.*

*(d) AMOUNT OF BENEFITS.—Section 1611(b) (42 U.S.C. 1382(b)) is amended by adding at the end the following new paragraph:*

*''(3)(A) Except with respect to individuals described in subparagraph (B), the benefit under this title for an individual described in section 1614(a)(3)(C) shall be payable at a rate equal to 75 percent of the rate otherwise determined under this subsection.*

*''(B) An individual is described in this subparagraph if such individual is described in section 1614(a)(3)(C), and—*

*''(i) in the case of such an individual under the age of 6, such individual has a medical impairment that severely limits the individual's ability to function in a manner appropriate to individuals of the same age and who without special personal assistance would require specialized care outside the home; or*

*''(ii) in the case of such an individual who has attained the age of 6, such individual requires personal care assistance with—*

*''(I) at least 2 activities of daily living;*

*''(II) continual 24-hour supervision or monitoring to avoid causing injury or harm to self or others; or*

*''(III) the administration of medical treatment; and*

*who without such assistance would require full-time or part-time specialized care outside the home.*

*''(C)(i) For purposes of subparagraph (B), the term 'specialized care' means medical care beyond routine administration of medication.*

*''(ii) For purposes of subparagraph (B)(ii)—*

*''(I) the term 'personal care assistance' means at least hands-on and stand-by assistance, supervision, or cueing; and*

*''(II) the term 'activities of daily living' means eating, toileting, dressing, bathing, and mobility.''.*

*(e) EFFECTIVE DATES, ETC.—*

*(1) EFFECTIVE DATES.—*

*(A) IN GENERAL.—The provisions of, and amendments made by, subsections (a), (b), and (c) shall apply to applicants for benefits under title XVI of the Social Security Act for months beginning on or after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such provisions and amendments.*

*(B) ELIGIBILITY RULES.—The amendments made by subsection (d) shall apply to—*

*(i) applicants for benefits under title XVI of the Social Security Act for months beginning on or after January 1, 1997; and*

*(ii) with respect to continuing disability reviews of eligibility for benefits under such title occurring on or after such date.*

*(2) APPLICATION TO CURRENT RECIPIENTS.—*

*(A) ELIGIBILITY DETERMINATIONS.—Not later than 1 year after the date of the enactment of this Act, the Commissioner of Social Security shall redetermine the eligibility of any individual under age 18 who is receiving supplemental security income benefits by reason of disability under title XVI of the Social Security Act as of the date of the enactment of this Act and whose eligibility for such benefits may terminate by reason of the provisions of, or amendments made by, subsections (a), (b), and (c). With respect to any redetermination under this subparagraph—*

*(i) section 1614(a)(4) of the Social Security Act (42 U.S.C. 1382c(a)(4)) shall not apply;*

*(ii) the Commissioner of Social Security shall apply the eligibility criteria for new applicants for benefits under title XVI of such Act;*

*(iii) the Commissioner shall give such redetermination priority over all continuing eligibility reviews and other reviews under such title; and*

*(iv) such redetermination shall be counted as a review or redetermination otherwise required to be made under section 208 of the Social Security Independence and Program Improvements Act of 1994 or any other provision of title XVI of the Social Security Act.*

*(B) GRANDFATHER PROVISION.—The provisions of, and amendments made by, subsections (a), (b), and (c), and the redetermination under subparagraph (A), shall only apply with respect to the benefits of an individual described in subparagraph (A) for months beginning on or after January 1, 1997.*

*(C) NOTICE.—Not later than 90 days after the date of the enactment of this Act, the Commissioner of Social Security shall notify an individual described in subparagraph (A) of the provisions of this paragraph.*

*(3) REPORT.—The Commissioner of Social Security shall report to the Congress regarding the progress made in implementing the provisions of, and amendments made by, this section on child disability evaluations not later than 180 days after the date of the enactment of this Act.*

*(4) REGULATIONS.—The Commissioner of Social Security shall submit for review to the committees of jurisdiction in the Congress any final regulation pertaining to the eligibility of individuals under age 18 for benefits under title XVI of the Social Security Act at least 45 days before*

the effective date of such regulation. The submission under this paragraph shall include supporting documentation providing a cost analysis, workload impact, and projections as to how the regulation will effect the future number of recipients under such title.

(5) APPROPRIATIONS.—

(A) IN GENERAL.—Out of any money in the Treasury not otherwise appropriated, there are authorized to be appropriated and are hereby appropriated, to remain available without fiscal year limitation, $200,000,000 for fiscal year 1996, $75,000,000 for fiscal year 1997, and $25,000,000 for fiscal year 1998, for the Commissioner of Social Security to utilize only for continuing disability reviews and redeterminations under title XVI of the Social Security Act, with reviews and redeterminations for individuals affected by the provisions of subsection (b) given highest priority.

(B) ADDITIONAL FUNDS.—Amounts appropriated under subparagraph (A) shall be in addition to any funds otherwise appropriated for continuing disability reviews and redeterminations under title XVI of the Social Security Act.

(6) BENEFITS UNDER TITLE XVI.—For purposes of this subsection, the term ''benefits under title XVI of the Social Security Act'' includes supplementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act, and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66.

**SEC. 212. ELIGIBILITY REDETERMINATIONS AND CONTINUING DISABILITY REVIEWS.**

(a) CONTINUING DISABILITY REVIEWS RELATING TO CERTAIN CHILDREN.—Section 1614(a)(3)(H) (42 U.S.C. 1382c(a)(3)(H)), as redesignated by section 211(a)(3), is amended—

(1) by inserting ''(i)'' after ''(H)''; and

(2) by adding at the end the following new clause:

''(ii)(I) Not less frequently than once every 3 years, the Commissioner shall review in accordance with paragraph (4) the continued eligibility for benefits under this title of each individual who has not attained 18 years of age and is eligible for such benefits by reason of an impairment (or combination of impairments) which may improve (or, at the option of the Commissioner, which is unlikely to improve).

''(II) A representative payee of a recipient whose case is reviewed under this clause shall present, at the time of review, evidence demonstrating that the recipient is, and has been, receiving treatment, to the extent considered medically necessary and available, of the condition which was the basis for providing benefits under this title.

''(III) If the representative payee refuses to comply without good cause with the requirements of subclause (II), the Commissioner of Social Security shall, if the Commissioner determines it is in the best interest of the individual, promptly terminate payment of benefits to the representative payee, and provide for payment of benefits to an alternative representative payee of the individual or, if the interest of the individual under this title would be served thereby, to the individual.

''(IV) Subclause (II) shall not apply to the representative payee of any individual with respect to whom the Commissioner determines such application would be inappropriate or unnecessary. In making such determination, the Commissioner shall take into consideration the nature of the individual's impairment (or combination of impairments). Section 1631(c) shall not apply to a finding by the Commissioner that the requirements of subclause (II) should not apply to an individual's representative payee.''.

(b) DISABILITY ELIGIBILITY REDETERMINATIONS REQUIRED FOR SSI RECIPIENTS WHO ATTAIN 18 YEARS OF AGE.—

(1) IN GENERAL.—Section 1614(a)(3)(H) (42 U.S.C. 1382c(a)(3)(H)), as amended by subsection (a), is amended by adding at the end the following new clause:

''(iii) If an individual is eligible for benefits under this title by reason of disability for the month preceding the month in which the individual attains the age of 18 years, the Commissioner shall redetermine such eligibility—

''(I) during the 1-year period beginning on the individual's 18th birthday; and

''(II) by applying the criteria used in determining the initial eligibility for applicants who are age 18 or older.

With respect to a redetermination under this clause, paragraph (4) shall not apply and such redetermination shall be considered a substitute for a review or redetermination otherwise required under any other provision of this subparagraph during that 1-year period.''.

(2) CONFORMING REPEAL.—Section 207 of the Social Security Independence and Program Improvements Act of 1994 (42 U.S.C. 1382 note; 108 Stat. 1516) is hereby repealed.

(c) CONTINUING DISABILITY REVIEW REQUIRED FOR LOW BIRTH WEIGHT BABIES.—Section 1614(a)(3)(H) (42 U.S.C. 1382c(a)(3)(H)), as amended by subsections (a) and (b), is amended by adding at the end the following new clause:

''(iv)(I) Not later than 12 months after the birth of an individual, the Commissioner shall review in accordance with paragraph (4) the continuing eligibility for benefits under this title by reason of disability of such individual whose low birth weight is a contributing factor material to the Commissioner's determination that the individual is disabled.

''(II) A review under subclause (I) shall be considered a substitute for a review otherwise required under any other provision of this subparagraph during that 12-month period.

''(III) A representative payee of a recipient whose case is reviewed under this clause shall present, at the time of review, evidence demonstrating that the recipient is, and has been, receiving treatment, to the extent considered medically necessary and available, of the condition which was the basis for providing benefits under this title.

''(IV) If the representative payee refuses to comply without good cause with the requirements of subclause (III), the Commissioner of Social Security shall, if the Commissioner determines it is in the best interest of the individual, promptly terminate payment of benefits to the representative payee, and provide for payment of benefits to an alternative representative payee of the individual or, if the interest of the individual under this title would be served thereby, to the individual.

''(V) Subclause (III) shall not apply to the representative payee of any individual with respect to whom the Commissioner determines such application would be inappropriate or unnecessary. In making such determination, the Commissioner shall take into consideration the nature of the individual's impairment (or combination of impairments). Section 1631(c) shall not apply to a finding by the Commissioner that the requirements of subclause (III) should not apply to an individual's representative payee.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits for months beginning on or after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.

**SEC. 213. ADDITIONAL ACCOUNTABILITY REQUIREMENTS.**

(a) DISPOSAL OF RESOURCES FOR LESS THAN FAIR MARKET VALUE.—

(1) IN GENERAL.—Section 1613(c) (42 U.S.C. 1382b(c)) is amended to read as follows:

''Disposal of Resources for Less Than Fair Market Value

''(c)(1)(A)(i) If an individual who has not attained 18 years of age (or any person acting on such individual's behalf) disposes of resources of the individual for less than fair market value on or after the look-back date specified in clause (ii)(I), the individual is ineligible for benefits under this title for months during the period beginning on the date specified in clause (iii) and equal to the number of months specified in clause (iv).

''(ii)(I) The look-back date specified in this subclause is a date that is 36 months before the date specified in subclause (II).

''(II) The date specified in this subclause is the date on which the individual applies for benefits under this title or, if later, the date on which the disposal of the individual's resources for less than fair market value occurs.

''(iii) The date specified in this clause is the first day of the first month that follows the month in which the individual's resources were disposed of for less than fair market value and that does not occur in any other period of ineligibility under this paragraph.

''(iv) The number of months of ineligibility under this clause for an individual shall be equal to—

''(I) the total, cumulative uncompensated value of all the individual's resources so disposed of on or after the look-back date specified in clause (ii)(I), divided by

''(II) the amount of the maximum monthly benefit payable under section 1611(b) to an eligible individual for the month in which the date specified in clause (ii)(II) occurs.

''(B) An individual shall not be ineligible for benefits under this title by reason of subparagraph (A) if the Commissioner determines that—

''(i) the individual intended to dispose of the resources at fair market value;

''(ii) the resources were transferred exclusively for a purpose other than to qualify for benefits under this title;

''(iii) all resources transferred for less than fair market value have been returned to the individual; or

''(iv) the denial of eligibility would work an undue hardship on the individual (as determined on the basis of criteria established by the Commissioner in regulations).

''(C) For purposes of this paragraph, in the case of a resource held by an individual in common with another person or persons in a joint tenancy, tenancy in common, or similar arrangement, the resource (or the affected portion of such resource) shall be considered to be disposed of by such individual when any action is taken, either by such individual or by any other person, that reduces or eliminates such individual's ownership or control of such resource.

''(D)(i) Notwithstanding subparagraph (A), this subsection shall not apply to a transfer of a resource to a trust if the portion of the trust attributable to such resource is considered a resource available to the individual pursuant to subsection (e)(3) (or would be so considered, but for the application of subsection (e)(4)).

''(ii) In the case of a trust established by an individual (within the meaning of subsection (e)(2)(A)), if from such portion of the trust (if any) that is considered a resource available to the individual pursuant to subsection (e)(3) (or would be so considered but for the application of subsection (e)(2)) or the residue of such portion upon the termination of the trust—

''(I) there is made a payment other than to or for the benefit of the individual, or

''(II) no payment could under any circumstance be made to the individual,

then the payment described in subclause (I) or the foreclosure of payment described in subclause (II) shall be considered a disposal of resources by the individual subject to this subsection, as of the date of such payment or foreclosure, respectively.

''(2)(A) At the time an individual (and the individual's eligible spouse, if any) applies for benefits under this title, and at the time the eligibility of an individual (and such spouse, if any) for such benefits is redetermined, the Commissioner of Social Security shall—

''(i) inform such individual of the provisions of paragraph (1) providing for a period of ineligibility for benefits under this title for individuals who make certain dispositions of resources

*for less than fair market value, and inform such individual that information obtained pursuant to clause (ii) will be made available to the State agency administering a State plan approved under title XIX (as provided in subparagraph (B)); and*

*''(ii) obtain from such individual information which may be used in determining whether or not a period of ineligibility for such benefits would be required by reason of paragraph (1).*

*''(B) The Commissioner of Social Security shall make the information obtained under subparagraph (A)(ii) available, on request, to any State agency administering a State plan approved under title XIX.*

*''(3) For purposes of this subsection—*

*''(A) the term 'trust' includes any legal instrument or device that is similar to a trust; and*

*''(B) the term 'benefits under this title' includes supplementary payments pursuant to an agreement for Federal administration under section 1616(a), and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66.''.*

*(2) EFFECTIVE DATE.—The amendment made by this subsection shall be effective with respect to transfers that occur at least 90 days after the date of the enactment of this Act.*

*(b) TREATMENT OF ASSETS HELD IN TRUST.—*

*(1) TREATMENT AS RESOURCE.—Section 1613 (42 U.S.C. 1382) is amended by adding at the end the following new subsection:*

*''Trusts*

*''(e)(1) In determining the resources of an individual who has not attained 18 years of age, the provisions of paragraph (3) shall apply to a trust established by such individual.*

*''(2)(A) For purposes of this subsection, an individual shall be considered to have established a trust if any assets of the individual were transferred to the trust.*

*''(B) In the case of an irrevocable trust to which the assets of an individual and the assets of any other person or persons were transferred, the provisions of this subsection shall apply to the portion of the trust attributable to the assets of the individual.*

*''(C) This subsection shall apply without regard to—*

*''(i) the purposes for which the trust is established;*

*''(ii) whether the trustees have or exercise any discretion under the trust;*

*''(iii) any restrictions on when or whether distributions may be made from the trust; or*

*''(iv) any restrictions on the use of distributions from the trust.*

*''(3)(A) In the case of a revocable trust, the corpus of the trust shall be considered a resource available to the individual.*

*''(B) In the case of an irrevocable trust, if there are any circumstances under which payment from the trust could be made to or for the benefit of the individual, the portion of the corpus from which payment to or for the benefit of the individual could be made shall be considered a resource available to the individual.*

*''(4) The Commissioner may waive the application of this subsection with respect to any individual if the Commissioner determines, on the basis of criteria prescribed in regulations, that such application would work an undue hardship on such individual.*

*''(5) For purposes of this subsection—*

*''(A) the term 'trust' includes any legal instrument or device that is similar to a trust;*

*''(B) the term 'corpus' means all property and other interests held by the trust, including accumulated earnings and any other addition to such trust after its establishment (except that such term does not include any such earnings or addition in the month in which such earnings or addition is credited or otherwise transferred to the trust);*

*''(C) the term 'asset' includes any income or resource of the individual, including—*

*''(i) any income otherwise excluded by section 1612(b);*

*''(ii) any resource otherwise excluded by this section; and*

*''(iii) any other payment or property that the individual is entitled to but does not receive or have access to because of action by—*

*''(I) such individual;*

*''(II) a person or entity (including a court) with legal authority to act in place of, or on behalf of, such individual; or*

*''(III) a person or entity (including a court) acting at the direction of, or upon the request of, such individual; and*

*''(D) the term 'benefits under this title' includes supplementary payments pursuant to an agreement for Federal administration under section 1616(a), and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66.''.*

*(2) TREATMENT AS INCOME.—Section 1612(a)(2) (42 U.S.C. 1382a(a)(2)) is amended—*

*(A) by striking ''and'' at the end of subparagraph (E);*

*(B) by striking the period at the end of subparagraph (F) and inserting ''; and''; and*

*(C) by adding at the end the following new subparagraph:*

*''(G) any earnings of, and additions to, the corpus of a trust (as defined in section 1613(f)) established by an individual (within the meaning of section 1613(e)(2)(A)) and of which such individual is a beneficiary (other than a trust to which section 1613(e)(4) applies), except that in the case of an irrevocable trust, there shall exist circumstances under which payment from such earnings or additions could be made to, or for the benefit of, such individual.''.*

*(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on January 1, 1996, and shall apply to trusts established on or after such date.*

*(c) REQUIREMENT TO ESTABLISH ACCOUNT.—*

*(1) IN GENERAL.—Section 1631(a)(2) (42 U.S.C. 1383(a)(2)) is amended—*

*(A) by redesignating subparagraphs (F) and (G) as subparagraphs (G) and (H), respectively; and*

*(B) by inserting after subparagraph (E) the following new subparagraph:*

*''(F)(i)(I) Each representative payee of an eligible individual under the age of 18 who is eligible for the payment of benefits described in subclause (II) shall establish on behalf of such individual an account in a financial institution into which such benefits shall be paid, and shall thereafter maintain such account for use in accordance with clause (ii).*

*''(II) Benefits described in this subclause are past-due monthly benefits under this title (which, for purposes of this subclause, include State supplementary payments made by the Commissioner pursuant to an agreement under section 1616 or section 212(b) of Public Law 93–66) in an amount (after any withholding by the Commissioner for reimbursement to a State for interim assistance under subsection (g)) that exceeds the product of—*

*''(aa) 6, and*

*''(bb) the maximum monthly benefit payable under this title to an eligible individual.*

*''(ii)(I) A representative payee may use funds in the account established under clause (i) to pay for allowable expenses described in subclause (II).*

*''(II) An allowable expense described in this subclause is an expense for—*

*''(aa) education or job skills training;*

*''(bb) personal needs assistance;*

*''(cc) special equipment;*

*''(dd) housing modification;*

*''(ee) medical treatment;*

*''(ff) therapy or rehabilitation; or*

*''(gg) any other item or service that the Commissioner determines to be appropriate;*

*provided that such expense benefits such individual and, in the case of an expense described in item (cc), (dd), (ff), or (gg), is related to the impairment (or combination of impairments) of such individual.*

*''(III) The use of funds from an account established under clause (i) in any manner not authorized by this clause—*

*''(aa) by a representative payee shall constitute misuse of benefits for all purposes of this paragraph, and any representative payee who knowingly misuses benefits from such an account shall be liable to the Commissioner in an amount equal to the total amount of such misused benefits; and*

*''(bb) by an eligible individual who is his or her own representative payee shall be considered an overpayment subject to recovery under subsection (b).*

*''(IV) This clause shall continue to apply to funds in the account after the child has reached age 18, regardless of whether benefits are paid directly to the beneficiary or through a representative payee.*

*''(iii) The representative payee may deposit into the account established pursuant to clause (i)—*

*''(I) past-due benefits payable to the eligible individual in an amount less than that specified in clause (i)(II), and*

*''(II) any other funds representing an underpayment under this title to such individual, provided that the amount of such underpayment is equal to or exceeds the maximum monthly benefit payable under this title to an eligible individual.*

*''(iv) The Commissioner of Social Security shall establish a system for accountability monitoring whereby such representative payee shall report, at such time and in such manner as the Commissioner shall require, on activity respecting funds in the account established pursuant to clause (i).''.*

*(2) EXCLUSION FROM RESOURCES.—Section 1613(a) (42 U.S.C. 1382b(a)) is amended—*

*(A) in paragraph (9), by striking ''; and'' and inserting a semicolon;*

*(B) in the first paragraph (10), by striking the period and inserting a semicolon;*

*(C) by redesignating the second paragraph (10) as paragraph (11), and by striking the period and inserting ''; and''; and*

*(D) by adding at the end the following:*

*''(12) the assets and accrued interest or other earnings of any account established and maintained in accordance with section 1631(a)(2)(F).''.*

*(3) EXCLUSION FROM INCOME.—Section 1612(b) (42 U.S.C. 1382a(b)) is amended—*

*(A) by striking ''and'' at the end of paragraph (19);*

*(B) by striking the period at the end of paragraph (20) and inserting ''; and''; and*

*(C) by adding at the end the following new paragraph:*

*''(21) the interest or other earnings on any account established and maintained in accordance with section 1631(a)(2)(F).''.*

*(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to payments made after the date of the enactment of this Act.*

***SEC. 214. REDUCTION IN CASH BENEFITS PAYABLE TO INSTITUTIONALIZED INDIVIDUALS WHOSE MEDICAL COSTS ARE COVERED BY PRIVATE INSURANCE.***

*(a) IN GENERAL.—Section 1611(e)(1)(B) (42 U.S.C. 1382(e)(1)(B)) is amended—*

*(1) by striking ''title XIX, or'' and inserting ''title XIX,''; and*

*(2) by inserting ''or, in the case of an eligible individual under the age of 18 receiving payments (with respect to such individual) under any health insurance policy issued by a private provider of such insurance'' after ''section 1614(f)(2)(B),''.*

*(b) EFFECTIVE DATE.—The amendment made by this section shall apply to benefits for months beginning 90 or more days after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.*

**SEC. 215. REGULATIONS.**

Within 3 months after the date of the enactment of this Act, the Commissioner of Social Security shall prescribe such regulations as may be necessary to implement the amendments made by this subtitle.

### Subtitle C—State Supplementation Programs

**SEC. 221. REPEAL OF MAINTENANCE OF EFFORT REQUIREMENTS APPLICABLE TO OPTIONAL STATE PROGRAMS FOR SUPPLEMENTATION OF SSI BENEFITS.**

Section 1618 (42 U.S.C. 1382g) is hereby repealed.

### Subtitle D—Studies Regarding Supplemental Security Income Program

**SEC. 231. ANNUAL REPORT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM.**

Title XVI (42 U.S.C. 1381 et seq.), as amended by section 201(c), is amended by adding at the end the following new section:

''ANNUAL REPORT ON PROGRAM

''SEC. 1637. (a) Not later than May 30 of each year, the Commissioner of Social Security shall prepare and deliver a report annually to the President and the Congress regarding the program under this title, including—

''(1) a comprehensive description of the program;

''(2) historical and current data on allowances and denials, including number of applications and allowance rates at initial determinations, reconsiderations, administrative law judge hearings, council of appeals hearings, and Federal court appeal hearings;

''(3) historical and current data on characteristics of recipients and program costs, by recipient group (aged, blind, work disabled adults, and children);

''(4) projections of future number of recipients and program costs, through at least 25 years;

''(5) number of redeterminations and continuing disability reviews, and the outcomes of such redeterminations and reviews;

''(6) data on the utilization of work incentives;

''(7) detailed information on administrative and other program operation costs;

''(8) summaries of relevant research undertaken by the Social Security Administration, or by other researchers;

''(9) State supplementation program operations;

''(10) a historical summary of statutory changes to this title; and

''(11) such other information as the Commissioner deems useful.

''(b) Each member of the Social Security Advisory Board shall be permitted to provide an individual report, or a joint report if agreed, of views of the program under this title, to be included in the annual report under this section.''.

**SEC. 232. STUDY OF DISABILITY DETERMINATION PROCESS.**

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, and from funds otherwise appropriated, the Commissioner of Social Security shall make arrangements with the National Academy of Sciences, or other independent entity, to conduct a study of the disability determination process under titles II and XVI of the Social Security Act. This study shall be undertaken in consultation with professionals representing appropriate disciplines.

(b) STUDY COMPONENTS.—The study described in subsection (a) shall include—

(1) an initial phase examining the appropriateness of, and making recommendations regarding—

(A) the definitions of disability in effect on the date of the enactment of this Act and the advantages and disadvantages of alternative definitions; and

(B) the operation of the disability determination process, including the appropriate method of performing comprehensive assessments of individuals under age 18 with physical and mental impairments;

(2) a second phase, which may be concurrent with the initial phase, examining the validity, reliability, and consistency with current scientific knowledge of the standards and individual listings in the Listing of Impairments set forth in appendix 1 of subpart P of part 404 of title 20, Code of Federal Regulations, and of related evaluation procedures as promulgated by the Commissioner of Social Security; and

(3) such other issues as the applicable entity considers appropriate.

(c) REPORTS AND REGULATIONS.—

(1) REPORTS.—The Commissioner of Social Security shall request the applicable entity, to submit an interim report and a final report of the findings and recommendations resulting from the study described in this section to the President and the Congress not later than 18 months and 24 months, respectively, from the date of the contract for such study, and such additional reports as the Commissioner deems appropriate after consultation with the applicable entity.

(2) REGULATIONS.—The Commissioner of Social Security shall review both the interim and final reports, and shall issue regulations implementing any necessary changes following each report.

**SEC. 233. STUDY BY GENERAL ACCOUNTING OFFICE.**

Not later than January 1, 1998, the Comptroller General of the United States shall study and report on—

(1) the impact of the amendments made by, and the provisions of, this title on the supplemental security income program under title XVI of the Social Security Act; and

(2) extra expenses incurred by families of children receiving benefits under such title that are not covered by other Federal, State, or local programs.

### Subtitle E—National Commission on the Future of Disability

**SEC. 241. ESTABLISHMENT.**

There is established a commission to be known as the National Commission on the Future of Disability (referred to in this subtitle as the ''Commission'').

**SEC. 242. DUTIES OF THE COMMISSION.**

(a) IN GENERAL.—The Commission shall develop and carry out a comprehensive study of all matters related to the nature, purpose, and adequacy of all Federal programs serving individuals with disabilities. In particular, the Commission shall study the disability insurance program under title II of the Social Security Act and the supplemental security income program under title XVI of such Act.

(b) MATTERS STUDIED.—The Commission shall prepare an inventory of Federal programs serving individuals with disabilities, and shall examine—

(1) trends and projections regarding the size and characteristics of the population of individuals with disabilities, and the implications of such analyses for program planning;

(2) the feasibility and design of performance standards for the Nation's disability programs;

(3) the adequacy of Federal efforts in rehabilitation research and training, and opportunities to improve the lives of individuals with disabilities through all manners of scientific and engineering research; and

(4) the adequacy of policy research available to the Federal Government, and what actions might be undertaken to improve the quality and scope of such research.

(c) RECOMMENDATIONS.—The Commission shall submit to the appropriate committees of the Congress and to the President recommendations and, as appropriate, proposals for legislation, regarding—

(1) which (if any) Federal disability programs should be eliminated or augmented;

(2) what new Federal disability programs (if any) should be established;

(3) the suitability of the organization and location of disability programs within the Federal Government;

(4) other actions the Federal Government should take to prevent disabilities and disadvantages associated with disabilities; and

(5) such other matters as the Commission considers appropriate.

**SEC. 243. MEMBERSHIP.**

(a) NUMBER AND APPOINTMENT.—

(1) IN GENERAL.—The Commission shall be composed of 15 members, of whom—

(A) five shall be appointed by the President, of whom not more than 3 shall be of the same major political party;

(B) three shall be appointed by the Majority Leader of the Senate;

(C) two shall be appointed by the Minority Leader of the Senate;

(D) three shall be appointed by the Speaker of the House of Representatives; and

(E) two shall be appointed by the Minority Leader of the House of Representatives.

(2) REPRESENTATION.—The Commission members shall be chosen based on their education, training, or experience. In appointing individuals as members of the Commission, the President and the Majority and Minority Leaders of the Senate and the Speaker and Minority Leader of the House of Representatives shall seek to ensure that the membership of the Commission reflects the general interests of the business and taxpaying community and the diversity of individuals with disabilities in the United States.

(b) COMPTROLLER GENERAL.—The Comptroller General of the United States shall advise the Commission on the methodology and approach of the study of the Commission.

(c) TERM OF APPOINTMENT.—The members shall serve on the Commission for the life of the Commission.

(d) MEETINGS.—The Commission shall locate its headquarters in the District of Columbia, and shall meet at the call of the Chairperson, but not less than 4 times each year during the life of the Commission.

(e) QUORUM.—Ten members of the Commission shall constitute a quorum, but a lesser number may hold hearings.

(f) CHAIRPERSON AND VICE CHAIRPERSON.—Not later than 15 days after the members of the Commission are appointed, such members shall designate a Chairperson and Vice Chairperson from among the members of the Commission.

(g) CONTINUATION OF MEMBERSHIP.—If a member of the Commission becomes an officer or employee of any government after appointment to the Commission, the individual may continue as a member until a successor member is appointed.

(h) VACANCIES.—A vacancy on the Commission shall be filled in the manner in which the original appointment was made not later than 30 days after the Commission is given notice of the vacancy.

(i) COMPENSATION.—Members of the Commission shall receive no additional pay, allowances, or benefits by reason of their service on the Commission.

(j) TRAVEL EXPENSES.—Each member of the Commission shall receive travel expenses, including per diem in lieu of subsistence, in accordance with sections 5702 and 5703 of title 5, United States Code.

**SEC. 244. STAFF AND SUPPORT SERVICES.**

(a) DIRECTOR.—

(1) APPOINTMENT.—Upon consultation with the members of the Commission, the Chairperson shall appoint a Director of the Commission.

(2) COMPENSATION.—The Director shall be paid the rate of basic pay for level V of the Executive Schedule.

(b) STAFF.—With the approval of the Commission, the Director may appoint such personnel as the Director considers appropriate.

(c) APPLICABILITY OF CIVIL SERVICE LAWS.—The staff of the Commission shall be appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and shall be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

(d) EXPERTS AND CONSULTANTS.—With the approval of the Commission, the Director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(e) STAFF OF FEDERAL AGENCIES.—Upon the request of the Commission, the head of any Federal agency may detail, on a reimbursable basis, any of the personnel of such agency to the Commission to assist in carrying out the duties of the Commission under this subtitle.

(f) OTHER RESOURCES.—The Commission shall have reasonable access to materials, resources, statistical data, and other information from the Library of Congress and agencies and elected representatives of the executive and legislative branches of the Federal Government. The Chairperson of the Commission shall make requests for such access in writing when necessary.

(g) PHYSICAL FACILITIES.—The Administrator of the General Services Administration shall locate suitable office space for the operation of the Commission. The facilities shall serve as the headquarters of the Commission and shall include all necessary equipment and incidentals required for proper functioning of the Commission.

**SEC. 245. POWERS OF COMMISSION.**

(a) HEARINGS.—The Commission may conduct public hearings or forums at the discretion of the Commission, at any time and place the Commission is able to secure facilities and witnesses, for the purpose of carrying out the duties of the Commission under this subtitle.

(b) DELEGATION OF AUTHORITY.—Any member or agent of the Commission may, if authorized by the Commission, take any action the Commission is authorized to take by this section.

(c) INFORMATION.—The Commission may secure directly from any Federal agency information necessary to enable the Commission to carry out its duties under this subtitle. Upon request of the Chairperson or Vice Chairperson of the Commission, the head of a Federal agency shall furnish the information to the Commission to the extent permitted by law.

(d) GIFTS, BEQUESTS, AND DEVISES.—The Commission may accept, use, and dispose of gifts, bequests, or devises of services or property, both real and personal, for the purpose of aiding or facilitating the work of the Commission. Gifts, bequests, or devises of money and proceeds from sales of other property received as gifts, bequests, or devises shall be deposited in the Treasury and shall be available for disbursement upon order of the Commission.

(e) MAILS.—The Commission may use the United States mails in the same manner and under the same conditions as other Federal agencies.

**SEC. 246. REPORTS.**

(a) INTERIM REPORT.—Not later than 1 year prior to the date on which the Commission terminates pursuant to section 247, the Commission shall submit an interim report to the President and to the Congress. The interim report shall contain a detailed statement of the findings and conclusions of the Commission, together with the Commission's recommendations for legislative and administrative action, based on the activities of the Commission.

(b) FINAL REPORT.—Not later than the date on which the Commission terminates, the Commission shall submit to the Congress and to the President a final report containing—

(1) a detailed statement of final findings, conclusions, and recommendations; and

(2) an assessment of the extent to which recommendations of the Commission included in the interim report under subsection (a) have been implemented.

(c) PRINTING AND PUBLIC DISTRIBUTION.—Upon receipt of each report of the Commission under this section, the President shall—

(1) order the report to be printed; and

(2) make the report available to the public upon request.

**SEC. 247. TERMINATION.**

The Commission shall terminate on the date that is 2 years after the date on which the members of the Commission have met and designated a Chairperson and Vice Chairperson.

**SEC. 248. AUTHORIZATION OF APPROPRIATIONS.**

There are authorized to be appropriated such sums as are necessary to carry out the purposes of the Commission.

### Subtitle F—Retirement Age Eligibility

**SEC. 251. ELIGIBILITY FOR SUPPLEMENTAL SECURITY INCOME BENEFITS BASED ON SOCIAL SECURITY RETIREMENT AGE.**

(a) IN GENERAL.—Section 1614(a)(1)(A) (42 U.S.C. 1382C(a)(1)(A)) is amended by striking ''is 65 years of age or older,'' and inserting ''has attained retirement age.''.

(b) RETIREMENT AGE DEFINED.—Section 1614 (42 U.S.C. 1382c) is amended by adding at the end the following new subsection:

''Retirement Age

''(g) For purposes of this title, the term ''retirement age'' has the meaning given such term by section 216(l)(1).''.

(c) CONFORMING AMENDMENTS.—Sections 1601, 1612(b)(4), 1615(a)(1), and 1620(b)(2) (42 U.S.C. 1381, 1382a(b)(4), 1382d(a)(1), and 1382i(b)(2)) are amended by striking ''age 65'' each place it appears and inserting ''retirement age''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to applicants for benefits for months beginning after September 30, 1995.

## TITLE III—CHILD SUPPORT

**SEC. 300. REFERENCE TO SOCIAL SECURITY ACT.**

Except as otherwise specifically provided, where ever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Social Security Act.

### Subtitle A—Eligibility for Services; Distribution of Payments

**SEC. 301. STATE OBLIGATION TO PROVIDE CHILD SUPPORT ENFORCEMENT SERVICES.**

(a) STATE PLAN REQUIREMENTS.—Section 454 (42 U.S.C. 654) is amended—

(1) by striking paragraph (4) and inserting the following new paragraph:

''(4) provide that the State will—

''(A) provide services relating to the establishment of paternity or the establishment, modification, or enforcement of child support obligations, as appropriate, under the plan with respect to—

''(i) each child for whom (I) assistance is provided under the State program funded under part A of this title, (II) benefits or services for foster care maintenance and adoption assistance are provided under the State program funded under part B of this title, or (III) medical assistance is provided under the State plan approved under title XIX, unless the State agency administering the plan determines (in accordance with paragraph (29)) that it is against the best interests of the child to do so; and

''(ii) any other child, if an individual applies for such services with respect to the child; and

''(B) enforce any support obligation established with respect to—

''(i) a child with respect to whom the State provides services under the plan; or

''(ii) the custodial parent of such a child.''; and

(2) in paragraph (6)—

(A) by striking ''provide that'' and inserting ''provide that—'';

(B) by striking subparagraph (A) and inserting the following new subparagraph:

''(A) services under the plan shall be made available to residents of other States on the same terms as to residents of the State submitting the plan;'';

(C) in subparagraph (B), by inserting ''on individuals not receiving assistance under any State program funded under part A'' after ''such services shall be imposed'';

(D) in each of subparagraphs (B), (C), (D), and (E)—

(i) by indenting the subparagraph in the same manner as, and aligning the left margin of the subparagraph with the left margin of, the matter inserted by subparagraph (B) of this paragraph; and

(ii) by striking the final comma and inserting a semicolon; and

(E) in subparagraph (E), by indenting each of clauses (i) and (ii) 2 additional ems.

(b) CONTINUATION OF SERVICES FOR FAMILIES CEASING TO RECEIVE ASSISTANCE UNDER THE STATE PROGRAM FUNDED UNDER PART A.—Section 454 (42 U.S.C. 654) is amended—

(1) by striking ''and'' at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting ''; and''; and

(3) by adding after paragraph (24) the following new paragraph:

''(25) provide that if a family with respect to which services are provided under the plan ceases to receive assistance under the State program funded under part A, the State shall provide appropriate notice to the family and continue to provide such services, subject to the same conditions and on the same basis as in the case of other individuals to whom services are furnished under the plan, except that an application or other request to continue services shall not be required of such a family and paragraph (6)(B) shall not apply to the family.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 452(b) (42 U.S.C. 652(b)) is amended by striking ''454(6)'' and inserting ''454(4)''.

(2) Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended by striking ''454(6)'' each place it appears and inserting ''454(4)(A)(ii)''.

(3) Section 466(a)(3)(B) (42 U.S.C. 666(a)(3)(B)) is amended by striking ''in the case of overdue support which a State has agreed to collect under section 454(6)'' and inserting ''in any other case''.

(4) Section 466(e) (42 U.S.C. 666(e)) is amended by striking ''paragraph (4) or (6) of section 454'' and inserting ''section 454(4)''.

**SEC. 302. DISTRIBUTION OF CHILD SUPPORT COLLECTIONS.**

(a) IN GENERAL.—Section 457 (42 U.S.C. 657) is amended to read as follows:

**''SEC. 457. DISTRIBUTION OF COLLECTED SUPPORT.**

''(a) IN GENERAL.—An amount collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

''(1) FAMILIES RECEIVING ASSISTANCE.—In the case of a family receiving assistance from the State, the State shall—

''(A) pay to the Federal Government the Federal share of the amount so collected; and

''(B) retain, or distribute to the family, the State share of the amount so collected.

''(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

''(A) CURRENT SUPPORT PAYMENTS.—To the extent that the amount so collected does not exceed the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected to the family.

''(B) PAYMENTS OF ARREARAGES.—To the extent that the amount so collected exceeds the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected as follows:

''(i) DISTRIBUTION OF ARREARAGES THAT ACCRUED ASSISTANCE.—

''(I) PRE-OCTOBER 1997.—The provisions of this section (other than subsection (b)(1)) as in effect and applied on the day before the date of the enactment of section 302 of the Personal Responsibility and Work Opportunity Act of 1995 shall apply with respect to the distribution of support arrearages that—

''(aa) accrued after the family ceased to receive assistance, and

''(bb) are collected before October 1, 1997.

''(II) POST-SEPTEMBER 1997.—With respect the amount so collected on or after October 1, 1997, or before such date, at the option of the State—

''(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent necessary to satisfy any support arrearages with respect to the family that accrued after the family ceased to receive assistance from the State.

''(bb) REIMBURSEMENT OF GOVERNMENTS FOR ASSISTANCE PROVIDED TO THE FAMILY.—After the application of division (aa) and clause (ii)(II)(aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share (as defined in subsection (c)(2)(A)) of the amount so collected, but only to the extent necessary to reimburse amounts paid to the family as assistance by the State.

''(cc) DISTRIBUTION OF THE REMAINDER TO THE FAMILY.—To the extent that neither division (aa) nor division (bb) applies to the amount so collected, the State shall distribute the amount to the family.

''(ii) DISTRIBUTION OF ARREARAGES THAT ACCRUED BEFORE THE FAMILY RECEIVED ASSISTANCE.—

''(I) PRE-OCTOBER 2000.—The provisions of this section (other than subsection (b)(1)) as in effect and applied on the day before the date of the enactment of section 302 of the Personal Responsibility and Work Opportunity Act of 1995 shall apply with respect to the distribution of support arrearages that—

''(aa) accrued before the family received assistance, and

''(bb) are collected before October 1, 2000.

''(II) POST-SEPTEMBER 2000.—Unless, based on the report required by paragraph (4), the Congress determines otherwise, with respect to the amount so collected on or after October 1, 2000, or before such date, at the option of the State—

''(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent necessary to satisfy any support arrearages with respect to the family that accrued before the family received assistance from the State.

''(bb) REIMBURSEMENT OF GOVERNMENTS FOR ASSISTANCE PROVIDED TO THE FAMILY.—After the application of clause (i)(II)(aa) and division (aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share (as defined in subsection (c)(2)) of the amount so collected, but only to the extent necessary to reimburse of the amounts paid to the family as assistance by the State.

''(cc) DISTRIBUTION OF THE REMAINDER TO THE FAMILY.—To the extent that neither division (aa) nor division (bb) applies to the amount so collected, the State shall distribute the amount to the family.

''(iii) DISTRIBUTION OF ARREARAGES THAT ACCRUED WHILE THE FAMILY RECEIVED ASSISTANCE.—In the case of a family described in this subparagraph, the provisions of paragraph (1) shall apply with respect to the distribution of support arrearages that accrued while the family received assistance.

''(iv) AMOUNTS COLLECTED PURSUANT TO SECTION 464.—Notwithstanding any other provision of this section, any amount of support collected pursuant to section 464 shall be retained by the State to the extent necessary to reimburse amounts paid to the family as assistance by the State. The State shall pay to the Federal Government the Federal share of the amounts so retained. To the extent the amount collected pursuant to section 464 exceeds the amount so retained, the State shall distribute the excess to the family.

''(v) ORDERING RULES FOR DISTRIBUTIONS.—For purposes of this subparagraph, the State shall treat any support arrearages collected as accruing in the following order:

''(I) to the period after the family ceased to receive assistance;

''(II) to the period before the family received assistance; and

''(III) to the period while the family was receiving assistance.

''(3) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall distribute the amount so collected to the family.

''(4) STUDY AND REPORT.—Not later than October 1, 1998, the Secretary shall report to the Congress the Secretary's findings with respect to—

''(A) whether the distribution of post-assistance arrearages to families has been effective in moving people off of welfare and keeping them off of welfare;

''(B) whether early implementation of a pre-assistance arrearage program by some states has been effective in moving people off of welfare and keeping them off of welfare;

''(C) what the overall impact has been of the amendments made by the Personal Responsibility and Work Opportunity Act of 1995 with respect to child support enforcement in moving people off of welfare and keeping them off of welfare; and

''(D) based on the information and data the Secretary has obtained, what changes, if any, should be made in the policies related to the distribution of child support arrearages.

''(b) CONTINUATION OF ASSIGNMENTS.—Any rights to support obligations, which were assigned to a State as a condition of receiving assistance from the State under part A and which were in effect on the day before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995, shall remain assigned after such date.

''(c) DEFINITIONS.—As used in subsection (a):

''(1) ASSISTANCE.—The term 'assistance from the State' means—

''(A) assistance under the State program funded under part A or under the State plan approved under part A of this title (as in effect on the day before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995); or

''(B) benefits under the State plan approved under part E of this title (as in effect on the day before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995).

''(2) FEDERAL SHARE.—The term 'Federal share' means that portion of the amount collected resulting from the application of the Federal medical percentage in effect for the fiscal year in which the amount is collected.

''(3) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term 'Federal medical assistance percentage' means—

''(A) the Federal medical assistance percentage (as defined in section 1118), in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa; or

''(B) the Federal medical assistance percentage (as defined in section 1905(b)) in the case of any other State.

''(4) STATE SHARE.—The term 'State share' means 100 percent minus the Federal share.

''(d) HOLD HARMLESS PROVISION.—If the amounts collected which could be retained by the State in the fiscal year (to the extent necessary to reimburse the State for amounts paid to families as assistance by the State) are less than the State share of the amounts collected in fiscal year 1995 (determined in accordance with section 457 as in effect on the day before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995), the State share for the fiscal year shall be an amount equal to the State share in fiscal year 1995.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 464(a)(1) (42 U.S.C. 664(a)(1)) is amended by striking ''section 457(b)(4) or (d)(3)'' and inserting ''section 457''.

(2) Section 454 (42 U.S.C. 654) is amended—

(A) in paragraph (11)—

(i) by striking ''(11)'' and inserting ''(11)(A)''; and

(ii) by inserting after the semicolon ''and''; and

(B) by redesignating paragraph (12) as subparagraph (B) of paragraph (11).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall be effective on October 1, 1996, or earlier at the State's option.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (b)(2) shall become effective on the date of the enactment of this Act.

**SEC. 303. PRIVACY SAFEGUARDS.**

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by section 301(b) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (24);

(2) by striking the period at the end of paragraph (25) and inserting ''; and''; and

(3) by adding after paragraph (25) the following new paragraph:

''(26) will have in effect safeguards, applicable to all confidential information handled by the State agency, that are designed to protect the privacy rights of the parties, including—

''(A) safeguards against unauthorized use or disclosure of information relating to proceedings or actions to establish paternity, or to establish or enforce support;

''(B) prohibitions against the release of information on the whereabouts of 1 party to another party against whom a protective order with respect to the former party has been entered; and

''(C) prohibitions against the release of information on the whereabouts of 1 party to another party if the State has reason to believe that the release of the information may result in physical or emotional harm to the former party.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on October 1, 1997.

**SEC. 304. RIGHTS TO NOTIFICATION AND HEARINGS.**

(a) IN GENERAL.—Section 454 (42 U.S.C. 654), as amended by section 302(b)(2) of this Act, is amended by inserting after paragraph (11) the following new paragraph:

''(12) provide for the establishment of procedures to require the State to provide individuals who are applying for or receiving services under the State plan, or who are parties to cases in which services are being provided under the State plan—

''(A) with notice of all proceedings in which support obligations might be established or modified; and

''(B) with a copy of any order establishing or modifying a child support obligation, or (in the case of a petition for modification) a notice of determination that there should be no change in the amount of the child support award, within 14 days after issuance of such order or determination;''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on October 1, 1997.

***Subtitle B—Locate and Case Tracking***

**SEC. 311. STATE CASE REGISTRY.**

Section 454A, as added by section 344(a)(2) of this Act, is amended by adding at the end the following new subsections:

''(e) STATE CASE REGISTRY.—

''(1) CONTENTS.—The automated system required by this section shall include a registry (which shall be known as the 'State case registry') that contains records with respect to—

''(A) each case in which services are being provided by the State agency under the State plan approved under this part; and

''(B) each support order established or modified in the State on or after October 1, 1998.

''(2) LINKING OF LOCAL REGISTRIES.—The State case registry may be established by linking local case registries of support orders through an automated information network, subject to this section.

''(3) USE OF STANDARDIZED DATA ELEMENTS.—Such records shall use standardized data elements for both parents (such as names, social security numbers and other uniform identification numbers, dates of birth, and case identification numbers), and contain such other information (such as on-case status) as the Secretary may require.

''(4) PAYMENT RECORDS.—Each case record in the State case registry with respect to which services are being provided under the State plan approved under this part and with respect to which a support order has been established shall include a record of—

''(A) the amount of monthly (or other periodic) support owed under the order, and other amounts (including arrearages, interest or late payment penalties, and fees) due or overdue under the order;

''(B) any amount described in subparagraph (A) that has been collected;

''(C) the distribution of such collected amounts;

''(D) the birth date of any child for whom the order requires the provision of support; and

''(E) the amount of any lien imposed with respect to the order pursuant to section 466(a)(4).

''(5) UPDATING AND MONITORING.—The State agency operating the automated system required by this section shall promptly establish and maintain, and regularly monitor, case records in the State case registry with respect to which services are being provided under the State plan approved under this part, on the basis of—

''(A) information on administrative actions and administrative and judicial proceedings and orders relating to paternity and support;

''(B) information obtained from comparison with Federal, State, or local sources of information;

''(C) information on support collections and distributions; and

''(D) any other relevant information.

''(f) INFORMATION COMPARISONS AND OTHER DISCLOSURES OF INFORMATION.—The State shall use the automated system required by this section to extract information from (at such times, and in such standardized format or formats, as may be required by the Secretary), to share and compare information with, and to receive information from, other data bases and information comparison services, in order to obtain (or provide) information necessary to enable the State agency (or the Secretary or other State or Federal agencies) to carry out this part, subject to section 6103 of the Internal Revenue Code of 1986. Such information comparison activities shall include the following:

''(1) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS.—Furnishing to the Federal Case Registry of Child Support Orders established under section 453(h) (and update as necessary, with information including notice of expiration of orders) the minimum amount of information on child support cases recorded in the State case registry that is necessary to operate the registry (as specified by the Secretary in regulations).

''(2) FEDERAL PARENT LOCATOR SERVICE.—Exchanging information with the Federal Parent Locator Service for the purposes specified in section 453.

''(3) TEMPORARY FAMILY ASSISTANCE AND MEDICAID AGENCIES.—Exchanging information with State agencies (of the State and of other States) administering programs funded under part A, programs operated under State plans under title XIX, and other programs designated by the Secretary, as necessary to perform State agency responsibilities under this part and under such programs.

''(4) INTRASTATE AND INTERSTATE INFORMATION COMPARISONS.—Exchanging information with other agencies of the State, agencies of other States, and interstate information networks, as necessary and appropriate to carry out (or assist other States to carry out) the purposes of this part.''.

**SEC. 312. COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.**

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 301(b) and 303(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (25);

(2) by striking the period at the end of paragraph (26) and inserting ''; and''; and

(3) by adding after paragraph (26) the following new paragraph:

''(27) provide that, on and after October 1, 1998, the State agency will—

''(A) operate a State disbursement unit in accordance with section 454B; and

''(B) have sufficient State staff (consisting of State employees) and (at State option) contractors reporting directly to the State agency to—

''(i) monitor and enforce support collections through the unit in cases being enforced by the State pursuant to section 454(4) (including carrying out the automated data processing responsibilities described in section 454A(g)); and

''(ii) take the actions described in section 466(c)(1) in appropriate cases.''.

(b) ESTABLISHMENT OF STATE DISBURSEMENT UNIT.—Part D of title IV (42 U.S.C. 651–669), as amended by section 344(a)(2) of this Act, is amended by inserting after section 454A the following new section:

**''SEC. 454B. COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.**

''(a) STATE DISBURSEMENT UNIT.—

''(1) IN GENERAL.—In order for a State to meet the requirements of this section, the State agency must establish and operate a unit (which shall be known as the 'State disbursement unit') for the collection and disbursement of payments under support orders—

''(A) in all cases being enforced by the State pursuant to section 454(4); and

''(B) in all cases not being enforced by the State under this part in which the support order is initially issued in the State on or after January 1, 1994 and in which the wages of the absent parent are subject to withholding pursuant to section 466(a)(8)(B).

''(2) OPERATION.—The State disbursement unit shall be operated—

''(A) directly by the State agency (or 2 or more State agencies under a regional cooperative agreement), or (to the extent appropriate) by a contractor responsible directly to the State agency; and

''(B) except in cases described in paragraph (1)(B), in coordination with the automated system established by the State pursuant to section 454A.

''(3) LINKING OF LOCAL DISBURSEMENT UNITS.—The State disbursement unit may be established by linking local disbursement units through an automated information network, subject to this section, if the Secretary agrees that the system will not cost more nor take more time to establish or operate than a centralized system. In addition, employers shall be given 1 location to which income withholding is sent.

''(b) REQUIRED PROCEDURES.—The State disbursement unit shall use automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical, for the collection and disbursement of support payments, including procedures—

''(1) for receipt of payments from parents, employers, and other States, and for disbursements to custodial parents and other obligees, the State agency, and the agencies of other States;

''(2) for accurate identification of payments;

''(3) to ensure prompt disbursement of the custodial parent's share of any payment; and

''(4) to furnish to any parent, upon request, timely information on the current status of support payments under an order requiring payments to be made by or to the parent.

''(c) TIMING OF DISBURSEMENTS.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the State disbursement unit shall distribute all amounts payable under section 457(a) within 2 business days after receipt from the employer or other source of periodic income, if sufficient information identifying the payee is provided.

''(2) PERMISSIVE RETENTION OF ARREARAGES.—The State disbursement unit may delay the distribution of collections toward arrearages until the resolution of any timely appeal with respect to such arrearages.

''(d) BUSINESS DAY DEFINED.—As used in this section, the term 'business day' means a day on which State offices are open for regular business.''.

(c) USE OF AUTOMATED SYSTEM.—Section 454A, as added by section 344(a)(2) and as amended by section 311 of this Act, is amended by adding at the end the following new subsection:

''(g) COLLECTION AND DISTRIBUTION OF SUPPORT PAYMENTS.—

''(1) IN GENERAL.—The State shall use the automated system required by this section, to the maximum extent feasible, to assist and facilitate the collection and disbursement of support payments through the State disbursement unit operated under section 454B, through the performance of functions, including, at a minimum—

''(A) transmission of orders and notices to employers (and other debtors) for the withholding of wages and other income—

''(i) within 2 business days after receipt from a court, another State, an employer, the Federal Parent Locator Service, or another source recognized by the State of notice of, and the income source subject to, such withholding; and

''(ii) using uniform formats prescribed by the Secretary;

''(B) ongoing monitoring to promptly identify failures to make timely payment of support; and

''(C) automatic use of enforcement procedures (including procedures authorized pursuant to section 466(c)) if payments are not timely made.

''(2) BUSINESS DAY DEFINED.—As used in paragraph (1), the term 'business day' means a day on which State offices are open for regular business.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1998.

**SEC. 313. STATE DIRECTORY OF NEW HIRES.**

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 301(b), 303(a) and 312(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (26);

(2) by striking the period at the end of paragraph (27) and inserting ''; and''; and

(3) by adding after paragraph (27) the following new paragraph:

''(28) provide that, on and after October 1, 1997, the State will operate a State Directory of New Hires in accordance with section 453A.''.

(b) STATE DIRECTORY OF NEW HIRES.—Part D of title IV (42 U.S.C. 651–669) is amended by inserting after section 453 the following new section:

**''SEC. 453A. STATE DIRECTORY OF NEW HIRES.**

''(a) ESTABLISHMENT.—

''(1) IN GENERAL.—

''(A) REQUIREMENT FOR STATES THAT HAVE NO DIRECTORY.—Except as provided in subparagraph (B), not later than October 1, 1997, each

State shall establish an automated directory (to be known as the 'State Directory of New Hires') which shall contain information supplied in accordance with subsection (b) by employers on each newly hired employee.

''(B) STATES WITH NEW HIRE REPORTING IN EXISTENCE.—A State which has a new hire reporting law in existence on the date of the enactment of this section may continue to operate under the State law, but the State must meet the requirements of this section (other than subsection (f)) not later than October 1, 1997.

''(2) DEFINITIONS.—As used in this section:

''(A) EMPLOYEE.—The term 'employee'—

''(i) means an individual who is an employee within the meaning of chapter 24 of the Internal Revenue Code of 1986; and

''(ii) does not include an employee of a Federal or State agency performing intelligence or counterintelligence functions, if the head of such agency has determined that reporting pursuant to paragraph (1) with respect to the employee could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

''(B) EMPLOYER.—

''(i) IN GENERAL.—The term 'employer' has the meaning given such term in section 3401(d) of the Internal Revenue Code of 1996 and includes any governmental entity and any labor organization.

''(ii) LABOR ORGANIZATION.—The term 'labor organization' shall have the meaning given such term in section 2(5) of the National Labor Relations Act, and includes any entity (also known as a 'hiring hall') which is used by the organization and an employer to carry out requirements described in section 8(f)(3) of such Act of an agreement between the organization and the employer.

''(b) EMPLOYER INFORMATION.—

''(1) REPORTING REQUIREMENT.—

''(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), each employer shall furnish to the Directory of New Hires of the State in which a newly hired employee works, a report that contains the name, address, and social security number of the employee, and the name and address of, and identifying number assigned under section 6109 of the Internal Revenue Code of 1986 to, the employer.

''(B) MULTISTATE EMPLOYERS.—An employer that has employees who are employed in 2 or more States and that transmits reports magnetically or electronically may comply with subparagraph (A) by designating 1 State in which such employer has employees to which the employer will transmit the report described in subparagraph (A), and transmitting such report to such State. Any employer that transmits reports pursuant to this subparagraph shall notify the Secretary in writing as to which State such employer designates for the purpose of sending reports.

''(C) FEDERAL GOVERNMENT EMPLOYERS.—Any department, agency, or instrumentality of the United States shall comply with subparagraph (A) by transmitting the report described in subparagraph (A) to the National Directory of New Hires established pursuant to section 453.

''(2) TIMING OF REPORT.—Each State may provide the time within which the report required by paragraph (1) shall be made with respect to an employee, but such report shall be made—

''(A) not later than 20 days after the date the employer hires the employee; or

''(B) in the case of an employer transmitting reports magnetically or electronically, by 2 monthly transmissions (if necessary) not less than 12 days nor more than 16 days apart.

''(c) REPORTING FORMAT AND METHOD.—Each report required by subsection (b) shall be made on a W–4 form or, at the option of the employer, an equivalent form, and may be transmitted by 1st class mail, magnetically, or electronically.

''(d) CIVIL MONEY PENALTIES ON NONCOMPLYING EMPLOYERS.—The State shall have the option to set a State civil money penalty which shall be less than—

''(1) $25; or

''(2) $500 if, under State law, the failure is the result of a conspiracy between the employer and the employee to not supply the required report or to supply a false or incomplete report.

''(e) ENTRY OF EMPLOYER INFORMATION.—Information shall be entered into the data base maintained by the State Directory of New Hires within 5 business days of receipt from an employer pursuant to subsection (b).

''(f) INFORMATION COMPARISONS.—

''(1) IN GENERAL.—Not later than May 1, 1998, an agency designated by the State shall, directly or by contract, conduct automated comparisons of the social security numbers reported by employers pursuant to subsection (b) and the social security numbers appearing in the records of the State case registry for cases being enforced under the State plan.

''(2) NOTICE OF MATCH.—When an information comparison conducted under paragraph (1) reveals a match with respect to the social security number of an individual required to provide support under a support order, the State Directory of New Hires shall provide the agency administering the State plan approved under this part of the appropriate State with the name, address, and social security number of the employee to whom the social security number is assigned, and the name of, and identifying number assigned under section 6109 of the Internal Revenue Code of 1986 to, the employer.

''(g) TRANSMISSION OF INFORMATION.—

''(1) TRANSMISSION OF WAGE WITHHOLDING NOTICES TO EMPLOYERS.—Within 2 business days after the date information regarding a newly hired employee is entered into the State Directory of New Hires, the State agency enforcing the employee's child support obligation shall transmit a notice to the employer of the employee directing the employer to withhold from the wages of the employee an amount equal to the monthly (or other periodic) child support obligation (including any past due support obligation) of the employee, unless the employee's wages are not subject to withholding pursuant to section 466(b)(3).

''(2) TRANSMISSIONS TO THE NATIONAL DIRECTORY OF NEW HIRES.—

''(A) NEW HIRE INFORMATION.—Within 3 business days after the date information regarding a newly hired employee is entered into the State Directory of New Hires, the State Directory of New Hires shall furnish the information to the National Directory of New Hires.

''(B) WAGE AND UNEMPLOYMENT COMPENSATION INFORMATION.—The State Directory of New Hires shall, on a quarterly basis, furnish to the National Directory of New Hires extracts of the reports required under section 303(a)(6) to be made to the Secretary of Labor concerning the wages and unemployment compensation paid to individuals, by such dates, in such format, and containing such information as the Secretary of Health and Human Services shall specify in regulations.

''(3) BUSINESS DAY DEFINED.—As used in this subsection, the term 'business day' means a day on which State offices are open for regular business.

''(h) OTHER USES OF NEW HIRE INFORMATION.—

''(1) LOCATION OF CHILD SUPPORT OBLIGORS.—The agency administering the State plan approved under this part shall use information received pursuant to subsection (f)(2) to locate individuals for purposes of establishing paternity and establishing, modifying, and enforcing child support obligations.

''(2) VERIFICATION OF ELIGIBILITY FOR CERTAIN PROGRAMS.—A State agency responsible for administering a program specified in section 1137(b) shall have access to information reported by employers pursuant to subsection (b) of this section for purposes of verifying eligibility for the program.

''(3) ADMINISTRATION OF EMPLOYMENT SECURITY AND WORKERS' COMPENSATION.—State agencies operating employment security and workers' compensation programs shall have access to information reported by employers pursuant to subsection (b) for the purposes of administering such programs.''.

(c) QUARTERLY WAGE REPORTING.—Section 1137(a)(3) (42 U.S.C. 1320b–7(a)(3)) is amended—

(1) by inserting ''(including State and local governmental entities and labor organizations (as defined in section 453A(a)(2)(B)(iii))'' after ''employers''; and

(2) by inserting '', and except that no report shall be filed with respect to an employee of a State or local agency performing intelligence or counterintelligence functions, if the head of such agency has determined that filing such a report could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission'' after ''paragraph (2)''.

**SEC. 314. AMENDMENTS CONCERNING INCOME WITHHOLDING.**

(a) MANDATORY INCOME WITHHOLDING.—

(1) IN GENERAL.—Section 466(a)(1) (42 U.S.C. 666(a)(1)) is amended to read as follows:

''(1)(A) Procedures described in subsection (b) for the withholding from income of amounts payable as support in cases subject to enforcement under the State plan.

''(B) Procedures under which the wages of a person with a support obligation imposed by a support order issued (or modified) in the State before October 1, 1996, if not otherwise subject to withholding under subsection (b), shall become subject to withholding as provided in subsection (b) if arrearages occur, without the need for a judicial or administrative hearing.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 466(b) (42 U.S.C. 666(b)) is amended in the matter preceding paragraph (1), by striking ''subsection (a)(1)'' and inserting ''subsection (a)(1)(A)''.

(B) Section 466(b)(4) (42 U.S.C. 666(b)(4)) is amended to read as follows:

''(4)(A) Such withholding must be carried out in full compliance with all procedural due process requirements of the State, and the State must send notice to each noncustodial parent to whom paragraph (1) applies—

''(i) that the withholding has commenced; and

''(ii) of the procedures to follow if the noncustodial parent desires to contest such withholding on the grounds that the withholding or the amount withheld is improper due to a mistake of fact.

''(B) The notice under subparagraph (A) of this paragraph shall include the information provided to the employer under paragraph (6)(A).''.

(C) Section 466(b)(5) (42 U.S.C. 666(b)(5)) is amended by striking all that follows ''administered by'' and inserting ''the State through the State disbursement unit established pursuant to section 454B, in accordance with the requirements of section 454B.''.

(D) Section 466(b)(6)(A) (42 U.S.C. 666(b)(6)(A)) is amended—

(i) in clause (i), by striking ''to the appropriate agency'' and all that follows and inserting ''to the State disbursement unit within 2 business days after the date the amount would (but for this subsection) have been paid or credited to the employee, for distribution in accordance with this part. The employer shall comply with the procedural rules relating to income withholding of the State in which the employee works, regardless of the State where the notice originates.''.

(ii) in clause (ii), by inserting ''be in a standard format prescribed by the Secretary, and'' after ''shall''; and

(iii) by adding at the end the following new clause:

''(iii) As used in this subparagraph, the term 'business day' means a day on which State offices are open for regular business.''.

(E) Section 466(b)(6)(D) (42 U.S.C. 666(b)(6)(D)) is amended by striking ''any employer'' and all that follows and inserting ''any employer who—

''(i) discharges from employment, refuses to employ, or takes disciplinary action against any noncustodial parent subject to wage withholding required by this subsection because of the existence of such withholding and the obligations or additional obligations which it imposes upon the employer; or

''(ii) fails to withhold support from wages, or to pay such amounts to the State disbursement unit in accordance with this subsection.''.

(F) Section 466(b) (42 U.S.C. 666(b)) is amended by adding at the end the following new paragraph:

''(11) Procedures under which the agency administering the State plan approved under this part may execute a withholding order without advance notice to the obligor, including issuing the withholding order through electronic means.''.

(b) CONFORMING AMENDMENT.—Section 466(c) (42 U.S.C. 666(c)) is repealed.

**SEC. 315. LOCATOR INFORMATION FROM INTERSTATE NETWORKS.**

Section 466(a) (42 U.S.C. 666(a)) is amended by adding at the end the following new paragraph:

''(12) LOCATOR INFORMATION FROM INTERSTATE NETWORKS.—Procedures to ensure that all Federal and State agencies conducting activities under this part have access to any system used by the State to locate an individual for purposes relating to motor vehicles or law enforcement.''.

**SEC. 316. EXPANSION OF THE FEDERAL PARENT LOCATOR SERVICE.**

(a) EXPANDED AUTHORITY TO LOCATE INDIVIDUALS AND ASSETS.—Section 453 (42 U.S.C. 653) is amended—

(1) in subsection (a), by striking all that follows ''subsection (c))'' and inserting '', for the purpose of establishing parentage, establishing, setting the amount of, modifying, or enforcing child support obligations, or enforcing child custody or visitation orders—

''(1) information on, or facilitating the discovery of, the location of any individual—

''(A) who is under an obligation to pay child support or provide child custody or visitation rights;

''(B) against whom such an obligation is sought;

''(C) to whom such an obligation is owed,

including the individual's social security number (or numbers), most recent address, and the name, address, and employer identification number of the individual's employer;

''(2) information on the individual's wages (or other income) from, and benefits of, employment (including rights to or enrollment in group health care coverage); and

''(3) information on the type, status, location, and amount of any assets of, or debts owed by or to, any such individual.''; and

(2) in subsection (b)—

(A) in the matter preceding paragraph (1), by striking ''social security'' and all that follows through ''absent parent'' and inserting ''information described in subsection (a)''; and

(B) in the flush paragraph at the end, by adding the following: ''No information shall be disclosed to any person if the State has notified the Secretary that the State has reasonable evidence of domestic violence or child abuse and the disclosure of such information could be harmful to the custodial parent or the child of such parent. Information received or transmitted pursuant to this section shall be subject to the safeguard provisions contained in section 454(26).''.

(b) AUTHORIZED PERSON FOR INFORMATION REGARDING VISITATION RIGHTS.—Section 453(c) (42 U.S.C. 653(c)) is amended—

(1) in paragraph (1), by striking ''support'' and inserting ''support or to seek to enforce orders providing child custody or visitation rights''; and

(2) in paragraph (2), by striking '', or any agent of such court; and'' and inserting ''or to issue an order against a resident parent for child custody or visitation rights, or any agent of such court;''.

(c) REIMBURSEMENT FOR INFORMATION FROM FEDERAL AGENCIES.—Section 453(e)(2) (42 U.S.C. 653(e)(2)) is amended in the 4th sentence by inserting ''in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information)'' before the period.

(d) REIMBURSEMENT FOR REPORTS BY STATE AGENCIES.—Section 453 (42 U.S.C. 653) is amended by adding at the end the following new subsection:

''(g) REIMBURSEMENT FOR REPORTS BY STATE AGENCIES.—The Secretary may reimburse Federal and State agencies for the costs incurred by such entities in furnishing information requested by the Secretary under this section in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information).''.

(e) CONFORMING AMENDMENTS.—

(1) Sections 452(a)(9), 453(a), 453(b), 463(a), 463(e), and 463(f) (42 U.S.C. 652(a)(9), 653(a), 653(b), 663(a), 663(e), and 663(f)) are each amended by inserting ''Federal'' before ''Parent'' each place such term appears.

(2) Section 453 (42 U.S.C. 653) is amended in the heading by adding ''FEDERAL'' before ''PARENT''.

(f) NEW COMPONENTS.—Section 453 (42 U.S.C. 653), as amended by subsection (d) of this section, is amended by adding at the end the following new subsections:

''(h) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS.—

''(1) IN GENERAL.—Not later than October 1, 1998, in order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall establish and maintain in the Federal Parent Locator Service an automated registry (which shall be known as the 'Federal Case Registry of Child Support Orders'), which shall contain abstracts of support orders and other information described in paragraph (2) with respect to each case in each State case registry maintained pursuant to section 454A(e), as furnished (and regularly updated), pursuant to section 454A(f), by State agencies administering programs under this part.

''(2) CASE INFORMATION.—The information referred to in paragraph (1) with respect to a case shall be such information as the Secretary may specify in regulations (including the names, social security numbers or other uniform identification numbers, and State case identification numbers) to identify the individuals who owe or are owed support (or with respect to or on behalf of whom support obligations are sought to be established), and the State or States which have the case.

''(i) NATIONAL DIRECTORY OF NEW HIRES.—

''(1) IN GENERAL.—In order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall, not later than October 1, 1996, establish and maintain in the Federal Parent Locator Service an automated directory to be known as the National Directory of New Hires, which shall contain the information supplied pursuant to section 453A(g)(2).

''(2) ENTRY OF DATA.—Information shall be entered into the data base maintained by the National Directory of New Hires within 2 business days of receipt pursuant to section 453A(g)(2).

''(3) ADMINISTRATION OF FEDERAL TAX LAWS.—The Secretary of the Treasury shall have access to the information in the National Directory of New Hires for purposes of administering section 32 of the Internal Revenue Code of 1986, or the advance payment of the earned income tax credit under section 3507 of such Code, and verifying a claim with respect to employment in a tax return.

''(4) LIST OF MULTISTATE EMPLOYERS.—The Secretary shall maintain within the National Directory of New Hires a list of multistate employers that report information regarding newly hired employees pursuant to section 453A(b)(1)(B), and the State which each such employer has designated to receive such information.

''(j) INFORMATION COMPARISONS AND OTHER DISCLOSURES.—

''(1) VERIFICATION BY SOCIAL SECURITY ADMINISTRATION.—

''(A) IN GENERAL.—The Secretary shall transmit information on individuals and employers maintained under this section to the Social Security Administration to the extent necessary for verification in accordance with subparagraph (B).

''(B) VERIFICATION BY SSA.—The Social Security Administration shall verify the accuracy of, correct, or supply to the extent possible, and report to the Secretary, the following information supplied by the Secretary pursuant to subparagraph (A):

''(i) The name, social security number, and birth date of each such individual.

''(ii) The employer identification number of each such employer.

''(2) INFORMATION COMPARISONS.—For the purpose of locating individuals in a paternity establishment case or a case involving the establishment, modification, or enforcement of a support order, the Secretary shall—

''(A) compare information in the National Directory of New Hires against information in the support case abstracts in the Federal Case Registry of Child Support Orders not less often than every 2 business days; and

''(B) within 2 such days after such a comparison reveals a match with respect to an individual, report the information to the State agency responsible for the case.

''(3) INFORMATION COMPARISONS AND DISCLOSURES OF INFORMATION IN ALL REGISTRIES FOR TITLE IV PROGRAM PURPOSES.—To the extent and with the frequency that the Secretary determines to be effective in assisting States to carry out their responsibilities under programs operated under this part and programs funded under part A, the Secretary shall—

''(A) compare the information in each component of the Federal Parent Locator Service maintained under this section against the information in each other such component (other than the comparison required by paragraph (2)), and report instances in which such a comparison reveals a match with respect to an individual to State agencies operating such programs; and

''(B) disclose information in such registries to such State agencies.

''(4) PROVISION OF NEW HIRE INFORMATION TO THE SOCIAL SECURITY ADMINISTRATION.—The National Directory of New Hires shall provide the Commissioner of Social Security with all information in the National Directory, which shall be used to determine the accuracy of payments under the supplemental security income program under title XVI and in connection with benefits under title II.

''(5) RESEARCH.—The Secretary may provide access to information reported by employers pursuant to section 453A(b) for research purposes found by the Secretary to be likely to contribute to achieving the purposes of part A or this part, but without personal identifiers.

''(k) FEES.—

''(1) FOR SSA VERIFICATION.—The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated between the Secretary and the Commissioner, for the costs incurred by the Commissioner in performing the verification services described in subsection (j).

''(2) FOR INFORMATION FROM STATE DIRECTORIES OF NEW HIRES.—The Secretary shall reimburse costs incurred by State directories of

new hires in furnishing information as required by subsection (j)(3), at rates which the Secretary determines to be reasonable (which rates shall not include payment for the costs of obtaining, compiling, or maintaining such information).

''(3) FOR INFORMATION FURNISHED TO STATE AND FEDERAL AGENCIES.—A State or Federal agency that receives information from the Secretary pursuant to this section shall reimburse the Secretary for costs incurred by the Secretary in furnishing the information, at rates which the Secretary determines to be reasonable (which rates shall include payment for the costs of obtaining, verifying, maintaining, and comparing the information).

''(l) RESTRICTION ON DISCLOSURE AND USE.—Information in the Federal Parent Locator Service, and information resulting from comparisons using such information, shall not be used or disclosed except as expressly provided in this section, subject to section 6103 of the Internal Revenue Code of 1986.

''(m) INFORMATION INTEGRITY AND SECURITY.—The Secretary shall establish and implement safeguards with respect to the entities established under this section designed to—

''(1) ensure the accuracy and completeness of information in the Federal Parent Locator Service; and

''(2) restrict access to confidential information in the Federal Parent Locator Service to authorized persons, and restrict use of such information to authorized purposes.

''(n) FEDERAL GOVERNMENT REPORTING.—Each department, agency, and instrumentality of the United States shall on a quarterly basis report to the Federal Parent Locator Service the name and social security number of each employee and the wages paid to the employee during the previous quarter, except that such a report shall not be filed with respect to an employee of a department, agency, or instrumentality performing intelligence or counterintelligence functions, if the head of such department, agency, or instrumentality has determined that filing such a report could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.''.

(g) CONFORMING AMENDMENTS.—

(1) TO PART D OF TITLE IV OF THE SOCIAL SECURITY ACT.—

(A) Section 454(8)(B) (42 U.S.C. 654(8)(B)) is amended to read as follows:

''(B) the Federal Parent Locator Service established under section 453;''.

(B) Section 454(13) (42 U.S.C.654(13)) is amended by inserting ''and provide that information requests by parents who are residents of other States be treated with the same priority as requests by parents who are residents of the State submitting the plan'' before the semicolon.

(2) TO FEDERAL UNEMPLOYMENT TAX ACT.—Section 3304(a)(16) of the Internal Revenue Code of 1986 is amended—

(A) by striking ''Secretary of Health, Education, and Welfare'' each place such term appears and inserting ''Secretary of Health and Human Services'';

(B) in subparagraph (B), by striking ''such information'' and all that follows and inserting ''information furnished under subparagraph (A) or (B) is used only for the purposes authorized under such subparagraph;'';

(C) by striking ''and'' at the end of subparagraph (A);

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

''(B) wage and unemployment compensation information contained in the records of such agency shall be furnished to the Secretary of Health and Human Services (in accordance with regulations promulgated by such Secretary) as necessary for the purposes of the National Directory of New Hires established under section 453(i) of the Social Security Act, and''.

(3) TO STATE GRANT PROGRAM UNDER TITLE III OF THE SOCIAL SECURITY ACT.—Subsection (h) of section 303 (42 U.S.C. 503) is amended to read as follows:

''(h)(1) The State agency charged with the administration of the State law shall, on a reimbursable basis—

''(A) disclose quarterly, to the Secretary of Health and Human Services wage and claim information, as required pursuant to section 453(i)(1), contained in the records of such agency;

''(B) ensure that information provided pursuant to subparagraph (A) meets such standards relating to correctness and verification as the Secretary of Health and Human Services, with the concurrence of the Secretary of Labor, may find necessary; and

''(C) establish such safeguards as the Secretary of Labor determines are necessary to insure that information disclosed under subparagraph (A) is used only for purposes of section 453(i)(1) in carrying out the child support enforcement program under title IV.

''(2) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirements of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until the Secretary of Labor is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, the Secretary shall make no future certification to the Secretary of the Treasury with respect to the State.

''(3) For purposes of this subsection—

''(A) the term 'wage information' means information regarding wages paid to an individual, the social security account number of such individual, and the name, address, State, and the Federal employer identification number of the employer paying such wages to such individual; and

''(B) the term 'claim information' means information regarding whether an individual is receiving, has received, or has made application for, unemployment compensation, the amount of any such compensation being received (or to be received by such individual), and the individual's current (or most recent) home address.''.

(4) DISCLOSURE OF CERTAIN INFORMATION TO AGENTS OF CHILD SUPPORT ENFORCEMENT AGENCIES.—

(A) IN GENERAL.—Paragraph (6) of section 6103(l) of the Internal Revenue Code of 1986 (relating to disclosure of return information to Federal, State, and local child support enforcement agencies) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

''(B) DISCLOSURE TO CERTAIN AGENTS.—The following information disclosed to any child support enforcement agency under subparagraph (A) with respect to any individual with respect to whom child support obligations are sought to be established or enforced may be disclosed by such agency to any agent of such agency which is under contract with such agency to carry out the purposes described in subparagraph (C):

''(i) The address and social security account number (or numbers) of such individual.

''(ii) The amount of any reduction under section 6402(c) (relating to offset of past-due support against overpayments) in any overpayment otherwise payable to such individual.''

(B) CONFORMING AMENDMENTS.—

(i) Paragraph (3) of section 6103(a) of such Code is amended by striking ''(l)(12)'' and inserting ''paragraph (6) or (12) of subsection (l)''.

(ii) Subparagraph (C) of section 6103(l)(6) of such Code, as redesignated by subsection (a), is amended to read as follows:

''(C) RESTRICTION ON DISCLOSURE.—Information may be disclosed under this paragraph only for purposes of, and to the extent necessary in, establishing and collecting child support obligations from, and locating, individuals owing such obligations.''

(iii) The material following subparagraph (F) of section 6103(p)(4) of such Code is amended by striking ''subsection (l)(12)(B)'' and inserting ''paragraph (6)(A) or (12)(B) of subsection (l)''.

**SEC. 317. COLLECTION AND USE OF SOCIAL SECURITY NUMBERS FOR USE IN CHILD SUPPORT ENFORCEMENT.**

(a) STATE LAW REQUIREMENT.—Section 466(a) (42 U.S.C. 666(a)), as amended by section 315 of this Act, is amended by adding at the end the following new paragraph:

''(13) RECORDING OF SOCIAL SECURITY NUMBERS IN CERTAIN FAMILY MATTERS.—Procedures requiring that the social security number of—

''(A) any applicant for a professional license, commercial driver's license, occupational license, or marriage license be recorded on the application;

''(B) any individual who is subject to a divorce decree, support order, or paternity determination or acknowledgment be placed in the records relating to the matter; and

''(C) any individual who has died be placed in the records relating to the death and be recorded on the death certificate.

For purposes of subparagraph (A), if a State allows the use of a number other than the social security number, the State shall so advise any applicants.''.

(b) CONFORMING AMENDMENTS.—Section 205(c)(2)(C) (42 U.S.C. 405(c)(2)(C)), as amended by section 321(a)(9) of the Social Security Independence and Program Improvements Act of 1994, is amended—

(1) in clause (i), by striking ''may require'' and inserting ''shall require'';

(2) in clause (ii), by inserting after the 1st sentence the following: ''In the administration of any law involving the issuance of a marriage certificate or license, each State shall require each party named in the certificate or license to furnish to the State (or political subdivision thereof), or any State agency having administrative responsibility for the law involved, the social security number of the party.'';

(3) in clause (ii), by inserting ''or marriage certificate'' after ''Such numbers shall not be recorded on the birth certificate'';

(4) in clause (vi), by striking ''may'' and inserting ''shall''; and

(5) by adding at the end the following new clauses:

''(x) An agency of a State (or a political subdivision thereof) charged with the administration of any law concerning the issuance or renewal of a license, certificate, permit, or other authorization to engage in a profession, an occupation, or a commercial activity shall require all applicants for issuance or renewal of the license, certificate, permit, or other authorization to provide the applicant's social security number to the agency for the purpose of administering such laws, and for the purpose of responding to requests for information from an agency operating pursuant to part D of title IV.

''(xi) All divorce decrees, support orders, and paternity determinations issued, and all paternity acknowledgments made, in each State shall include the social security number of each party to the decree, order, determination, or acknowledgement in the records relating to the matter, for the purpose of responding to requests for information from an agency operating pursuant to part D of title IV.''.

## *Subtitle C—Streamlining and Uniformity of Procedures*

**SEC. 321. ADOPTION OF UNIFORM STATE LAWS.**

Section 466 (42 U.S.C. 666) is amended by adding at the end the following new subsection:

''(f) UNIFORM INTERSTATE FAMILY SUPPORT ACT.—

''(1) ENACTMENT AND USE.—In order to satisfy section 454(20)(A), on and after January 1, 1998, each State must have in effect the Uniform Interstate Family Support Act, as approved by

the American Bar Association on February 9, 1993, together with any amendments officially adopted before January 1, 1998 by the National Conference of Commissioners on Uniform State Laws.

''(2) EMPLOYERS TO FOLLOW PROCEDURAL RULES OF STATE WHERE EMPLOYEE WORKS.—The State law enacted pursuant to paragraph (1) shall provide that an employer that receives an income withholding order or notice pursuant to section 501 of the Uniform Interstate Family Support Act follow the procedural rules that apply with respect to such order or notice under the laws of the State in which the obligor works.

**SEC. 322. IMPROVEMENTS TO FULL FAITH AND CREDIT FOR CHILD SUPPORT ORDERS.**

Section 1738B of title 28, United States Code, is amended—

(1) in subsection (a)(2), by striking ''subsection (e)'' and inserting ''subsections (e), (f), and (i)'';

(2) in subsection (b), by inserting after the 2nd undesignated paragraph the following:

'' 'child's home State' means the State in which a child lived with a parent or a person acting as parent for at least 6 consecutive months immediately preceding the time of filing of a petition or comparable pleading for support and, if a child is less than 6 months old, the State in which the child lived from birth with any of them. A period of temporary absence of any of them is counted as part of the 6-month period.'';

(3) in subsection (c), by inserting ''by a court of a State'' before ''is made'';

(4) in subsection (c)(1), by inserting ''and subsections (e), (f), and (g)'' after ''located'';

(5) in subsection (d)—

(A) by inserting ''individual'' before ''contestant''; and

(B) by striking ''subsection (e)'' and inserting ''subsections (e) and (f)'';

(6) in subsection (e), by striking ''make a modification of a child support order with respect to a child that is made'' and inserting ''modify a child support order issued'';

(7) in subsection (e)(1), by inserting ''pursuant to subsection (i)'' before the semicolon;

(8) in subsection (e)(2)—

(A) by inserting ''individual'' before ''contestant'' each place such term appears; and

(B) by striking ''to that court's making the modification and assuming'' and inserting ''with the State of continuing, exclusive jurisdiction for a court of another State to modify the order and assume'';

(9) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively;

(10) by inserting after subsection (e) the following new subsection:

''(f) RECOGNITION OF CHILD SUPPORT ORDERS.—If 1 or more child support orders have been issued in this or another State with regard to an obligor and a child, a court shall apply the following rules in determining which order to recognize for purposes of continuing, exclusive jurisdiction and enforcement:

''(1) If only 1 court has issued a child support order, the order of that court must be recognized.

''(2) If 2 or more courts have issued child support orders for the same obligor and child, and only 1 of the courts would have continuing, exclusive jurisdiction under this section, the order of that court must be recognized.

''(3) If 2 or more courts have issued child support orders for the same obligor and child, and more than 1 of the courts would have continuing, exclusive jurisdiction under this section, an order issued by a court in the current home State of the child must be recognized, but if an order has not been issued in the current home State of the child, the order most recently issued must be recognized.

''(4) If 2 or more courts have issued child support orders for the same obligor and child, and none of the courts would have continuing, exclusive jurisdiction under this section, a court may issue a child support order, which must be recognized.

''(5) The court that has issued an order recognized under this subsection is the court having continuing, exclusive jurisdiction.'';

(11) in subsection (g) (as so redesignated)—

(A) by striking ''PRIOR'' and inserting ''MODIFIED''; and

(B) by striking ''subsection (e)'' and inserting ''subsections (e) and (f)'';

(12) in subsection (h) (as so redesignated)—

(A) in paragraph (2), by inserting ''including the duration of current payments and other obligations of support'' before the comma; and

(B) in paragraph (3), by inserting ''arrears under'' after ''enforce''; and

(13) by adding at the end the following new subsection:

''(i) REGISTRATION FOR MODIFICATION.—If there is no individual contestant or child residing in the issuing State, the party or support enforcement agency seeking to modify, or to modify and enforce, a child support order issued in another State shall register that order in a State with jurisdiction over the nonmovant for the purpose of modification.''.

**SEC. 323. ADMINISTRATIVE ENFORCEMENT IN INTERSTATE CASES.**

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 315 and 317(a) of this Act, is amended by adding at the end the following new paragraph:

''(14) ADMINISTRATIVE ENFORCEMENT IN INTERSTATE CASES.—Procedures under which—

''(A)(i) the State shall respond within 5 business days to a request made by another State to enforce a support order; and

''(ii) the term 'business day' means a day on which State offices are open for regular business;

''(B) the State may, by electronic or other means, transmit to another State a request for assistance in a case involving the enforcement of a support order, which request—

''(i) shall include such information as will enable the State to which the request is transmitted to compare the information about the case to the information in the data bases of the State; and

''(ii) shall constitute a certification by the requesting State—

''(I) of the amount of support under the order the payment of which is in arrears; and

''(II) that the requesting State has complied with all procedural due process requirements applicable to the case;

''(C) if the State provides assistance to another State pursuant to this paragraph with respect to a case, neither State shall consider the case to be transferred to the caseload of such other State; and

''(D) the State shall maintain records of—

''(i) the number of such requests for assistance received by the State;

''(ii) the number of cases for which the State collected support in response to such a request; and

''(iii) the amount of such collected support.''.

**SEC. 324. USE OF FORMS IN INTERSTATE ENFORCEMENT.**

(a) PROMULGATION.—Section 452(a) (42 U.S.C. 652(a)) is amended—

(1) by striking ''and'' at the end of paragraph (9);

(2) by striking the period at the end of paragraph (10) and inserting ''; and''; and

(3) by adding at the end the following new paragraph:

''(11) not later than June 30, 1996, after consulting with the State directors of programs under this part, promulgate forms to be used by States in interstate cases for—

''(A) collection of child support through income withholding;

''(B) imposition of liens; and

''(C) administrative subpoenas.''.

(b) USE BY STATES.—Section 454(9) (42 U.S.C. 654(9)) is amended—

(1) by striking ''and'' at the end of subparagraph (C);

(2) by inserting ''and'' at the end of subparagraph (D); and

(3) by adding at the end the following new subparagraph:

''(E) no later than October 1, 1996, in using the forms promulgated pursuant to section 452(a)(11) for income withholding, imposition of liens, and issuance of administrative subpoenas in interstate child support cases;''.

**SEC. 325. STATE LAWS PROVIDING EXPEDITED PROCEDURES.**

(a) STATE LAW REQUIREMENTS.—Section 466 (42 U.S.C. 666), as amended by section 314 of this Act, is amended—

(1) in subsection (a)(2), by striking the 1st sentence and inserting the following: ''Expedited administrative and judicial procedures (including the procedures specified in subsection (c)) for establishing paternity and for establishing, modifying, and enforcing support obligations.''; and

(2) by inserting after subsection (b) the following new subsection:

''(c) EXPEDITED PROCEDURES.—The procedures specified in this subsection are the following:

''(1) ADMINISTRATIVE ACTION BY STATE AGENCY.—Procedures which give the State agency the authority to take the following actions relating to establishment or enforcement of support orders, without the necessity of obtaining an order from any other judicial or administrative tribunal, and to recognize and enforce the authority of State agencies of other States) to take the following actions:

''(A) GENETIC TESTING.—To order genetic testing for the purpose of paternity establishment as provided in section 466(a)(5).

''(B) FINANCIAL OR OTHER INFORMATION.—To subpoena any financial or other information needed to establish, modify, or enforce a support order, and to impose penalties for failure to respond to such a subpoena.

''(C) RESPONSE TO STATE AGENCY REQUEST.—To require all entities in the State (including for-profit, nonprofit, and governmental employers) to provide promptly, in response to a request by the State agency of that or any other State administering a program under this part, information on the employment, compensation, and benefits of any individual employed by such entity as an employee or contractor, and to sanction failure to respond to any such request.

''(D) ACCESS TO CERTAIN RECORDS.—To obtain access, subject to safeguards on privacy and information security, to the following records (including automated access, in the case of records maintained in automated data bases):

''(i) Records of other State and local government agencies, including—

''(I) vital statistics (including records of marriage, birth, and divorce);

''(II) State and local tax and revenue records (including information on residence address, employer, income and assets);

''(III) records concerning real and titled personal property;

''(IV) records of occupational and professional licenses, and records concerning the ownership and control of corporations, partnerships, and other business entities;

''(V) employment security records;

''(VI) records of agencies administering public assistance programs;

''(VII) records of the motor vehicle department; and

''(VIII) corrections records.

''(ii) Certain records held by private entities, including—

''(I) customer records of public utilities and cable television companies; and

''(II) information (including information on assets and liabilities) on individuals who owe or are owed support (or against or with respect to

whom a support obligation is sought) held by financial institutions (subject to limitations on liability of such entities arising from affording such access), as provided pursuant to agreements described in subsection (a)(18).

''(E) CHANGE IN PAYEE.—In cases in which support is subject to an assignment in order to comply with a requirement imposed pursuant to part A or section 1912, or to a requirement to pay through the State disbursement unit established pursuant to section 454B, upon providing notice to obligor and obligee, to direct the obligor or other payor to change the payee to the appropriate government entity.

''(F) INCOME WITHHOLDING.—To order income withholding in accordance with subsections (a)(1) and (b) of section 466.

''(G) SECURING ASSETS.—In cases in which there is a support arrearage, to secure assets to satisfy the arrearage by—

''(i) intercepting or seizing periodic or lump-sum payments from—

''(I) a State or local agency, including unemployment compensation, workers' compensation, and other benefits; and

''(II) judgments, settlements, and lotteries;

''(ii) attaching and seizing assets of the obligor held in financial institutions;

''(iii) attaching public and private retirement funds; and

''(iv) imposing liens in accordance with subsection (a)(4) and, in appropriate cases, to force sale of property and distribution of proceeds.

''(H) INCREASE MONTHLY PAYMENTS.—For the purpose of securing overdue support, to increase the amount of monthly support payments to include amounts for arrearages, subject to such conditions or limitations as the State may provide.

Such procedures shall be subject to due process safeguards, including (as appropriate) requirements for notice, opportunity to contest the action, and opportunity for an appeal on the record to an independent administrative or judicial tribunal.

''(2) SUBSTANTIVE AND PROCEDURAL RULES.—The expedited procedures required under subsection (a)(2) shall include the following rules and authority, applicable with respect to all proceedings to establish paternity or to establish, modify, or enforce support orders:

''(A) LOCATOR INFORMATION; PRESUMPTIONS CONCERNING NOTICE.—Procedures under which—

''(i) each party to any paternity or child support proceeding is required (subject to privacy safeguards) to file with the tribunal and the State case registry upon entry of an order, and to update as appropriate, information on location and identity of the party, including social security number, residential and mailing addresses, telephone number, driver's license number, and name, address, and name and telephone number of employer; and

''(ii) in any subsequent child support enforcement action between the parties, upon sufficient showing that diligent effort has been made to ascertain the location of such a party, the tribunal may deem State due process requirements for notice and service of process to be met with respect to the party, upon delivery of written notice to the most recent residential or employer address filed with the tribunal pursuant to clause (i).

''(B) STATEWIDE JURISDICTION.—Procedures under which—

''(i) the State agency and any administrative or judicial tribunal with authority to hear child support and paternity cases exerts statewide jurisdiction over the parties; and

''(ii) in a State in which orders are issued by courts or administrative tribunals, a case may be transferred between local jurisdictions in the State without need for any additional filing by the petitioner, or service of process upon the respondent, to retain jurisdiction over the parties.

''(3) COORDINATION WITH ERISA.—Notwithstanding subsection (d) of section 514 of the Employee Retirement Income Security Act of 1974 (relating to effect on other laws), nothing in this subsection shall be construed to alter, amend, modify, invalidate, impair, or supersede subsections (a), (b), and (c) of such section 514 as it applies with respect to any procedure referred to in paragraph (1) and any expedited procedure referred to in paragraph (2), except to the extent that such procedure would be consistent with the requirements of section 206(d)(3) of such Act (relating to qualified domestic relations orders) or the requirements of section 609(a) of such Act (relating to qualified medical child support orders) if the reference in such section 206(d)(3) to a domestic relations order and the reference in such section 609(a) to a medical child support order were a reference to a support order referred to in paragraphs (1) and (2) relating to the same matters, respectively.''.

(b) AUTOMATION OF STATE AGENCY FUNCTIONS.—Section 454A, as added by section 344(a)(2) and as amended by sections 311 and 312(c) of this Act, is amended by adding at the end the following new subsection:

''(h) EXPEDITED ADMINISTRATIVE PROCEDURES.—The automated system required by this section shall be used, to the maximum extent feasible, to implement the expedited administrative procedures required by section 466(c).''.

### Subtitle D—Paternity Establishment

#### SEC. 331. STATE LAWS CONCERNING PATERNITY ESTABLISHMENT.

(a) STATE LAWS REQUIRED.—Section 466(a)(5) (42 U.S.C. 666(a)(5)) is amended to read as follows:

''(5) PROCEDURES CONCERNING PATERNITY ESTABLISHMENT.—

''(A) ESTABLISHMENT PROCESS AVAILABLE FROM BIRTH UNTIL AGE 18.—

''(i) Procedures which permit the establishment of the paternity of a child at any time before the child attains 18 years of age.

''(ii) As of August 16, 1984, clause (i) shall also apply to a child for whom paternity has not been established or for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.

''(B) PROCEDURES CONCERNING GENETIC TESTING.—

''(i) GENETIC TESTING REQUIRED IN CERTAIN CONTESTED CASES.—Procedures under which the State is required, in a contested paternity case (unless otherwise barred by State law) to require the child and all other parties (other than individuals found under section 454(29) to have good cause for refusing to cooperate) to submit to genetic tests upon the request of any such party, if the request is supported by a sworn statement by the party—

''(I) alleging paternity, and setting forth facts establishing a reasonable possibility of the requisite sexual contact between the parties; or

''(II) denying paternity, and setting forth facts establishing a reasonable possibility of the nonexistence of sexual contact between the parties.

''(ii) OTHER REQUIREMENTS.—Procedures which require the State agency, in any case in which the agency orders genetic testing—

''(I) to pay costs of such tests, subject to recoupment (if the State so elects) from the alleged father if paternity is established; and

''(II) to obtain additional testing in any case if an original test result is contested, upon request and advance payment by the contestant.

''(C) VOLUNTARY PATERNITY ACKNOWLEDGMENT.—

''(i) SIMPLE CIVIL PROCESS.—Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must provide that, before a mother and a putative father can sign an acknowledgment of paternity, the mother and the putative father must be given notice, orally and in writing, of the alternatives to, the legal consequences of, and the rights (including, if 1 parent is a minor, any rights afforded due to minority status) and responsibilities that arise from, signing the acknowledgment.

''(ii) HOSPITAL-BASED PROGRAM.—Such procedures must include a hospital-based program for the voluntary acknowledgment of paternity focusing on the period immediately before or after the birth of a child, subject to such good cause exceptions, taking into account the best interests of the child, as the State may establish.

''(iii) PATERNITY ESTABLISHMENT SERVICES.—

''(I) STATE-OFFERED SERVICES.—Such procedures must require the State agency responsible for maintaining birth records to offer voluntary paternity establishment services.

''(II) REGULATIONS.—

''(aa) SERVICES OFFERED BY HOSPITALS AND BIRTH RECORD AGENCIES.—The Secretary shall prescribe regulations governing voluntary paternity establishment services offered by hospitals and birth record agencies.

''(bb) SERVICES OFFERED BY OTHER ENTITIES.—The Secretary shall prescribe regulations specifying the types of other entities that may offer voluntary paternity establishment services, and governing the provision of such services, which shall include a requirement that such an entity must use the same notice provisions used by, use the same materials used by, provide the personnel providing such services with the same training provided by, and evaluate the provision of such services in the same manner as the provision of such services is evaluated by, voluntary paternity establishment programs of hospitals and birth record agencies.

''(iv) USE OF PATERNITY ACKNOWLEDGMENT AFFIDAVIT.—Such procedures must require the State to develop and use an affidavit for the voluntary acknowledgment of paternity which includes the minimum requirements of the affidavit developed by the Secretary under section 452(a)(7) for the voluntary acknowledgment of paternity, and to give full faith and credit to such an affidavit signed in any other State according to its procedures.

''(D) STATUS OF SIGNED PATERNITY ACKNOWLEDGMENT.—

''(i) INCLUSION IN BIRTH RECORDS.—Procedures under which the name of the father shall be included on the record of birth of the child of unmarried parents only if—

''(I) the father and mother have signed a voluntary acknowledgment of paternity; or

''(II) a court or an administrative agency of competent jurisdiction has issued an adjudication of paternity.

Nothing in this clause shall preclude a State agency from obtaining an admission of paternity from the father for submission in a judicial or administrative proceeding, or prohibit the issuance of an order in a judicial or administrative proceeding which bases a legal finding of paternity on an admission of paternity by the father and any other additional showing required by State law.

''(ii) LEGAL FINDING OF PATERNITY.—Procedures under which a signed voluntary acknowledgment of paternity is considered a legal finding of paternity, subject to the right of any signatory to rescind the acknowledgment within the earlier of—

''(I) 60 days; or

''(II) the date of an administrative or judicial proceeding relating to the child (including a proceeding to establish a support order) in which the signatory is a party.

''(iii) CONTEST.—Procedures under which, after the 60-day period referred to in clause (ii), a signed voluntary acknowledgment of paternity may be challenged in court only on the basis of fraud, duress, or material mistake of fact, with the burden of proof upon the challenger, and under which the legal responsibilities (including child support obligations) of any signatory arising from the acknowledgment may not be suspended during the challenge, except for good cause shown.

''(E) BAR ON ACKNOWLEDGMENT RATIFICATION PROCEEDINGS.—Procedures under which judicial or administrative proceedings are not required or permitted to ratify an unchallenged acknowledgment of paternity.

''(F) ADMISSIBILITY OF GENETIC TESTING RESULTS.—Procedures—

''(i) requiring the admission into evidence, for purposes of establishing paternity, of the results of any genetic test that is—

''(I) of a type generally acknowledged as reliable by accreditation bodies designated by the Secretary; and

''(II) performed by a laboratory approved by such an accreditation body;

''(ii) requiring an objection to genetic testing results to be made in writing not later than a specified number of days before any hearing at which the results may be introduced into evidence (or, at State option, not later than a specified number of days after receipt of the results); and

''(iii) making the test results admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy, unless objection is made.

''(G) PRESUMPTION OF PATERNITY IN CERTAIN CASES.—Procedures which create a rebuttable or, at the option of the State, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child.

''(H) DEFAULT ORDERS.—Procedures requiring a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by State law.

''(I) NO RIGHT TO JURY TRIAL.—Procedures providing that the parties to an action to establish paternity are not entitled to a trial by jury.

''(J) TEMPORARY SUPPORT ORDER BASED ON PROBABLE PATERNITY IN CONTESTED CASES.—Procedures which require that a temporary order be issued, upon motion by a party, requiring the provision of child support pending an administrative or judicial determination of parentage, if there is clear and convincing evidence of paternity (on the basis of genetic tests or other evidence).

''(K) PROOF OF CERTAIN SUPPORT AND PATERNITY ESTABLISHMENT COSTS.—Procedures under which bills for pregnancy, childbirth, and genetic testing are admissible as evidence without requiring third-party foundation testimony, and shall constitute prima facie evidence of amounts incurred for such services or for testing on behalf of the child.

''(L) STANDING OF PUTATIVE FATHERS.—Procedures ensuring that the putative father has a reasonable opportunity to initiate a paternity action.

''(M) FILING OF ACKNOWLEDGMENTS AND ADJUDICATIONS IN STATE REGISTRY OF BIRTH RECORDS.—Procedures under which voluntary acknowledgments and adjudications of paternity by judicial or administrative processes are filed with the State registry of birth records for comparison with information in the State case registry.''.

(b) NATIONAL PATERNITY ACKNOWLEDGMENT AFFIDAVIT.—Section 452(a)(7) (42 U.S.C. 652(a)(7)) is amended by inserting '', and develop an affidavit to be used for the voluntary acknowledgment of paternity which shall include the social security number of each parent and, after consultation with the States, other common elements as determined by such designee'' before the semicolon.

(c) CONFORMING AMENDMENT.—Section 468 (42 U.S.C. 668) is amended by striking ''a simple civil process for voluntarily acknowledging paternity and''.

### SEC. 332. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT.

Section 454(23) (42 U.S.C. 654(23)) is amended by inserting ''and will publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support by means the State deems appropriate'' before the semicolon.

### SEC. 333. COOPERATION BY APPLICANTS FOR AND RECIPIENTS OF TEMPORARY FAMILY ASSISTANCE.

Section 454 (42 U.S.C. 654), as amended by sections 301(b), 303(a), 312(a), and 313(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (27);

(2) by striking the period at the end of paragraph (28) and inserting ''; and''; and

(3) by inserting after paragraph (28) the following new paragraph:

''(29) provide that the State agency responsible for administering the State plan—

''(A) shall make the determination (and redetermination at appropriate intervals) as to whether an individual who has applied for or is receiving assistance under the State program funded under part A or the State program under title XIX is cooperating in good faith with the State in establishing the paternity of, or in establishing, modifying, or enforcing a support order for, any child of the individual by providing the State agency with the name of, and such other information as the State agency may require with respect to, the noncustodial parent of the child, subject to such good cause exceptions, taking into account the best interests of the child, as the State may establish through the State agency, or at the option of the State, through the State agencies administering the State programs funded under part A and title XIX;

''(B) shall require the individual to supply additional necessary information and appear at interviews, hearings, and legal proceedings;

''(C) shall require the individual and the child to submit to genetic tests pursuant to judicial or administrative order;

''(D) may request that the individual sign a voluntary acknowledgment of paternity, after notice of the rights and consequences of such an acknowledgment, but may not require the individual to sign an acknowledgment or otherwise relinquish the right to genetic tests as a condition of cooperation and eligibility for assistance under the State program funded under part A or the State program under title XIX; and

''(E) shall promptly notify the individual and the State agency administering the State program funded under part A and the State agency administering the State program under title XIX of each such determination, and if noncooperation is determined, the basis therefore.''.

## Subtitle E—Program Administration and Funding

### SEC. 341. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

(a) DEVELOPMENT OF NEW SYSTEM.—The Secretary of Health and Human Services, in consultation with State directors of programs under part D of title IV of the Social Security Act, shall develop a new incentive system to replace, in a revenue neutral manner, the system under section 458 of such Act. The new system shall provide additional payments to any State based on such State's performance under such a program. Not later than June 1, 1996, the Secretary shall report on the new system to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(b) CONFORMING AMENDMENTS TO PRESENT SYSTEM.—Section 458 (42 U.S.C. 658) is amended—

(1) in subsection (a), by striking ''aid to families with dependent children under a State plan approved under part A of this title'' and inserting ''assistance under a program funded under part A'';

(2) in subsection (b)(1)(A), by striking ''section 402(a)(26)'' and inserting ''section 408(a)(4)'';

(3) in subsections (b) and (c)—

(A) by striking ''AFDC collections'' each place it appears and inserting ''title IV–A collections'', and

(B) by striking ''non-AFDC collections'' each place it appears and inserting ''non-title IV–A collections''; and

(4) in subsection (c), by striking ''combined AFDC/non-AFDC administrative costs'' both places it appears and inserting ''combined title IV–A/non-title IV–A administrative costs''.

(c) CALCULATION OF IV–D PATERNITY ESTABLISHMENT PERCENTAGE.—

(1) Section 452(g)(1)(A) (42 U.S.C. 652(g)(1)(A)) is amended by striking ''75'' and inserting ''90''.

(2) Section 452(g)(1) (42 U.S.C. 652(g)(1)) is amended by redesignating subparagraphs (B) through (E) as subparagraphs (C) through (F), respectively, and by inserting after subparagraph (A) the following new subparagraph:

''(B) for a State with a paternity establishment percentage of not less than 75 percent but less than 90 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding fiscal year plus 2 percentage points;''.

(3) Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended in the matter preceding clause (i)—

(A) by striking ''paternity establishment percentage'' and inserting ''IV–D paternity establishment percentage''; and

(B) by striking ''(or all States, as the case may be)''.

(4) Section 452(g)(2) (42 U.S.C. 652(g)(2)) is amended by adding at the end the following new sentence: ''In meeting the 90 percent paternity establishment requirement, a State may calculate either the paternity establishment rate of cases in the program funded under this part or the paternity establishment rate of all out-of-wedlock births in the State.''.

(5) Section 452(g)(3) (42 U.S.C. 652(g)(3)) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(B) in subparagraph (A) (as so redesignated), by striking ''the percentage of children born out-of-wedlock in a State'' and inserting ''the percentage of children in a State who are born out of wedlock or for whom support has not been established''; and

(C) in subparagraph (B) (as so redesignated) by inserting ''and securing support'' before the period.

(d) EFFECTIVE DATES.—

(1) INCENTIVE ADJUSTMENTS.—

(A) IN GENERAL.—The system developed under subsection (a) and the amendments made by subsection (b) shall become effective on October 1, 1997, except to the extent provided in subparagraph (B).

(B) APPLICATION OF SECTION 458.—Section 458 of the Social Security Act, as in effect on the day before the date of the enactment of this section, shall be effective for purposes of incentive payments to States for fiscal years before fiscal year 1999.

(2) PENALTY REDUCTIONS.—The amendments made by subsection (c) shall become effective with respect to calendar quarters beginning on or after the date of the enactment of this Act.

### SEC. 342. FEDERAL AND STATE REVIEWS AND AUDITS.

(a) STATE AGENCY ACTIVITIES.—Section 454 (42 U.S.C. 654) is amended—

(1) in paragraph (14), by striking ''(14)'' and inserting ''(14)(A)'';

(2) by redesignating paragraph (15) as subparagraph (B) of paragraph (14); and

(3) by inserting after paragraph (14) the following new paragraph:

''(15) provide for—

''(A) a process for annual reviews of and reports to the Secretary on the State program operated under the State plan approved under this part, including such information as may be necessary to measure State compliance with Federal requirements for expedited procedures, using such standards and procedures as are required by the Secretary, under which the State agency will determine the extent to which the program is operated in compliance with this part; and

''(B) a process of extracting from the automated data processing system required by paragraph (16) and transmitting to the Secretary data and calculations concerning the levels of accomplishment (and rates of improvement) with respect to applicable performance indicators (including IV–D paternity establishment percentages to the extent necessary for purposes of sections 452(g) and 458.''.

(b) FEDERAL ACTIVITIES.—Section 452(a)(4) (42 U.S.C. 652(a)(4)) is amended to read as follows:

''(4)(A) review data and calculations transmitted by State agencies pursuant to section 454(15)(B) on State program accomplishments with respect to performance indicators for purposes of subsection (g) of this section and section 458;

''(B) review annual reports submitted pursuant to section 454(15)(A) and, as appropriate, provide to the State comments, recommendations for additional or alternative corrective actions, and technical assistance; and

''(C) conduct audits, in accordance with the Government auditing standards of the Comptroller General of the United States—

''(i) at least once every 3 years (or more frequently, in the case of a State which fails to meet the requirements of this part concerning performance standards and reliability of program data) to assess the completeness, reliability, and security of the data, and the accuracy of the reporting systems, used in calculating performance indicators under subsection (g) of this section and section 458;

''(ii) of the adequacy of financial management of the State program operated under the State plan approved under this part, including assessments of—

''(I) whether Federal and other funds made available to carry out the State program are being appropriately expended, and are properly and fully accounted for; and

''(II) whether collections and disbursements of support payments are carried out correctly and are fully accounted for; and

''(iii) for such other purposes as the Secretary may find necessary;''.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning 12 months or more after the date of the enactment of this Act.

**SEC. 343. REQUIRED REPORTING PROCEDURES.**

(a) ESTABLISHMENT.—Section 452(a)(5) (42 U.S.C. 652(a)(5)) is amended by inserting '', and establish procedures to be followed by States for collecting and reporting information required to be provided under this part, and establish uniform definitions (including those necessary to enable the measurement of State compliance with the requirements of this part relating to expedited processes) to be applied in following such procedures'' before the semicolon.

(b) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 301(b), 303(a), 312(a), 313(a), and 333 of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (28);

(2) by striking the period at the end of paragraph (29) and inserting ''; and''; and

(3) by adding after paragraph (29) the following new paragraph:

''(30) provide that the State shall use the definitions established under section 452(a)(5) in collecting and reporting information as required under this part.''.

**SEC. 344. AUTOMATED DATA PROCESSING REQUIREMENTS.**

(a) REVISED REQUIREMENTS.—

(1) IN GENERAL.—Section 454(16) (42 U.S.C. 654(16)) is amended—

(A) by striking '', at the option of the State,'';

(B) by inserting ''and operation by the State agency'' after ''for the establishment'';

(C) by inserting ''meeting the requirements of section 454A'' after ''information retrieval system'';

(D) by striking ''in the State and localities thereof, so as (A)'' and inserting ''so as'';

(E) by striking ''(i)''; and

(F) by striking ''(including'' and all that follows and inserting a semicolon.

(2) AUTOMATED DATA PROCESSING.—Part D of title IV (42 U.S.C. 651–669) is amended by inserting after section 454 the following new section:

**''SEC. 454A. AUTOMATED DATA PROCESSING.**

''(a) IN GENERAL.—In order for a State to meet the requirements of this section, the State agency administering the State program under this part shall have in operation a single statewide automated data processing and information retrieval system which has the capability to perform the tasks specified in this section with the frequency and in the manner required by or under this part.

''(b) PROGRAM MANAGEMENT.—The automated system required by this section shall perform such functions as the Secretary may specify relating to management of the State program under this part, including—

''(1) controlling and accounting for use of Federal, State, and local funds in carrying out the program; and

''(2) maintaining the data necessary to meet Federal reporting requirements under this part on a timely basis.

''(c) CALCULATION OF PERFORMANCE INDICATORS.—In order to enable the Secretary to determine the incentive payments and penalty adjustments required by sections 452(g) and 458, the State agency shall—

''(1) use the automated system—

''(A) to maintain the requisite data on State performance with respect to paternity establishment and child support enforcement in the State; and

''(B) to calculate the IV–D paternity establishment percentage for the State for each fiscal year; and

''(2) have in place systems controls to ensure the completeness and reliability of, and ready access to, the data described in paragraph (1)(A), and the accuracy of the calculations described in paragraph (1)(B).

''(d) INFORMATION INTEGRITY AND SECURITY.—The State agency shall have in effect safeguards on the integrity, accuracy, and completeness of, access to, and use of data in the automated system required by this section, which shall include the following (in addition to such other safeguards as the Secretary may specify in regulations):

''(1) POLICIES RESTRICTING ACCESS.—Written policies concerning access to data by State agency personnel, and sharing of data with other persons, which—

''(A) permit access to and use of data only to the extent necessary to carry out the State program under this part; and

''(B) specify the data which may be used for particular program purposes, and the personnel permitted access to such data.

''(2) SYSTEMS CONTROLS.—Systems controls (such as passwords or blocking of fields) to ensure strict adherence to the policies described in paragraph (1).

''(3) MONITORING OF ACCESS.—Routine monitoring of access to and use of the automated system, through methods such as audit trails and feedback mechanisms, to guard against and promptly identify unauthorized access or use.

''(4) TRAINING AND INFORMATION.—Procedures to ensure that all personnel (including State and local agency staff and contractors) who may have access to or be required to use confidential program data are informed of applicable requirements and penalties (including those in section 6103 of the Internal Revenue Code of 1986), and are adequately trained in security procedures.

''(5) PENALTIES.—Administrative penalties (up to and including dismissal from employment) for unauthorized access to, or disclosure or use of, confidential data.''.

(3) REGULATIONS.—The Secretary of Health and Human Services shall prescribe final regulations for implementation of section 454A of the Social Security Act not later than 2 years after the date of the enactment of this Act.

(4) IMPLEMENTATION TIMETABLE.—Section 454(24) (42 U.S.C. 654(24)), as amended by section 303(a)(1) of this Act, is amended to read as follows:

''(24) provide that the State will have in effect an automated data processing and information retrieval system—

''(A) by October 1, 1997, which meets all requirements of this part which were enacted on or before the date of enactment of the Family Support Act of 1988, and

''(B) by October 1, 1999, which meets all requirements of this part enacted on or before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995, except that such deadline shall be extended by 1 day for each day (if any) by which the Secretary fails to meet the deadline imposed by section 344(a)(3) of the Personal Responsibility and Work Opportunity Act of 1995;''.

(b) SPECIAL FEDERAL MATCHING RATE FOR DEVELOPMENT COSTS OF AUTOMATED SYSTEMS.—

(1) IN GENERAL.—Section 455(a) (42 U.S.C. 655(a)) is amended—

(A) in paragraph (1)(B)—

(i) by striking ''90 percent'' and inserting ''the percent specified in paragraph (3)'';

(ii) by striking ''so much of''; and

(iii) by striking ''which the Secretary'' and all that follows and inserting '', and''; and

(B) by adding at the end the following new paragraph:

''(3)(A) The Secretary shall pay to each State, for each quarter in fiscal years 1996 and 1997, 90 percent of so much of the State expenditures described in paragraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16) (as in effect on September 30, 1995) but limited to the amount approved for States in the advance planning documents of such States submitted on or before May 1, 1995.

''(B)(i) The Secretary shall pay to each State, for each quarter in fiscal years 1996 through 2001, the percentage specified in clause (ii) of so much of the State expenditures described in paragraph (1)(B) as the Secretary finds are for a system meeting the requirements of sections 454(16) and 454A.

''(ii) The percentage specified in this clause is 80 percent.''.

(2) TEMPORARY LIMITATION ON PAYMENTS UNDER SPECIAL FEDERAL MATCHING RATE.—

(A) IN GENERAL.—The Secretary of Health and Human Services may not pay more than $400,000,000 in the aggregate under section 455(a)(3)(B) of the Social Security Act for fiscal years 1996 through 2001.

(B) ALLOCATION OF LIMITATION AMONG STATES.—The total amount payable to a State under section 455(a)(3)(B) of such Act for fiscal years 1996 through 2001 shall not exceed the limitation determined for the State by the Secretary of Health and Human Services in regulations.

(C) ALLOCATION FORMULA.—The regulations referred to in subparagraph (B) shall prescribe a formula for allocating the amount specified in subparagraph (A) among States with plans approved under part D of title IV of the Social Security Act, which shall take into account—

(i) the relative size of State caseloads under such part; and

(ii) the level of automation needed to meet the automated data processing requirements of such part.

(c) CONFORMING AMENDMENT.—Section 123(c) of the Family Support Act of 1988 (102 Stat. 2352; Public Law 100–485) is repealed.

**SEC. 345. TECHNICAL ASSISTANCE.**

(a) FOR TRAINING OF FEDERAL AND STATE STAFF, RESEARCH AND DEMONSTRATION PROGRAMS, AND SPECIAL PROJECTS OF REGIONAL OR

NATIONAL SIGNIFICANCE.—Section 452 (42 U.S.C. 652) is amended by adding at the end the following new subsection:

''(j) Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 1 percent of the total amount paid to the Federal Government pursuant to section 457(a) during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the 3rd calendar quarter following the end of such preceding fiscal year), to cover costs incurred by the Secretary for—

''(1) information dissemination and technical assistance to States, training of State and Federal staff, staffing studies, and related activities needed to improve programs under this part (including technical assistance concerning State automated systems required by this part); and

''(2) research, demonstration, and special projects of regional or national significance relating to the operation of State programs under this part.

The amount appropriated under this subsection shall remain available until expended.''.

(b) OPERATION OF FEDERAL PARENT LOCATOR SERVICE.—Section 453 (42 U.S.C. 653), as amended by section 316 of this Act, is amended by adding at the end the following new subsection:

''(o) RECOVERY OF COSTS.—Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 2 percent of the total amount paid to the Federal Government pursuant to section 457(a) during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the 3rd calendar quarter following the end of such preceding fiscal year), to cover costs incurred by the Secretary for operation of the Federal Parent Locator Service under this section, to the extent such costs are not recovered through user fees.''.

**SEC. 346. REPORTS AND DATA COLLECTION BY THE SECRETARY.**

(a) ANNUAL REPORT TO CONGRESS.—

(1) Section 452(a)(10)(A) (42 U.S.C. 652(a)(10)(A)) is amended—

(A) by striking ''this part;'' and inserting ''this part, including—''; and

(B) by adding at the end the following new clauses:

''(i) the total amount of child support payments collected as a result of services furnished during the fiscal year to individuals receiving services under this part;

''(ii) the cost to the States and to the Federal Government of so furnishing the services; and

''(iii) the number of cases involving families—

''(I) who became ineligible for assistance under State programs funded under part A during a month in the fiscal year; and

''(II) with respect to whom a child support payment was received in the month;''.

(2) Section 452(a)(10)(C) (42 U.S.C. 652(a)(10)(C)) is amended—

(A) in the matter preceding clause (i)—

(i) by striking ''with the data required under each clause being separately stated for cases'' and inserting ''separately stated for (1) cases'';

(ii) by striking ''cases where the child was formerly receiving'' and inserting ''or formerly received'';

(iii) by inserting ''or 1912'' after ''471(a)(17)''; and

(iv) by inserting ''(2)'' before ''all other'';

(B) in each of clauses (i) and (ii), by striking '', and the total amount of such obligations'';

(C) in clause (iii), by striking ''described in'' and all that follows and inserting ''in which support was collected during the fiscal year;'';

(D) by striking clause (iv); and

(E) by redesignating clause (v) as clause (vii), and inserting after clause (iii) the following new clauses:

''(iv) the total amount of support collected during such fiscal year and distributed as current support;

''(v) the total amount of support collected during such fiscal year and distributed as arrearages;

''(vi) the total amount of support due and unpaid for all fiscal years; and''.

(3) Section 452(a)(10)(G) (42 U.S.C. 652(a)(10)(G)) is amended by striking ''on the use of Federal courts and''.

(4) Section 452(a)(10) (42 U.S.C. 652(a)(10)) is amended—

(A) in subparagraph (H), by striking ''and'';

(B) in subparagraph (I), by striking the period and inserting ''; and''; and

(C) by inserting after subparagraph (I) the following new subparagraph:

''(J) compliance, by State, with the standards established pursuant to subsections (h) and (i).''.

(5) Section 452(a)(10) (42 U.S.C. 652(a)(10)) is amended by striking all that follows subparagraph (J), as added by paragraph (4).

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to fiscal year 1996 and succeeding fiscal years.

***Subtitle F—Establishment and Modification of Support Orders***

**SEC. 351. SIMPLIFIED PROCESS FOR REVIEW AND ADJUSTMENT OF CHILD SUPPORT ORDERS.**

Section 466(a)(10) (42 U.S.C. 666(a)(10)) is amended to read as follows:

''(10) REVIEW AND ADJUSTMENT OF SUPPORT ORDERS UPON REQUEST.—Procedures under which the State shall review and adjust each support order being enforced under this part upon the request of either parent or the State if there is an assignment. Such procedures shall provide the following:

''(A) IN GENERAL.—

''(i) 3-YEAR CYCLE.—Except as provided in subparagraphs (B) and (C), the State shall review and, as appropriate, adjust the support order every 3 years, taking into account the best interests of the child involved.

''(ii) METHODS OF ADJUSTMENT.—The State may elect to review and, if appropriate, adjust an order pursuant to clause (i) by—

''(I) reviewing and, if appropriate, adjusting the order in accordance with the guidelines established pursuant to section 467(a) if the amount of the child support award under the order differs from the amount that would be awarded in accordance with the guidelines; or

''(II) applying a cost-of-living adjustment to the order in accordance with a formula developed by the State and permit either party to contest the adjustment, within 30 days after the date of the notice of the adjustment, by making a request for review and, if appropriate, adjustment of the order in accordance with the child support guidelines established pursuant to section 467(a).

''(iii) NO PROOF OF CHANGE IN CIRCUMSTANCES NECESSARY.—Any adjustment under this subparagraph (A) shall be made without a requirement for proof or showing of a change in circumstances.

''(B) AUTOMATED METHOD.—The State may use automated methods (including automated comparisons with wage or State income tax data) to identify orders eligible for review, conduct the review, identify orders eligible for adjustment, and apply the appropriate adjustment to the orders eligible for adjustment under the threshold established by the State.

''(C) REQUEST UPON SUBSTANTIAL CHANGE IN CIRCUMSTANCES.—The State shall, at the request of either parent subject to such an order or of any State child support enforcement agency, review and, if appropriate, adjust the order in accordance with the guidelines established pursuant to section 467(a) based upon a substantial change in the circumstances of either parent.

''(D) NOTICE OF RIGHT TO REVIEW.—The State shall provide notice not less than once every 3 years to the parents subject to such an order informing them of their right to request the State to review and, if appropriate, adjust the order pursuant to this paragraph. The notice may be included in the order.''.

**SEC. 352. FURNISHING CONSUMER REPORTS FOR CERTAIN PURPOSES RELATING TO CHILD SUPPORT.**

Section 604 of the Fair Credit Reporting Act (15 U.S.C. 1681b) is amended by adding at the end the following new paragraphs:

''(4) In response to a request by the head of a State or local child support enforcement agency (or a State or local government official authorized by the head of such an agency), if the person making the request certifies to the consumer reporting agency that—

''(A) the consumer report is needed for the purpose of establishing an individual's capacity to make child support payments or determining the appropriate level of such payments;

''(B) the paternity of the consumer for the child to which the obligation relates has been established or acknowledged by the consumer in accordance with State laws under which the obligation arises (if required by those laws);

''(C) the person has provided at least 10 days' prior notice to the consumer whose report is requested, by certified or registered mail to the last known address of the consumer, that the report will be requested; and

''(D) the consumer report will be kept confidential, will be used solely for a purpose described in subparagraph (A), and will not be used in connection with any other civil, administrative, or criminal proceeding, or for any other purpose.

''(5) To an agency administering a State plan under section 454 of the Social Security Act (42 U.S.C. 654) for use to set an initial or modified child support award.''.

**SEC. 353. NONLIABILITY FOR FINANCIAL INSTITUTIONS PROVIDING FINANCIAL RECORDS TO STATE CHILD SUPPORT ENFORCEMENT AGENCIES IN CHILD SUPPORT CASES.**

(a) IN GENERAL.—Notwithstanding any other provision of Federal or State law, a financial institution shall not be liable under any Federal or State law to any person for disclosing any financial record of an individual to a State child support enforcement agency attempting to establish, modify, or enforce a child support obligation of such individual.

(b) PROHIBITION OF DISCLOSURE OF FINANCIAL RECORD OBTAINED BY STATE CHILD SUPPORT ENFORCEMENT AGENCY.—A State child support enforcement agency which obtains a financial record of an individual from a financial institution pursuant to subsection (a) may disclose such financial record only for the purpose of, and to the extent necessary in, establishing, modifying, or enforcing a child support obligation of such individual.

(c) CIVIL DAMAGES FOR UNAUTHORIZED DISCLOSURE.—

(1) DISCLOSURE BY STATE OFFICER OR EMPLOYEE.—If any person knowingly, or by reason of negligence, discloses a financial record of an individual in violation of subsection (b), such individual may bring a civil action for damages against such person in a district court of the United States.

(2) NO LIABILITY FOR GOOD FAITH BUT ERRONEOUS INTERPRETATION.—No liability shall arise under this subsection with respect to any disclosure which results from a good faith, but erroneous, interpretation of subsection (b).

(3) DAMAGES.—In any action brought under paragraph (1), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the sum of—

(A) the greater of—

(i) $1,000 for each act of unauthorized disclosure of a financial record with respect to which such defendant is found liable; or

(ii) the sum of—

(I) the actual damages sustained by the plaintiff as a result of such unauthorized disclosure; plus

(II) in the case of a willful disclosure or a disclosure which is the result of gross negligence, punitive damages; plus

(B) the costs (including attorney's fees) of the action.

(d) DEFINITIONS.—For purposes of this section—

(1) FINANCIAL INSTITUTION.—The term ''financial institution'' means—

(A) a depository institution, as defined in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c));

(B) an institution-affiliated party, as defined in section 3(u) of such Act (12 U.S.C. 1813(v));

(C) any Federal credit union or State credit union, as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752), including an institution-affiliated party of such a credit union, as defined in section 206(r) of such Act (12 U.S.C. 1786(r)); and

(D) any benefit association, insurance company, safe deposit company, money-market mutual fund, or similar entity authorized to do business in the State.

(2) FINANCIAL RECORD.—The term ''financial record'' has the meaning given such term in section 1101 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401).

(3) STATE CHILD SUPPORT ENFORCEMENT AGENCY.—The term ''State child support enforcement agency'' means a State agency which administers a State program for establishing and enforcing child support obligations.

### Subtitle G—Enforcement of Support Orders

#### SEC. 361. INTERNAL REVENUE SERVICE COLLECTION OF ARREARAGES.

(a) COLLECTION OF FEES.—Section 6305(a) of the Internal Revenue Code of 1986 (relating to collection of certain liability) is amended—

(1) by striking ''and'' at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4) and inserting '', and'';

(3) by adding at the end the following new paragraph:

''(5) no additional fee may be assessed for adjustments to an amount previously certified pursuant to such section 452(b) with respect to the same obligor.''; and

(4) by striking ''Secretary of Health, Education, and Welfare'' each place it appears and inserting ''Secretary of Health and Human Services''.

(b) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1997.

#### SEC. 362. AUTHORITY TO COLLECT SUPPORT FROM FEDERAL EMPLOYEES.

(a) CONSOLIDATION AND STREAMLINING OF AUTHORITIES.—Section 459 (42 U.S.C. 659) is amended to read as follows:

**''SEC. 459. CONSENT BY THE UNITED STATES TO INCOME WITHHOLDING, GARNISHMENT, AND SIMILAR PROCEEDINGS FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS.**

''(a) CONSENT TO SUPPORT ENFORCEMENT.—Notwithstanding any other provision of law (including section 207 of this Act and section 5301 of title 38, United States Code), effective January 1, 1975, moneys (the entitlement to which is based upon remuneration for employment) due from, or payable by, the United States or the District of Columbia (including any agency, subdivision, or instrumentality thereof) to any individual, including members of the Armed Forces of the United States, shall be subject, in like manner and to the same extent as if the United States or the District of Columbia were a private person, to withholding in accordance with State law enacted pursuant to subsections (a)(1) and (b) of section 466 and regulations of the Secretary under such subsections, and to any other legal process brought, by a State agency administering a program under a State plan approved under this part or by an individual obligee, to enforce the legal obligation of the individual to provide child support or alimony.

''(b) CONSENT TO REQUIREMENTS APPLICABLE TO PRIVATE PERSON.—With respect to notice to withhold income pursuant to subsection (a)(1) or (b) of section 466, or any other order or process to enforce support obligations against an individual (if the order or process contains or is accompanied by sufficient data to permit prompt identification of the individual and the moneys involved), each governmental entity specified in subsection (a) shall be subject to the same requirements as would apply if the entity were a private person, except as otherwise provided in this section.

''(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE OR PROCESS—

''(1) DESIGNATION OF AGENT.—The head of each agency subject to this section shall—

''(A) designate an agent or agents to receive orders and accept service of process in matters relating to child support or alimony; and

''(B) annually publish in the Federal Register the designation of the agent or agents, identified by title or position, mailing address, and telephone number.

''(2) RESPONSE TO NOTICE OR PROCESS.—If an agent designated pursuant to paragraph (1) of this subsection receives notice pursuant to State procedures in effect pursuant to subsection (a)(1) or (b) of section 466, or is effectively served with any order, process, or interrogatory, with respect to an individual's child support or alimony payment obligations, the agent shall—

''(A) as soon as possible (but not later than 15 days) thereafter, send written notice of the notice or service (together with a copy of the notice or service) to the individual at the duty station or last-known home address of the individual;

''(B) within 30 days (or such longer period as may be prescribed by applicable State law) after receipt of a notice pursuant to such State procedures, comply with all applicable provisions of section 466; and

''(C) within 30 days (or such longer period as may be prescribed by applicable State law) after effective service of any other such order, process, or interrogatory, respond to the order, process, or interrogatory.

''(d) PRIORITY OF CLAIMS.—If a governmental entity specified in subsection (a) receives notice or is served with process, as provided in this section, concerning amounts owed by an individual to more than 1 person—

''(1) support collection under section 466(b) must be given priority over any other process, as provided in section 466(b)(7);

''(2) allocation of moneys due or payable to an individual among claimants under section 466(b) shall be governed by section 466(b) and the regulations prescribed under such section; and

''(3) such moneys as remain after compliance with paragraphs (1) and (2) shall be available to satisfy any other such processes on a first-come, first-served basis, with any such process being satisfied out of such moneys as remain after the satisfaction of all such processes which have been previously served.

''(e) NO REQUIREMENT TO VARY PAY CYCLES.—A governmental entity that is affected by legal process served for the enforcement of an individual's child support or alimony payment obligations shall not be required to vary its normal pay and disbursement cycle in order to comply with the legal process.

''(f) RELIEF FROM LIABILITY.—

''(1) Neither the United States, nor the government of the District of Columbia, nor any disbursing officer shall be liable with respect to any payment made from moneys due or payable from the United States to any individual pursuant to legal process regular on its face, if the payment is made in accordance with this section and the regulations issued to carry out this section.

''(2) No Federal employee whose duties include taking actions necessary to comply with the requirements of subsection (a) with regard to any individual shall be subject under any law to any disciplinary action or civil or criminal liability or penalty for, or on account of, any disclosure of information made by the employee in connection with the carrying out of such actions.

''(g) REGULATIONS.—Authority to promulgate regulations for the implementation of this section shall, insofar as this section applies to moneys due from (or payable by)—

''(1) the United States (other than the legislative or judicial branches of the Federal Government) or the government of the District of Columbia, be vested in the President (or the designee of the President);

''(2) the legislative branch of the Federal Government, be vested jointly in the President pro tempore of the Senate and the Speaker of the House of Representatives (or their designees), and

''(3) the judicial branch of the Federal Government, be vested in the Chief Justice of the United States (or the designee of the Chief Justice).

''(h) MONEYS SUBJECT TO PROCESS.—

''(1) IN GENERAL.—Subject to paragraph (2), moneys paid or payable to an individual which are considered to be based upon remuneration for employment, for purposes of this section—

''(A) consist of—

''(i) compensation paid or payable for personal services of the individual, whether the compensation is denominated as wages, salary, commission, bonus, pay, allowances, or otherwise (including severance pay, sick pay, and incentive pay);

''(ii) periodic benefits (including a periodic benefit as defined in section 228(h)(3)) or other payments—

''(I) under the insurance system established by title II;

''(II) under any other system or fund established by the United States which provides for the payment of pensions, retirement or retired pay, annuities, dependents' or survivors' benefits, or similar amounts payable on account of personal services performed by the individual or any other individual;

''(III) as compensation for death under any Federal program;

''(IV) under any Federal program established to provide 'black lung' benefits; or

''(V) by the Secretary of Veterans Affairs as compensation for a service-connected disability paid by the Secretary to a former member of the Armed Forces who is in receipt of retired or retainer pay if the former member has waived a portion of the retired or retainer pay in order to receive such compensation; and

''(iii) worker's compensation benefits paid under Federal or State law but

''(B) do not include any payment—

''(i) by way of reimbursement or otherwise, to defray expenses incurred by the individual in carrying out duties associated with the employment of the individual; or

''(ii) as allowances for members of the uniformed services payable pursuant to chapter 7 of title 37, United States Code, as prescribed by the Secretaries concerned (defined by section 101(5) of such title) as necessary for the efficient performance of duty.

''(2) CERTAIN AMOUNTS EXCLUDED.—In determining the amount of any moneys due from, or payable by, the United States to any individual, there shall be excluded amounts which—

''(A) are owed by the individual to the United States;

''(B) are required by law to be, and are, deducted from the remuneration or other payment involved, including Federal employment taxes, and fines and forfeitures ordered by court-martial;

''(C) are properly withheld for Federal, State, or local income tax purposes, if the withholding

of the amounts is authorized or required by law and if amounts withheld are not greater than would be the case if the individual claimed all dependents to which he was entitled (the withholding of additional amounts pursuant to section 3402(i) of the Internal Revenue Code of 1986 may be permitted only when the individual presents evidence of a tax obligation which supports the additional withholding);

''(D) are deducted as health insurance premiums;

''(E) are deducted as normal retirement contributions (not including amounts deducted for supplementary coverage); or

''(F) are deducted as normal life insurance premiums from salary or other remuneration for employment (not including amounts deducted for supplementary coverage).

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

''(1) UNITED STATES.—The term 'United States' includes any department, agency, or instrumentality of the legislative, judicial, or executive branch of the Federal Government, the United States Postal Service, the Postal Rate Commission, any Federal corporation created by an Act of Congress that is wholly owned by the Federal Government, and the governments of the territories and possessions of the United States.

''(2) CHILD SUPPORT.—The term 'child support', when used in reference to the legal obligations of an individual to provide such support, means amounts required to be paid under a judgment, decree, or order, whether temporary, final, or subject to modification, issued by a court or an administrative agency of competent jurisdiction, for the support and maintenance of a child, including a child who has attained the age of majority under the law of the issuing State, or a child and the parent with whom the child is living, which provides for monetary support, health care, arrearages or reimbursement, and which may include other related costs and fees, interest and penalties, income withholding, attorney's fees, and other relief.

''(3) ALIMONY.—

''(A) IN GENERAL.—The term 'alimony', when used in reference to the legal obligations of an individual to provide the same, means periodic payments of funds for the support and maintenance of the spouse (or former spouse) of the individual, and (subject to and in accordance with State law) includes separate maintenance, alimony pendente lite, maintenance, and spousal support, and includes attorney's fees, interest, and court costs when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction.

''(B) EXCEPTIONS.—Such term does not include—

''(i) any child support; or

''(ii) any payment or transfer of property or its value by an individual to the spouse or a former spouse of the individual in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

''(4) PRIVATE PERSON.—The term 'private person' means a person who does not have sovereign or other special immunity or privilege which causes the person not to be subject to legal process.

''(5) LEGAL PROCESS.—The term 'legal process' means any writ, order, summons, or other similar process in the nature of garnishment—

''(A) which is issued by—

''(i) a court or an administrative agency of competent jurisdiction in any State, territory, or possession of the United States;

''(ii) a court or an administrative agency of competent jurisdiction in any foreign country with which the United States has entered into an agreement which requires the United States to honor the process; or

''(iii) an authorized official pursuant to an order of such a court or an administrative agency of competent jurisdiction or pursuant to State or local law; and

''(B) which is directed to, and the purpose of which is to compel, a governmental entity which holds moneys which are otherwise payable to an individual to make a payment from the moneys to another party in order to satisfy a legal obligation of the individual to provide child support or make alimony payments.''.

(b) CONFORMING AMENDMENTS.—

(1) TO PART D OF TITLE IV.—Sections 461 and 462 (42 U.S.C. 661 and 662) are repealed.

(2) TO TITLE 5, UNITED STATES CODE.—Section 5520a of title 5, United States Code, is amended, in subsections (h)(2) and (i), by striking ''sections 459, 461, and 462 of the Social Security Act (42 U.S.C. 659, 661, and 662)'' and inserting ''section 459 of the Social Security Act (42 U.S.C. 659)''.

(c) MILITARY RETIRED AND RETAINER PAY.—

(1) DEFINITION OF COURT.—Section 1408(a)(1) of title 10, United States Code, is amended—

(A) by striking ''and'' at the end of subparagraph (B);

(B) by striking the period at the end of subparagraph (C) and inserting ''; and''; and

(C) by adding after subparagraph (C) the following: new subparagraph

''(D) any administrative or judicial tribunal of a State competent to enter orders for support or maintenance (including a State agency administering a program under a State plan approved under part D of title IV of the Social Security Act), and, for purposes of this subparagraph, the term 'State' includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.''.

(2) DEFINITION OF COURT ORDER.—Section 1408(a)(2) of such title is amended—

(A) by inserting ''or a support order, as defined in section 453(p) of the Social Security Act (42 U.S.C. 653(p)),'' before ''which—'';

(B) in subparagraph (B)(i), by striking ''(as defined in section 462(b) of the Social Security Act (42 U.S.C. 662(b)))'' and inserting ''(as defined in section 459(i)(2) of the Social Security Act (42 U.S.C. 662(i)(2)))''; and

(C) in subparagraph (B)(ii), by striking ''(as defined in section 462(c) of the Social Security Act (42 U.S.C. 662(c)))'' and inserting ''(as defined in section 459(i)(3) of the Social Security Act (42 U.S.C. 662(i)(3)))''.

(3) PUBLIC PAYEE.—Section 1408(d) of such title is amended—

(A) in the heading, by inserting ''(OR FOR BENEFIT OF)'' before ''SPOUSE OR''; and

(B) in paragraph (1), in the 1st sentence, by inserting ''(or for the benefit of such spouse or former spouse to a State disbursement unit established pursuant to section 454B of the Social Security Act or other public payee designated by a State, in accordance with part D of title IV of the Social Security Act, as directed by court order, or as otherwise directed in accordance with such part D)'' before ''in an amount sufficient''.

(4) RELATIONSHIP TO PART D OF TITLE IV.—Section 1408 of such title is amended by adding at the end the following new subsection:

''(j) RELATIONSHIP TO OTHER LAWS.—In any case involving an order providing for payment of child support (as defined in section 459(i)(2) of the Social Security Act) by a member who has never been married to the other parent of the child, the provisions of this section shall not apply, and the case shall be subject to the provisions of section 459 of such Act.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective 6 months after the date of the enactment of this Act.

**SEC. 363. ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS OF MEMBERS OF THE ARMED FORCES.**

(a) AVAILABILITY OF LOCATOR INFORMATION.—

(1) MAINTENANCE OF ADDRESS INFORMATION.—The Secretary of Defense shall establish a centralized personnel locator service that includes the address of each member of the Armed Forces under the jurisdiction of the Secretary. Upon request of the Secretary of Transportation, addresses for members of the Coast Guard shall be included in the centralized personnel locator service.

(2) TYPE OF ADDRESS.—

(A) RESIDENTIAL ADDRESS.—Except as provided in subparagraph (B), the address for a member of the Armed Forces shown in the locator service shall be the residential address of that member.

(B) DUTY ADDRESS.—The address for a member of the Armed Forces shown in the locator service shall be the duty address of that member in the case of a member—

(i) who is permanently assigned overseas, to a vessel, or to a routinely deployable unit; or

(ii) with respect to whom the Secretary concerned makes a determination that the member's residential address should not be disclosed due to national security or safety concerns.

(3) UPDATING OF LOCATOR INFORMATION.—Within 30 days after a member listed in the locator service establishes a new residential address (or a new duty address, in the case of a member covered by paragraph (2)(B)), the Secretary concerned shall update the locator service to indicate the new address of the member.

(4) AVAILABILITY OF INFORMATION.—The Secretary of Defense shall make information regarding the address of a member of the Armed Forces listed in the locator service available, on request, to the Federal Parent Locator Service established under section 453 of the Social Security Act.

(b) FACILITATING GRANTING OF LEAVE FOR ATTENDANCE AT HEARINGS.—

(1) REGULATIONS.—The Secretary of each military department, and the Secretary of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy, shall prescribe regulations to facilitate the granting of leave to a member of the Armed Forces under the jurisdiction of that Secretary in a case in which—

(A) the leave is needed for the member to attend a hearing described in paragraph (2);

(B) the member is not serving in or with a unit deployed in a contingency operation (as defined in section 101 of title 10, United States Code); and

(C) the exigencies of military service (as determined by the Secretary concerned) do not otherwise require that such leave not be granted.

(2) COVERED HEARINGS.—Paragraph (1) applies to a hearing that is conducted by a court or pursuant to an administrative process established under State law, in connection with a civil action—

(A) to determine whether a member of the Armed Forces is a natural parent of a child; or

(B) to determine an obligation of a member of the Armed Forces to provide child support.

(3) DEFINITIONS.—For purposes of this subsection—

(A) The term ''court'' has the meaning given that term in section 1408(a) of title 10, United States Code.

(B) The term ''child support'' has the meaning given such term in section 459(i) of the Social Security Act (42 U.S.C. 659(i)).

(c) PAYMENT OF MILITARY RETIRED PAY IN COMPLIANCE WITH CHILD SUPPORT ORDERS.—

(1) DATE OF CERTIFICATION OF COURT ORDER.—Section 1408 of title 10, United States Code, as amended by section 362(c)(4) of this Act, is amended—

(A) by redesignating subsections (i) and (j) as subsections (j) and (k), respectively; and

(B) by inserting after subsection (h) the following new subsection:

''(i) CERTIFICATION DATE.—It is not necessary that the date of a certification of the authenticity or completeness of a copy of a court order for child support received by the Secretary concerned for the purposes of this section be recent in relation to the date of receipt by the Secretary.''.

(2) PAYMENTS CONSISTENT WITH ASSIGNMENTS OF RIGHTS TO STATES.—Section 1408(d)(1) of such title is amended by inserting after the 1st sentence the following new sentence: ''In the case of a spouse or former spouse who, pursuant to section 408(a)(4) of the Social Security Act (42 U.S.C. 607(a)(4)), assigns to a State the rights of the spouse or former spouse to receive support, the Secretary concerned may make the child support payments referred to in the preceding sentence to that State in amounts consistent with that assignment of rights.''.

(3) ARREARAGES OWED BY MEMBERS OF THE UNIFORMED SERVICES.—Section 1408(d) of such title is amended by adding at the end the following new paragraph:

''(6) In the case of a court order for which effective service is made on the Secretary concerned on or after the date of the enactment of this paragraph and which provides for payments from the disposable retired pay of a member to satisfy the amount of child support set forth in the order, the authority provided in paragraph (1) to make payments from the disposable retired pay of a member to satisfy the amount of child support set forth in a court order shall apply to payment of any amount of child support arrearages set forth in that order as well as to amounts of child support that currently become due.''.

(4) PAYROLL DEDUCTIONS.—The Secretary of Defense shall begin payroll deductions within 30 days after receiving notice of withholding, or for the 1st pay period that begins after such 30-day period.

**SEC. 364. VOIDING OF FRAUDULENT TRANSFERS.**

Section 466 (42 U.S.C. 666), as amended by section 321 of this Act, is amended by adding at the end the following new subsection:

''(g) LAWS VOIDING FRAUDULENT TRANSFERS.—In order to satisfy section 454(20)(A), each State must have in effect—

''(1)(A) the Uniform Fraudulent Conveyance Act of 1981;

''(B) the Uniform Fraudulent Transfer Act of 1984; or

''(C) another law, specifying indicia of fraud which create a prima facie case that a debtor transferred income or property to avoid payment to a child support creditor, which the Secretary finds affords comparable rights to child support creditors; and

''(2) procedures under which, in any case in which the State knows of a transfer by a child support debtor with respect to which such a prima facie case is established, the State must—

''(A) seek to void such transfer; or

''(B) obtain a settlement in the best interests of the child support creditor.''.

**SEC. 365. WORK REQUIREMENT FOR PERSONS OWING PAST-DUE CHILD SUPPORT.**

(a) IN GENERAL.—Section 466(a) of the Social Security Act (42 U.S.C. 666(a)), as amended by sections 315, 317(a), and 323 of this Act, is amended by adding at the end the following new paragraph:

''(15) PROCEDURES TO ENSURE THAT PERSONS OWING PAST-DUE SUPPORT WORK OR HAVE A PLAN FOR PAYMENT OF SUCH SUPPORT.—

''(A) IN GENERAL.—Procedures under which the State has the authority, in any case in which an individual owes past-due support with respect to a child receiving assistance under a State program funded under part A, to seek a court order that requires the individual to—

''(i) pay such support in accordance with a plan approved by the court, or, at the option of the State, a plan approved by the State agency administering the State program under this part; or

''(ii) if the individual is subject to such a plan and is not incapacitated, participate in such work activities (as defined in section 407(d)) as the court, or, at the option of the State, the State agency administering the State program under this part, deems appropriate.

''(B) PAST-DUE SUPPORT DEFINED.—For purposes of subparagraph (A), the term 'past-due support' means the amount of a delinquency, determined under a court order, or an order of an administrative process established under State law, for support and maintenance of a child, or of a child and the parent with whom the child is living.''.

(b) CONFORMING AMENDMENT.—The flush paragraph at the end of section 466(a) (42 U.S.C.666(a)) is amended by striking ''and (7)'' and inserting ''(7), and (15)''.

**SEC. 366. DEFINITION OF SUPPORT ORDER.**

Section 453 (42 U.S.C. 653) as amended by sections 316 and 345(b) of this Act, is amended by adding at the end the following new subsection:

''(p) SUPPORT ORDER DEFINED.—As used in this part, the term 'support order' means a judgment, decree, or order, whether temporary, final, or subject to modification, issued by a court or an administrative agency of competent jurisdiction, for the support and maintenance of a child, including a child who has attained the age of majority under the law of the issuing State, or a child and the parent with whom the child is living, which provides for monetary support, health care, arrearages, or reimbursement, and which may include related costs and fees, interest and penalties, income withholding, attorneys' fees, and other relief.''.

**SEC. 367. REPORTING ARREARAGES TO CREDIT BUREAUS.**

Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended to read as follows:

''(7) REPORTING ARREARAGES TO CREDIT BUREAUS.—

''(A) IN GENERAL.—Procedures (subject to safeguards pursuant to subparagraph (B)) requiring the State to report periodically to consumer reporting agencies (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f)) the name of any noncustodial parent who is delinquent in the payment of support, and the amount of overdue support owed by such parent.

''(B) SAFEGUARDS.—Procedures ensuring that, in carrying out subparagraph (A), information with respect to a noncustodial parent is reported—

''(i) only after such parent has been afforded all due process required under State law, including notice and a reasonable opportunity to contest the accuracy of such information; and

''(ii) only to an entity that has furnished evidence satisfactory to the State that the entity is a consumer reporting agency (as so defined).''.

**SEC. 368. LIENS.**

Section 466(a)(4) (42 U.S.C. 666(a)(4)) is amended to read as follows:

''(4) LIENS.—Procedures under which—

''(A) liens arise by operation of law against real and personal property for amounts of overdue support owed by a noncustodial parent who resides or owns property in the State; and

''(B) the State accords full faith and credit to liens described in subparagraph (A) arising in another State, without registration of the underlying order.''.

**SEC. 369. STATE LAW AUTHORIZING SUSPENSION OF LICENSES.**

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 315, 317(a), 323, and 365 of this Act, is amended by adding at the end the following:

''(16) AUTHORITY TO WITHHOLD OR SUSPEND LICENSES.—Procedures under which the State has (and uses in appropriate cases) authority to withhold or suspend, or to restrict the use of driver's licenses, professional and occupational licenses, and recreational licenses of individuals owing overdue support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings.''.

**SEC. 370. DENIAL OF PASSPORTS FOR NONPAYMENT OF CHILD SUPPORT.**

(a) HHS CERTIFICATION PROCEDURE.—

(1) SECRETARIAL RESPONSIBILITY.—Section 452 (42 U.S.C. 652), as amended by section 345 of this Act, is amended by adding at the end the following new subsection:

''(k)(1) If the Secretary receives a certification by a State agency in accordance with the requirements of section 454(31) that an individual owes arrearages of child support in an amount exceeding $5,000, the Secretary shall transmit such certification to the Secretary of State for action (with respect to denial, revocation, or limitation of passports) pursuant to section 370(b) of the Personal Responsibility and Work Opportunity Act of 1995.

''(2) The Secretary shall not be liable to an individual for any action with respect to a certification by a State agency under this section.''.

(2) STATE CASE AGENCY RESPONSIBILITY.—Section 454 (42 U.S.C. 654), as amended by sections 301(b), 303(a), 312(b), 313(a), 333, and 343(b) of this Act, is amended—

(A) by striking ''and'' at the end of paragraph (29);

(B) by striking the period at the end of paragraph (30) and inserting ''; and''; and

(C) by adding after paragraph (30) the following new paragraph:

''(31) provide that the State agency will have in effect a procedure for certifying to the Secretary, for purposes of the procedure under section 452(k), determinations that individuals owe arrearages of child support in an amount exceeding $5,000, under which procedure—

''(A) each individual concerned is afforded notice of such determination and the consequences thereof, and an opportunity to contest the determination; and

''(B) the certification by the State agency is furnished to the Secretary in such format, and accompanied by such supporting documentation, as the Secretary may require.''.

(b) STATE DEPARTMENT PROCEDURE FOR DENIAL OF PASSPORTS.—

(1) IN GENERAL.—The Secretary of State shall, upon certification by the Secretary of Health and Human Services transmitted under section 452(k) of the Social Security Act, refuse to issue a passport to such individual, and may revoke, restrict, or limit a passport issued previously to such individual.

(2) LIMIT ON LIABILITY.—The Secretary of State shall not be liable to an individual for any action with respect to a certification by a State agency under this section.

(c) EFFECTIVE DATE.—This section and the amendments made by this section shall become effective October 1, 1996.

**SEC. 371. INTERNATIONAL CHILD SUPPORT ENFORCEMENT.**

(a) AUTHORITY FOR INTERNATIONAL AGREEMENTS.—Part D of title IV, as amended by section 362(a) of this Act, is amended by adding after section 459 the following new section:

**''SEC. 459A. INTERNATIONAL CHILD SUPPORT ENFORCEMENT.**

''(a) AUTHORITY FOR DECLARATIONS.—

''(1) DECLARATION.—The Secretary of State, with the concurrence of the Secretary of Health and Human Services, is authorized to declare any foreign country (or a political subdivision thereof) to be a foreign reciprocating country if the foreign country has established, or undertakes to establish, procedures for the establishment and enforcement of duties of support owed to obligees who are residents of the United States, and such procedures are substantially in conformity with the standards prescribed under subsection (b).

''(2) REVOCATION.—A declaration with respect to a foreign country made pursuant to paragraph (1) may be revoked if the Secretaries of State and Health and Human Services determine that—

''(A) the procedures established by the foreign nation regarding the establishment and enforcement of duties of support have been so changed, or the foreign nation's implementation of such procedures is so unsatisfactory, that such procedures do not meet the criteria for such a declaration; or

''(B) continued operation of the declaration is not consistent with the purposes of this part.

''(3) FORM OF DECLARATION.—A declaration under paragraph (1) may be made in the form of an international agreement, in connection with an international agreement or corresponding foreign declaration, or on a unilateral basis.

''(b) STANDARDS FOR FOREIGN SUPPORT ENFORCEMENT PROCEDURES.—

''(1) MANDATORY ELEMENTS.—Child support enforcement procedures of a foreign country which may be the subject of a declaration pursuant to subsection (a)(1) shall include the following elements:

''(A) The foreign country (or political subdivision thereof) has in effect procedures, available to residents of the United States—

''(i) for establishment of paternity, and for establishment of orders of support for children and custodial parents; and

''(ii) for enforcement of orders to provide support to children and custodial parents, including procedures for collection and appropriate distribution of support payments under such orders.

''(B) The procedures described in subparagraph (A), including legal and administrative assistance, are provided to residents of the United States at no cost.

''(C) An agency of the foreign country is designated as a Central Authority responsible for—

''(i) facilitating child support enforcement in cases involving residents of the foreign nation and residents of the United States; and

''(ii) ensuring compliance with the standards established pursuant to this subsection.

''(2) ADDITIONAL ELEMENTS.—The Secretary of Health and Human Services and the Secretary of State, in consultation with the States, may establish such additional standards as may be considered necessary to further the purposes of this section.

''(c) DESIGNATION OF UNITED STATES CENTRAL AUTHORITY.—It shall be the responsibility of the Secretary of Health and Human Services to facilitate child support enforcement in cases involving residents of the United States and residents of foreign nations that are the subject of a declaration under this section, by activities including—

''(1) development of uniform forms and procedures for use in such cases;

''(2) notification of foreign reciprocating countries of the State of residence of individuals sought for support enforcement purposes, on the basis of information provided by the Federal Parent Locator Service; and

''(3) such other oversight, assistance, and coordination activities as the Secretary may find necessary and appropriate.

''(d) EFFECT ON OTHER LAWS.—States may enter into reciprocal arrangements for the establishment and enforcement of child support obligations with foreign countries that are not the subject of a declaration pursuant to subsection (a), to the extent consistent with Federal law.''.

(b) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 301(b), 303(a), 312(b), 313(a), 333, 343(b), and 370(a)(2) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (30);

(2) by striking the period at the end of paragraph (31) and inserting ''; and''; and

(3) by adding after paragraph (31) the following new paragraph:

''(32)(A) provide that any request for services under this part by a foreign reciprocating country or a foreign country with which the State has an arrangement described in section 459A(d)(2) shall be treated as a request by a State;

''(B) provide, at State option, notwithstanding paragraph (4) or any other provision of this part, for services under the plan for enforcement of a spousal support order not described in paragraph (4)(B) entered by such a country (or subdivision); and

''(C) provide that no applications will be required from, and no costs will be assessed for such services against, the foreign reciprocating country or foreign obligee (but costs may at State option be assessed against the obligor).''.

**SEC. 372. FINANCIAL INSTITUTION DATA MATCHES.**

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 315, 317(a), 323, 365, and 369 of this Act, is amended by adding at the end the following new paragraph:

''(17) FINANCIAL INSTITUTION DATA MATCHES.—

''(A) IN GENERAL.—Procedures under which the State agency shall enter into agreements with financial institutions doing business in the State—

''(i) to develop and operate, in coordination with such financial institutions, a data match system, using automated data exchanges to the maximum extent feasible, in which each such financial institution is required to provide for each calendar quarter the name, record address, social security number or other taxpayer identification number, and other identifying information for each noncustodial parent who maintains an account at such institution and who owes past-due support, as identified by the State by name and social security number or other taxpayer identification number; and

''(ii) in response to a notice of lien or levy, encumber or surrender, as the case may be, assets held by such institution on behalf of any noncustodial parent who is subject to a child support lien pursuant to paragraph (4).

''(B) REASONABLE FEES.—The State agency may pay a reasonable fee to a financial institution for conducting the data match provided for in subparagraph (A)(i), not to exceed the actual costs incurred by such financial institution.

''(C) LIABILITY.—A financial institution shall not be liable under any Federal or State law to any person—

''(i) for any disclosure of information to the State agency under subparagraph (A)(i);

''(ii) for encumbering or surrendering any assets held by such financial institution in response to a notice of lien or levy issued by the State agency as provided for in subparagraph (A)(ii); or

''(iii) for any other action taken in good faith to comply with the requirements of subparagraph (A).

''(D) DEFINITIONS.—For purposes of this paragraph—

''(i) FINANCIAL INSTITUTION.—The term 'financial institution' means any Federal or State commercial savings bank, including savings association or cooperative bank, Federal- or State-chartered credit union, benefit association, insurance company, safe deposit company, money-market mutual fund, or any similar entity authorized to do business in the State; and

''(ii) ACCOUNT.—The term 'account' means a demand deposit account, checking or negotiable withdrawal order account, savings account, time deposit account, or money-market mutual fund account.''.

**SEC. 373. ENFORCEMENT OF ORDERS AGAINST PATERNAL OR MATERNAL GRANDPARENTS IN CASES OF MINOR PARENTS.**

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 315, 317(a), 323, 365, 369, and 372 of this Act, is amended by adding at the end the following new paragraph:

''(18) ENFORCEMENT OF ORDERS AGAINST PATERNAL OR MATERNAL GRANDPARENTS.—Procedures under which, at the State's option, any child support order enforced under this part with respect to a child of minor parents, if the custodial parents of such child is receiving assistance under the State program under part A, shall be enforceable, jointly and severally, against the parents of the noncustodial parents of such child.''.

**SEC. 374. NONDISCHARGEABILITY IN BANKRUPTCY OF CERTAIN DEBTS FOR THE SUPPORT OF A CHILD.**

(a) AMENDMENT TO TITLE 11 OF THE UNITED STATES CODE.—Section 523(a) of title 11, United States Code, is amended—

(1) in paragraph (16) by striking the period at the end and inserting ''; or'',

(2) by adding at the end the following:

''(17) to a State or municipality for assistance provided by such State or municipality under a State program funded under section 403 of the Social Security Act to the extent that such assistance is provided for the support of a child of the debtor.'', and

(3) in paragraph (5), by inserting ''or section 408'' after ''section 402(a)(26)''.

(b) AMENDMENT TO THE SOCIAL SECURITY ACT.—Section 456(b) of the Social Security Act (42 U.S.C. 656(b)) is amended to read as follows:

''(b) NONDISCHARGEABILITY.—A debt (as defined in section 101 of title 11 of the United States Code) to a State (as defined in such section) or municipality (as defined in such section) for assistance provided by such State or municipality under a State program funded under section 403 is not dischargeable under section 727, 1141, 1228(a), 1228(b), or 1328(b) of title 11 of the United States Code to the extent that such assistance is provided for the support of a child of the debtor (as defined in such section).''.

(c) APPLICATION OF AMENDMENTS.—The amendments made by this section shall apply only with respect to cases commenced under title 11 of the United States Code after the effective date of this section.

***Subtitle H—Medical Support***

**SEC. 376. CORRECTION TO ERISA DEFINITION OF MEDICAL CHILD SUPPORT ORDER.**

(a) IN GENERAL.—Section 609(a)(2)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1169(a)(2)(B)) is amended—

(1) by striking ''issued by a court of competent jurisdiction'';

(2) by striking the period at the end of clause (ii) and inserting a comma; and

(3) by adding, after and below clause (ii), the following:

''if such judgment, decree, or order (I) is issued by a court of competent jurisdiction or (II) is issued through an administrative process established under State law and has the force and effect of law under applicable State law.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1996.—Any amendment to a plan required to be made by an amendment made by this section shall not be required to be made before the 1st plan year beginning on or after January 1, 1996, if—

(A) during the period after the date before the date of the enactment of this Act and before such 1st plan year, the plan is operated in accordance with the requirements of the amendments made by this section; and

(B) such plan amendment applies retroactively to the period after the date before the date of the enactment of this Act and before such 1st plan year.

A plan shall not be treated as failing to be operated in accordance with the provisions of the plan merely because it operates in accordance with this paragraph.

**SEC. 377. ENFORCEMENT OF ORDERS FOR HEALTH CARE COVERAGE.**

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 315, 317(a), 323, 365, 369, 372, and 373 of this Act, is amended by adding at the end the following new paragraph:

''(19) HEALTH CARE COVERAGE.—Procedures under which all child support orders enforced pursuant to this part shall include a provision for the health care coverage of the child, and in the case in which a noncustodial parent provides such coverage and changes employment, and the new employer provides health care coverage, the State agency shall transfer notice of the provision to the employer, which notice shall operate to enroll the child in the

noncustodial parent's health plan, unless the noncustodial parent contests the notice.''.

### Subtitle I—Enhancing Responsibility and Opportunity for Non-Residential Parents

#### SEC. 381. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

Part D of title IV (42 U.S.C. 651–669) is amended by adding at the end the following:

#### ''SEC. 469A. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

''(a) IN GENERAL.—The Administration for Children and Families shall make grants under this section to enable States to establish and administer programs to support and facilitate noncustodial parents' access to and visitation of their children, by means of activities including mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement (including monitoring, supervision and neutral drop-off and pickup), and development of guidelines for visitation and alternative custody arrangements.

''(b) AMOUNT OF GRANT.—The amount of the grant to be made to a State under this section for a fiscal year shall be an amount equal to the lesser of—

''(1) 90 percent of State expenditures during the fiscal year for activities described in subsection (a); or

''(2) the allotment of the State under subsection (c) for the fiscal year.

''(c) ALLOTMENTS TO STATES.—

''(1) IN GENERAL.—The allotment of a State for a fiscal year is the amount that bears the same ratio to the amount appropriated for grants under this section for the fiscal year as the number of children in the State living with only 1 biological parent bears to the total number of such children in all States.

''(2) MINIMUM ALLOTMENT.—The Administration for Children and Families shall adjust allotments to States under paragraph (1) as necessary to ensure that no State is allotted less than—

''(A) $50,000 for fiscal year 1996 or 1997; or

''(B) $100,000 for any succeeding fiscal year.

''(d) NO SUPPLANTATION OF STATE EXPENDITURES FOR SIMILAR ACTIVITIES.—A State to which a grant is made under this section may not use the grant to supplant expenditures by the State for activities specified in subsection (a), but shall use the grant to supplement such expenditures at a level at least equal to the level of such expenditures for fiscal year 1995.

''(e) STATE ADMINISTRATION.—Each State to which a grant is made under this section—

''(1) may administer State programs funded with the grant, directly or through grants to or contracts with courts, local public agencies, or non-profit private entities;

''(2) shall not be required to operate such programs on a statewide basis; and

''(3) shall monitor, evaluate, and report on such programs in accordance with regulations prescribed by the Secretary.''.

### Subtitle J—Effect of Enactment

#### SEC. 391. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise specifically provided (but subject to subsections (b) and (c))—

(1) the provisions of this title requiring the enactment or amendment of State laws under section 466 of the Social Security Act, or revision of State plans under section 454 of such Act, shall be effective with respect to periods beginning on and after October 1, 1996; and

(2) all other provisions of this title shall become effective upon the date of the enactment of this Act.

(b) GRACE PERIOD FOR STATE LAW CHANGES.—The provisions of this title shall become effective with respect to a State on the later of—

(1) the date specified in this title, or

(2) the effective date of laws enacted by the legislature of such State implementing such provisions,

but in no event later than the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(c) GRACE PERIOD FOR STATE CONSTITUTIONAL AMENDMENT.—A State shall not be found out of compliance with any requirement enacted by this title if the State is unable to so comply without amending the State constitution until the earlier of—

(1) 1 year after the effective date of the necessary State constitutional amendment; or

(2) 5 years after the date of the enactment of this Act.

## TITLE IV—RESTRICTING WELFARE AND PUBLIC BENEFITS FOR ALIENS

#### SEC. 400. STATEMENTS OF NATIONAL POLICY CONCERNING WELFARE AND IMMIGRATION.

The Congress makes the following statements concerning national policy with respect to welfare and immigration:

(1) Self-sufficiency has been a basic principle of United States immigration law since this country's earliest immigration statutes.

(2) It continues to be the immigration policy of the United States that—

(A) aliens within the nation's borders not depend on public resources to meet their needs, but rather rely on their own capabilities and the resources of their families, their sponsors, and private organizations, and

(B) the availability of public benefits not constitute an incentive for immigration to the United States.

(3) Despite the principle of self-sufficiency, aliens have been applying for and receiving public benefits from Federal, State, and local governments at increasing rates.

(4) Current eligibility rules for public assistance and unenforceable financial support agreements have proved wholly incapable of assuring that individual aliens not burden the public benefits system.

(5) It is a compelling government interest to enact new rules for eligibility and sponsorship agreements in order to assure that aliens be self-reliant in accordance with national immigration policy.

(6) It is a compelling government interest to remove the incentive for illegal immigration provided by the availability of public benefits.

(7) With respect to the State authority to make determinations concerning the eligibility of qualified aliens for public benefits in this title, a State that chooses to follow the Federal classification in determining the eligibility of such aliens for public assistance shall be considered to have chosen the least restrictive means available for achieving the compelling governmental interest of assuring that aliens be self-reliant in accordance with national immigration policy.

### Subtitle A—Eligibility for Federal Benefits

#### SEC. 401. ALIENS WHO ARE NOT QUALIFIED ALIENS INELIGIBLE FOR FEDERAL PUBLIC BENEFITS.

(a) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subsection (b), an alien who is not a qualified alien (as defined section 431) is not eligible for any Federal public benefit (as defined in subsection (c)).

(b) EXCEPTIONS.—

(1) Subsection (a) shall not apply with respect to the following Federal public benefits:

(A) Emergency medical services under title XIX or XXI of the Social Security Act.

(B) Short-term, non-cash, in-kind emergency disaster relief.

(C)(i) Public health assistance for immunizations.

(ii) Public health assistance for testing and treatment of a serious communicable disease if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of such disease.

(D) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (i) deliver in-kind services at the community level, including through public or private nonprofit agencies; (ii) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient's income or resources; and (iii) are necessary for the protection of life or safety.

(E) Programs for housing or community development assistance or financial assistance administered by the Secretary of Housing and Urban Development, any program under title V of the Housing Act of 1949, or any assistance under section 306C of the Consolidated Farm and Rural Development Act, to the extent that the alien is receiving such a benefit on the date of the enactment of this Act.

(2) Subsection (a) shall not apply to any benefit payable under title II of the Social Security Act to an alien who is lawfully present in the United States as determined by the Attorney General, to any benefit if nonpayment of such benefit would contravene an international agreement described in section 233 of the Social Security Act, to any benefit if nonpayment would be contrary to section 202(t) of the Social Security Act, or to any benefit payable under title II of the Social Security Act to which entitlement is based on an application filed in or before the month in which this Act becomes law.

(c) FEDERAL PUBLIC BENEFIT DEFINED.—

(1) Except as provided in paragraph (2), for purposes of this title the term ''Federal public benefit'' means—

(A) any grant, contract, loan, professional license, or commercial license provided by an agency of the United States or by appropriated funds of the United States; and

(B) any retirement, welfare, health, disability, public or assisted housing, post-secondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of the United States or by appropriated funds of the United States.

(2) Such term shall not apply—

(A) to any contract, professional license, or commercial license for a nonimmigrant whose visa for entry is related to such employment in the United States; or

(B) with respect to benefits for an alien who as a work authorized nonimmigrant or as an alien lawfully admitted for permanent residence under the Immigration and Nationality Act qualified for such benefits and for whom the United States under reciprocal treaty agreements is required to pay benefits, as determined by the Attorney General, after consultation with the Secretary of State.

#### SEC. 402. LIMITED ELIGIBILITY OF CERTAIN QUALIFIED ALIENS FOR CERTAIN FEDERAL PROGRAMS.

(a) LIMITED ELIGIBILITY FOR SPECIFIED FEDERAL PROGRAMS.—

(1) IN GENERAL.—Notwithstanding any other provision of law and except as provided in paragraph (2), an alien who is a qualified alien (as defined in section 431) is not eligible for any specified Federal program (as defined in paragraph (3)).

(2) EXCEPTIONS.—

(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—Paragraph (1) shall not apply to an alien until 5 years after the date—

(i) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

(ii) an alien is granted asylum under section 208 of such Act; or

*(iii) an alien's deportation is withheld under section 243(h) of such Act.*

*(B) CERTAIN PERMANENT RESIDENT ALIENS.—Paragraph (1) shall not apply to an alien who—*

*(i) is lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act; and*

*(ii)(I) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 436, and (II) did not receive any Federal means-tested public benefit (as defined in section 403(c)) during any such quarter.*

*(C) VETERAN AND ACTIVE DUTY EXCEPTION.—Paragraph (1) shall not apply to an alien who is lawfully residing in any State and is—*

*(i) a veteran (as defined in section 101 of title 38, United States Code) with a discharge characterized as an honorable discharge and not on account of alienage,*

*(ii) on active duty (other than active duty for training) in the Armed Forces of the United States, or*

*(iii) the spouse or unmarried dependent child of an individual described in clause (i) or (ii).*

*(D) TRANSITION FOR ALIENS CURRENTLY RECEIVING BENEFITS.—Paragraph (1) shall apply to the eligibility of an alien for a program for months beginning on or after January 1, 1997, if, on the date of the enactment of this Act, the alien is lawfully residing in any State and is receiving benefits under such program on the date of the enactment of this Act.*

*(3) SPECIFIED FEDERAL PROGRAM DEFINED.—For purposes of this title, the term ''specified Federal program'' means any of the following:*

*(A) SSI.—The supplemental security income program under title XVI of the Social Security Act.*

*(B) FOOD STAMPS.—The food stamp program as defined in section 3(h) of the Food Stamp Act of 1977.*

*(b) LIMITED ELIGIBILITY FOR DESIGNATED FEDERAL PROGRAMS.—*

*(1) IN GENERAL.—Notwithstanding any other provision of law and except as provided in section 403 and paragraph (2), a State is authorized to determine the eligibility of an alien who is a qualified alien (as defined in section 431) for any designated Federal program (as defined in paragraph (3)).*

*(2) EXCEPTIONS.—Qualified aliens under this paragraph shall be eligible for any designated Federal program.*

*(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—*

*(i) An alien who is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act until 5 years after the date of an alien's entry into the United States.*

*(ii) An alien who is granted asylum under section 208 of such Act until 5 years after the date of such grant of asylum.*

*(iii) An alien whose deportation is being withheld under section 243(h) of such Act until 5 years after such withholding.*

*(B) CERTAIN PERMANENT RESIDENT ALIENS.—An alien who—*

*(i) is lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act; and*

*(ii)(I) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 436, and (II) did not receive any Federal means-tested public benefit (as defined in section 403(c)) during any such quarter.*

*(C) VETERAN AND ACTIVE DUTY EXCEPTION.—An alien who is lawfully residing in any State and is—*

*(i) a veteran (as defined in section 101 of title 38, United States Code) with a discharge characterized as an honorable discharge and not on account of alienage,*

*(ii) on active duty (other than active duty for training) in the Armed Forces of the United States, or*

*(iii) the spouse or unmarried dependent child of an individual described in clause (i) or (ii).*

*(D) TRANSITION FOR THOSE CURRENTLY RECEIVING BENEFITS.—An alien who on the date of the enactment of this Act is lawfully residing in any State and is receiving benefits under such program on the date of the enactment of this Act shall continue to be eligible to receive such benefits until January 1, 1997.*

*(3) DESIGNATED FEDERAL PROGRAM DEFINED.—For purposes of this title, the term ''designated Federal program'' means any of the following:*

*(A) TEMPORARY ASSISTANCE FOR NEEDY FAMILIES.—The program of block grants to States for temporary assistance for needy families under part A of title IV of the Social Security Act.*

*(B) SOCIAL SERVICES BLOCK GRANT.—The program of block grants to States for social services under title XX of the Social Security Act.*

*(C) MEDICAID AND MEDIGRANT.—The program of medical assistance under title XIX and XXI of the Social Security Act.*

***SEC. 403. FIVE-YEAR LIMITED ELIGIBILITY OF QUALIFIED ALIENS FOR FEDERAL MEANS-TESTED PUBLIC BENEFIT.***

*(a) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subsection (b), an alien who is a qualified alien (as defined in section 431) and who enters the United States on or after the date of the enactment of this Act is not eligible for any Federal means-tested public benefit (as defined in subsection (c)) for a period of five years beginning on the date of the alien's entry into the United States with a status within the meaning of the term ''qualified alien''.*

*(b) EXCEPTIONS.—The limitation under subsection (a) shall not apply to the following aliens:*

*(1) EXCEPTION FOR REFUGEES AND ASYLEES.—*

*(A) An alien who is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act.*

*(B) An alien who is granted asylum under section 208 of such Act.*

*(C) An alien whose deportation is being withheld under section 243(h) of such Act.*

*(2) VETERAN AND ACTIVE DUTY EXCEPTION.—An alien who is lawfully residing in any State and is—*

*(A) a veteran (as defined in section 101 of title 38, United States Code) with a discharge characterized as an honorable discharge and not on account of alienage,*

*(B) on active duty (other than active duty for training) in the Armed Forces of the United States, or*

*(C) the spouse or unmarried dependent child of an individual described in subparagraph (A) or (B).*

*(c) FEDERAL MEANS-TESTED PUBLIC BENEFIT DEFINED.—*

*(1) Except as provided in paragraph (2), for purposes of this title, the term ''Federal means-tested public benefit'' means a public benefit (including cash, medical, housing, and food assistance and social services) of the Federal Government in which the eligibility of an individual, household, or family eligibility unit for benefits, or the amount of such benefits, or both are determined on the basis of income, resources, or financial need of the individual, household, or unit.*

*(2) Such term does not include the following:*

*(A) Emergency medical services under title XIX or XXI of the Social Security Act.*

*(B) Short-term, non-cash, in-kind emergency disaster relief.*

*(C) Assistance or benefits under the National School Lunch Act.*

*(D) Assistance or benefits under the Child Nutrition Act of 1966.*

*(E)(i) Public health assistance for immunizations.*

*(ii) Public health assistance for testing and treatment of a serious communicable disease if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of such disease.*

*(F) Payments for foster care and adoption assistance under part B of title IV of the Social Security Act for a child who would, in the absence of subsection (a), be eligible to have such payments made on the child's behalf under such part, but only if the foster or adoptive parent or parents of such child are not described under subsection (a).*

*(G) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (i) deliver in-kind services at the community level, including through public or private nonprofit agencies; (ii) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient's income or resources; and (iii) are necessary for the protection of life or safety.*

*(H) Programs of student assistance under titles IV, V, IX, and X of the Higher Education Act of 1965.*

*(I) Means-tested programs under the Elementary and Secondary Education Act of 1965.*

***SEC. 404. NOTIFICATION AND INFORMATION REPORTING.***

*(a) NOTIFICATION.—Each Federal agency that administers a program to which section 401, 402, or 403 applies shall, directly or through the States, post information and provide general notification to the public and to program recipients of the changes regarding eligibility for any such program pursuant to this title.*

*(b) INFORMATION REPORTING UNDER TITLE IV OF THE SOCIAL SECURITY ACT.—Part A of title IV of the Social Security Act is amended by inserting the following new section after section 411:*

***''SEC. 411A. STATE REQUIRED TO PROVIDE CERTAIN INFORMATION.***

*Each State to which a grant is made under section 403 of title IV of the Social Security Act (as amended by section 103 of the Personal Responsibility and Work Opportunity Act of 1995) shall, at least 4 times annually and upon request of the Immigration and Naturalization Service, furnish the Immigration and Naturalization Service with the name and address of, and other identifying information on, any individual who the State knows is unlawfully in the United States.''.*

*(c) SSI.—Section 1631(e) of such Act (42 U.S.C. 1383(e)) is amended—*

*(1) by redesignating the paragraphs (6) and (7) inserted by sections 206(d)(2) and 206(f)(1) of the Social Security Independence and Programs Improvement Act of 1994 (Public Law 103–296; 108 Stat. 1514, 1515) as paragraphs (7) and (8), respectively; and*

*(2) by adding at the end the following new paragraph:*

*''(9) Notwithstanding any other provision of law, the Commissioner shall, at least 4 times annually and upon request of the Immigration and Naturalization Service (hereafter in this paragraph referred to as the 'Service'), furnish the Service with the name and address of, and other identifying information on, any individual who the Commissioner knows is unlawfully in the United States, and shall ensure that each agreement entered into under section 1616(a) with a State provides that the State shall furnish such information at such times with respect to any individual who the State knows is unlawfully in the United States.''.*

*(d) INFORMATION REPORTING FOR HOUSING PROGRAMS.—Title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), as amended by this Act, is further amended by adding at the end the following new section:*

***''SEC. 28. PROVISION OF INFORMATION TO LAW ENFORCEMENT AND OTHER AGENCIES.***

*''Notwithstanding any other provision of law, the Secretary shall, at least 4 times annually*

and upon request of the Immigration and Naturalization Service (hereafter in this section referred to as the 'Service'), furnish the Service with the name and address of, and other identifying information on, any individual who the Secretary knows is unlawfully in the United States, and shall ensure that each contract for assistance entered into under section 6 or 8 of this Act with a public housing agency provides that the public housing agency shall furnish such information at such times with respect to any individual who the public housing agency knows is unlawfully in the United States.''.

### Subtitle B—Eligibility for State and Local Public Benefits Programs

#### SEC. 411. ALIENS WHO ARE NOT QUALIFIED ALIENS OR NONIMMIGRANTS INELIGIBLE FOR STATE AND LOCAL PUBLIC BENEFITS.

(a) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subsections (b) and (d), an alien who is not—

(1) a qualified alien (as defined in section 431),

(2) a nonimmigrant under the Immigration and Nationality Act, or

(3) an alien who is paroled into the United States under section 212(d)(5) of such Act for less than one year,

is not eligible for any State or local public benefit (as defined in subsection (c)).

(b) EXCEPTIONS.—Subsection (a) shall not apply with respect to the following State or local public benefits:

(1) Emergency medical services under title XIX or XXI of the Social Security Act.

(2) Short-term, non-cash, in-kind emergency disaster relief.

(3)(A) Public health assistance for immunizations.

(B) Public health assistance for testing and treatment of a serious communicable disease if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of such disease.

(4) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (A) deliver in-kind services at the community level, including through public or private nonprofit agencies; (B) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient's income or resources; and (C) are necessary for the protection of life or safety.

(c) STATE OR LOCAL PUBLIC BENEFIT DEFINED.—

(1) Except as provided in paragraph (2), for purposes of this subtitle the term ''State or local public benefit'' means—

(A) any grant, contract, loan, professional license, or commercial license provided by an agency of a State or local government or by appropriated funds of a State or local government; and

(B) any retirement, welfare, health, disability, public or assisted housing, post-secondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of a State or local government or by appropriated funds of a State or local government.

(2) Such term shall not apply—

(A) to any contract, professional license, or commercial license for a nonimmigrant whose visa for entry is related to such employment in the United States; or

(B) with respect to benefits for an alien who as a work authorized nonimmigrant or as an alien lawfully admitted for permanent residence under the Immigration and Nationality Act qualified for such benefits and for whom the United States under reciprocal treaty agreements is required to pay benefits, as determined by the Secretary of State, after consultation with the Attorney General.

(d) STATE AUTHORITY TO PROVIDE FOR ELIGIBILITY OF ILLEGAL ALIENS FOR STATE AND LOCAL PUBLIC BENEFITS.—A State may provide that an alien who is not lawfully present in the United States is eligible for any State or local public benefit for which such alien would otherwise be ineligible under subsection (a) only through the enactment of a State law after the date of the enactment of this Act which affirmatively provides for such eligibility.

#### SEC. 412. STATE AUTHORITY TO LIMIT ELIGIBILITY OF QUALIFIED ALIENS FOR STATE PUBLIC BENEFITS.

(a) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subsection (b), a State is authorized to determine the eligibility for any State public benefits (as defined in subsection (c) of an alien who is a qualified alien (as defined in section 431), a nonimmigrant under the Immigration and Nationality Act, or an alien who is paroled into the United States under section 212(d)(5) of such Act for less than one year.

(b) EXCEPTIONS.—Qualified aliens under this subsection shall be eligible for any State public benefits.

(1) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—

(A) An alien who is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act until 5 years after the date of an alien's entry into the United States.

(B) An alien who is granted asylum under section 208 of such Act until 5 years after the date of such grant of asylum.

(C) An alien whose deportation is being withheld under section 243(h) of such Act until 5 years after such withholding.

(2) CERTAIN PERMANENT RESIDENT ALIENS.—An alien who—

(A) is lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act; and

(B)(i) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 436, and (ii) did not receive any Federal means-tested public benefit (as defined in section 403(c)) during any such quarter.

(3) VETERAN AND ACTIVE DUTY EXCEPTION.—An alien who is lawfully residing in any State and is—

(A) a veteran (as defined in section 101 of title 38, United States Code) with a discharge characterized as an honorable discharge and not on account of alienage,

(B) on active duty (other than active duty for training) in the Armed Forces of the United States, or

(C) the spouse or unmarried dependent child of an individual described in subparagraph (A) or (B).

(4) TRANSITION FOR THOSE CURRENTLY RECEIVING BENEFITS.—An alien who on the date of the enactment of this Act is lawfully residing in any State and is receiving benefits on the date of the enactment of this Act shall continue to be eligible to receive such benefits until January 1, 1997.

(c) STATE PUBLIC BENEFITS DEFINED.—The term ''State public benefits'' means any means-tested public benefit of a State or political subdivision of a State under which the State or political subdivision specifies the standards for eligibility, and does not include any Federal public benefit.

### Subtitle C—Attribution of Income and Affidavits of Support

#### SEC. 421. FEDERAL ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIEN.

(a) IN GENERAL.—Notwithstanding any other provision of law, in determining the eligibility and the amount of benefits of an alien for any Federal means-tested public benefits program (as defined in section 403(c)), the income and resources of the alien shall be deemed to include the following:

(1) The income and resources of any person who executed an affidavit of support pursuant to section 213A of the Immigration and Nationality Act (as added by section 423) on behalf of such alien.

(2) The income and resources of the spouse (if any) of the person.

(b) APPLICATION.—Subsection (a) shall apply with respect to an alien until such time as the alien—

(1) achieves United States citizenship through naturalization pursuant to chapter 2 of title III of the Immigration and Nationality Act; or

(2)(A) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 436, and (B) did not receive any Federal means-tested public benefit (as defined in section 403(c)) during any such quarter.

(c) REVIEW OF INCOME AND RESOURCES OF ALIEN UPON REAPPLICATION.—Whenever an alien is required to reapply for benefits under any Federal means-tested public benefits program, the applicable agency shall review the income and resources attributed to the alien under subsection (a).

(d) APPLICATION.—

(1) If on the date of the enactment of this Act, a Federal means-tested public benefits program attributes a sponsor's income and resources to an alien in determining the alien's eligibility and the amount of benefits for an alien, this section shall apply to any such determination beginning on the day after the date of the enactment of this Act.

(2) If on the date of the enactment of this Act, a Federal means-tested public benefits program does not attribute a sponsor's income and resources to an alien in determining the alien's eligibility and the amount of benefits for an alien, this section shall apply to any such determination beginning 180 days after the date of the enactment of this Act.

#### SEC. 422. AUTHORITY FOR STATES TO PROVIDE FOR ATTRIBUTION OF SPONSORS INCOME AND RESOURCES TO THE ALIEN WITH RESPECT TO STATE PROGRAMS.

(a) OPTIONAL APPLICATION TO STATE PROGRAMS.—Except as provided in subsection (b), in determining the eligibility and the amount of benefits of an alien for any State public benefits (as defined in section 412(c)), the State or political subdivision that offers the benefits is authorized to provide that the income and resources of the alien shall be deemed to include—

(1) the income and resources of any individual who executed an affidavit of support pursuant to section 213A of the Immigration and Nationality Act (as added by section 423) on behalf of such alien, and

(2) the income and resources of the spouse (if any) of the individual.

(b) EXCEPTIONS.—Subsection (a) shall not apply with respect to the following State public benefits:

(1) Emergency medical services.

(2) Short-term, non-cash, in-kind emergency disaster relief.

(3) Programs comparable to assistance or benefits under the National School Lunch Act.

(4) Programs comparable to assistance or benefits under the Child Nutrition Act of 1966.

(5)(A) Public health assistance for immunizations.

(B) Public health assistance for testing and treatment of a serious communicable disease if the appropriate chief State health official determines that it is necessary to prevent the spread of such disease.

(6) Payments for foster care and adoption assistance.

*(7) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General of a State, after consultation with appropriate agencies and departments, which (A) deliver in-kind services at the community level, including through public or private nonprofit agencies; (B) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient's income or resources; and (C) are necessary for the protection of life or safety.*

***SEC. 423. REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF SUPPORT.***

*(a) IN GENERAL.—Title II of the Immigration and Nationality Act is amended by inserting after section 213 the following new section:*

*''REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF SUPPORT*

*''SEC. 213A. (a) ENFORCEABILITY.—(1) No affidavit of support may be accepted by the Attorney General or by any consular officer to establish that an alien is not excludable as a public charge under section 212(a)(4) unless such affidavit is executed as a contract—*

*''(A) which is legally enforceable against the sponsor by the sponsored alien, the Federal Government, and by any State (or any political subdivision of such State) which provides any means-tested public benefits program, but not later than 10 years after the alien last receives any such benefit;*

*''(B) in which the sponsor agrees to financially support the alien, so that the alien will not become a public charge; and*

*''(C) in which the sponsor agrees to submit to the jurisdiction of any Federal or State court for the purpose of actions brought under subsection (e)(2).*

*''(2) A contract under paragraph (1) shall be enforceable with respect to benefits provided to the alien until such time as the alien achieves United States citizenship through naturalization pursuant to chapter 2 of title III.*

*''(b) FORMS.—Not later than 90 days after the date of enactment of this section, the Attorney General, in consultation with the Secretary of State and the Secretary of Health and Human Services, shall formulate an affidavit of support consistent with the provisions of this section.*

*''(c) REMEDIES.—Remedies available to enforce an affidavit of support under this section include any or all of the remedies described in section 3201, 3203, 3204, or 3205 of title 28, United States Code, as well as an order for specific performance and payment of legal fees and other costs of collection, and include corresponding remedies available under State law. A Federal agency may seek to collect amounts owed under this section in accordance with the provisions of subchapter II of chapter 37 of title 31, United States Code.*

*''(d) NOTIFICATION OF CHANGE OF ADDRESS.—*

*(1) IN GENERAL.—The sponsor shall notify the Attorney General and the State in which the sponsored alien is currently resident within 30 days of any change of address of the sponsor during the period specified in subsection (a)(2).*

*(2) PENALTY.—Any person subject to the requirement of paragraph (1) who fails to satisfy such requirement shall be subject to a civil penalty of—*

*(A) not less than $250 or more than $2,000, or*

*(B) if such failure occurs with knowledge that the alien has received any means-tested public benefit, not less than $2,000 or more than $5,000.*

*''(e) REIMBURSEMENT OF GOVERNMENT EXPENSES.—(1)(A) Upon notification that a sponsored alien has received any benefit under any means-tested public benefits program, the appropriate Federal, State, or local official shall request reimbursement by the sponsor in the amount of such assistance.*

*''(B) The Attorney General, in consultation with the Secretary of Health and Human Services, shall prescribe such regulations as may be necessary to carry out subparagraph (A).*

*''(2) If within 45 days after requesting reimbursement, the appropriate Federal, State, or local agency has not received a response from the sponsor indicating a willingness to commence payments, an action may be brought against the sponsor pursuant to the affidavit of support.*

*''(3) If the sponsor fails to abide by the repayment terms established by such agency, the agency may, within 60 days of such failure, bring an action against the sponsor pursuant to the affidavit of support.*

*''(4) No cause of action may be brought under this subsection later than 10 years after the alien last received any benefit under any means-tested public benefits program.*

*''(5) If, pursuant to the terms of this subsection, a Federal, State, or local agency requests reimbursement from the sponsor in the amount of assistance provided, or brings an action against the sponsor pursuant to the affidavit of support, the appropriate agency may appoint or hire an individual or other person to act on behalf of such agency acting under the authority of law for purposes of collecting any moneys owed. Nothing in this subsection shall preclude any appropriate Federal, State, or local agency from directly requesting reimbursement from a sponsor for the amount of assistance provided, or from bringing an action against a sponsor pursuant to an affidavit of support.*

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

*''(1) SPONSOR.—The term 'sponsor' means an individual who—*

*''(A) is a citizen or national of the United States or an alien who is lawfully admitted to the United States for permanent residence;*

*''(B) is 18 years of age or over;*

*''(C) is domiciled in any of the 50 States or the District of Columbia; and*

*''(D) is the person petitioning for the admission of the alien under section 204.*

*''(2) MEANS-TESTED PUBLIC BENEFITS PROGRAM.—The term 'means-tested public benefits program' means a program of public benefits (including cash, medical, housing, and food assistance and social services) of the Federal Government or of a State or political subdivision of a State in which the eligibility of an individual, household, or family eligibility unit for benefits under the program, or the amount of such benefits, or both are determined on the basis of income, resources, or financial need of the individual, household, or unit.''.*

*(b) CLERICAL AMENDMENT.—The table of contents of such Act is amended by inserting after the item relating to section 213 the following:*

*''Sec. 213A. Requirements for sponsor's affidavit of support.''.*

*(c) EFFECTIVE DATE.—Subsection (a) of section 213A of the Immigration and Nationality Act, as inserted by subsection (a) of this section, shall apply to affidavits of support executed on or after a date specified by the Attorney General, which date shall be not earlier than 60 days (and not later than 90 days) after the date the Attorney General formulates the form for such affidavits under subsection (b) of such section.*

*(d) BENEFITS NOT SUBJECT TO REIMBURSEMENT.—Requirements for reimbursement by a sponsor for benefits provided to a sponsored alien pursuant to an affidavit of support under section 213A of the Immigration and Nationality Act shall not apply with respect to the following:*

*(1) Emergency medical services under title XIX or XXI of the Social Security Act.*

*(2) Short-term, non-cash, in-kind emergency disaster relief.*

*(3) Assistance or benefits under the National School Lunch Act.*

*(4) Assistance or benefits under the Child Nutrition Act of 1966.*

*(5)(A) Public health assistance for immunizations.*

*(B) Public health assistance for testing and treatment of a serious communicable disease if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of such disease.*

*(6) Payments for foster care and adoption assistance under part B of title IV of the Social Security Act for a child, but only if the foster or adoptive parent or parents of such child are not otherwise ineligible pursuant to section 403 of this Act.*

*(7) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (A) deliver in-kind services at the community level, including through public or private nonprofit agencies; (B) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient's income or resources; and (C) are necessary for the protection of life or safety.*

*(8) Programs of student assistance under titles IV, V, IX, and X of the Higher Education Act of 1965.*

***SEC. 424. COSIGNATURE OF ALIEN STUDENT LOANS.***

*Section 484(b) of the Higher Education Act of 1965 (20 U.S.C. 1091(b)) is amended by adding at the end the following new paragraph:*

*''(6) Notwithstanding sections 427(a)(2)(A), 428B(a), 428C(b)(4)(A), and 464(c)(1)(E), or any other provision of this title, a student who is an alien lawfully admitted for permanent residence under the Immigration and Nationality Act shall not be eligible for a loan under this title unless the loan is endorsed and cosigned by the alien's sponsor under section 213A of the Immigration and Nationality Act or by another creditworthy individual who is a United States citizen.''.*

***Subtitle D—General Provisions***

***SEC. 431. DEFINITIONS.***

*(a) IN GENERAL.—Except as otherwise provided in this title, the terms used in this title have the same meaning given such terms in section 101(a) of the Immigration and Nationality Act.*

*(b) QUALIFIED ALIEN.—For purposes of this title, the term ''qualified alien'' means an alien who, at the time the alien applies for, receives, or attempts to receive a Federal public benefit, is—*

*(1) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act,*

*(2) an alien who is granted asylum under section 208 of such Act,*

*(3) a refugee who is admitted to the United States under section 207 of such Act,*

*(4) an alien who is paroled into the United States under section 212(d)(5) of such Act for a period of at least 1 year,*

*(5) an alien whose deportation is being withheld under section 243(h) of such Act, or*

*(6) an alien who is granted conditional entry pursuant to section 203(a)(7) of such Act as in effect prior to April 1, 1980.*

***SEC. 432. REAPPLICATION FOR SSI BENEFITS.***

*(a) APPLICATION AND NOTICE.—Notwithstanding any other provision of law, in the case of an individual who is receiving supplemental security income benefits under title XVI of the Social Security Act as of the date of the enactment of this Act and whose eligibility for such benefits would terminate by reason of the application of section 402(a)(D), the Commissioner of Social Security shall so notify the individual not later than 90 days after the date of the enactment of this Act.*

*(b) REAPPLICATION.—*

*(1) IN GENERAL.—Not later than 120 days after the date of the enactment of this Act, each individual notified pursuant to subsection (a) who*

desires to reapply for benefits under title XVI of the Social Security Act shall reapply to the Commissioner of Social Security.

(2) DETERMINATION OF ELIGIBILITY.—Not later than 1 year after the date of the enactment of this Act, the Commissioner of Social Security shall determine the eligibility of each individual who reapplies for benefits under paragraph (1) pursuant to the procedures of such title XVI.

**SEC. 433. VERIFICATION OF ELIGIBILITY FOR FEDERAL PUBLIC BENEFITS.**

(a) IN GENERAL.—Not later than 18 months after the date of the enactment of this Act, the Attorney General of the United States, after consultation with the Secretary of Health and Human Services, shall promulgate regulations requiring verification that a person applying for a Federal public benefit (as defined in section 401(c)), to which the limitation under section 401 applies, is a qualified alien and is eligible to receive such benefit. Such regulations shall, to the extent feasible, require that information requested and exchanged be similar in form and manner to information requested and exchanged under section 1137 of the Social Security Act.

(b) STATE COMPLIANCE.—Not later than 24 months after the date the regulations described in subsection (a) are adopted, a State that administers a program that provides a Federal public benefit shall have in effect a verification system that complies with the regulations.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out the purpose of this section.

**SEC. 434. STATUTORY CONSTRUCTION.**

(a) LIMITATION.—

(1) Nothing in this title may be construed as an entitlement or a determination of an individual's eligibility or fulfillment of the requisite requirements for any Federal, State, or local governmental program, assistance, or benefits. For purposes of this title, eligibility relates only to the general issue of eligibility or ineligibility on the basis of alienage.

(2) Nothing in this title may be construed as addressing alien eligibility for a basic public education as determined by the Supreme Court of the United States under Plyler v. Doe (457 U.S. 202)(1982).

(b) NOT APPLICABLE TO FOREIGN ASSISTANCE.—This title does not apply to any Federal, State, or local governmental program, assistance, or benefits provided to an alien under any program of foreign assistance as determined by the Secretary of State in consultation with the Attorney General.

(c) SEVERABILITY.—If any provision of this title or the application of such provision to any person or circumstance is held to be unconstitutional, the remainder of this title and the application of the provisions of such to any person or circumstance shall not be affected thereby.

**SEC. 435. COMMUNICATION BETWEEN STATE AND LOCAL GOVERNMENT AGENCIES AND THE IMMIGRATION AND NATURALIZATION SERVICE.**

Notwithstanding any other provision of Federal, State, or local law, no State or local government entity may be prohibited, or in any way restricted, from sending to or receiving from the Immigration and Naturalization Service information regarding the immigration status, lawful or unlawful, of an alien in the United States.

**SEC. 436. QUALIFYING QUARTERS.**

For purposes of this title, in determining the number of qualifying quarters of coverage under title II of the Social Security Act an alien shall be credited with—

(1) all of the qualifying quarters of coverage as defined under title II of the Social Security Act worked by a parent of such alien while the alien was under age 18 if the parent did not receive any Federal means-tested public benefit (as defined in section 403(c)) during any such quarter, and

(2) all of the qualifying quarters worked by a spouse of such alien during their marriage if the spouse did not receive any Federal means-tested public benefit (as defined in section 403(c)) during any such quarter and the alien remains married to such spouse or such spouse is deceased.

***Subtitle E—Conforming Amendments***

**SEC. 441. CONFORMING AMENDMENTS RELATING TO ASSISTED HOUSING.**

(a) LIMITATIONS ON ASSISTANCE.—Section 214 of the Housing and Community Development Act of 1980 (42 U.S.C. 1436a) is amended—

(1) by striking ''Secretary of Housing and Urban Development'' each place it appears and inserting ''applicable Secretary'';

(2) in subsection (b), by inserting after ''National Housing Act,'' the following: ''the direct loan program under section 502 of the Housing Act of 1949 or section 502(c)(5)(D), 504, 521(a)(2)(A), or 542 of such Act, subtitle A of title III of the Cranston-Gonzalez National Affordable Housing Act,'';

(3) in paragraphs (2) through (6) of subsection (d), by striking ''Secretary'' each place it appears and inserting ''applicable Secretary'';

(4) in subsection (d), in the matter following paragraph (6), by striking ''the term 'Secretary''' and inserting ''the term 'applicable Secretary''''; and

(5) by adding at the end the following new subsection:

''(h) For purposes of this section, the term 'applicable Secretary' means—

''(1) the Secretary of Housing and Urban Development, with respect to financial assistance administered by such Secretary and financial assistance under subtitle A of title III of the Cranston-Gonzalez National Affordable Housing Act; and

''(2) the Secretary of Agriculture, with respect to financial assistance administered by such Secretary.''.

(b) CONFORMING AMENDMENTS.—Section 501(h) of the Housing Act of 1949 (42 U.S.C. 1471(h)) is amended—

(1) by striking ''(1)'';

(2) by striking ''by the Secretary of Housing and Urban Development''; and

(3) by striking paragraph (2).

***TITLE V—REDUCTIONS IN FEDERAL GOVERNMENT POSITIONS***

**SEC. 501. REDUCTIONS.**

(a) DEFINITIONS.—As used in this section:

(1) APPROPRIATE EFFECTIVE DATE.—The term ''appropriate effective date'', used with respect to a Department referred to in this section, means the date on which all provisions of this Act (other than title II) that the Department is required to carry out, and amendments and repeals made by such Act to provisions of Federal law that the Department is required to carry out, are effective.

(2) COVERED ACTIVITY.—The term ''covered activity'', used with respect to a Department referred to in this section, means an activity that the Department is required to carry out under—

(A) a provision of this Act (other than title II); or

(B) a provision of Federal law that is amended or repealed by this Act (other than title II).

(b) REPORTS.—

(1) CONTENTS.—Not later than December 31, 1995, each Secretary referred to in paragraph (2) shall prepare and submit to the relevant committees described in paragraph (3) a report containing—

(A) the determinations described in subsection (c);

(B) appropriate documentation in support of such determinations; and

(C) a description of the methodology used in making such determinations.

(2) SECRETARY.—The Secretaries referred to in this paragraph are—

(A) the Secretary of Agriculture;

(B) the Secretary of Education;

(C) the Secretary of Labor;

(D) the Secretary of Housing and Urban Development; and

(E) the Secretary of Health and Human Services.

(3) RELEVANT COMMITTEES.—The relevant Committees described in this paragraph are the following:

(A) With respect to each Secretary described in paragraph (2), the Committee on Government Reform and Oversight of the House of Representatives and the Committee on Governmental Affairs of the Senate.

(B) With respect to the Secretary of Agriculture, the Committee on Agriculture and the Committee on Economic and Educational Opportunities of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(C) With respect to the Secretary of Education, the Committee on Economic and Educational Opportunities of the House of Representatives and the Committee on Labor and Human Resources of the Senate.

(D) With respect to the Secretary of Labor, the Committee on Economic and Educational Opportunities of the House of Representatives and the Committee on Labor and Human Resources of the Senate.

(E) With respect to the Secretary of Housing and Urban Development, the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate.

(F) With respect to the Secretary of Health and Human Services, the Committee on Economic and Educational Opportunities of the House of Representatives, the Committee on Labor and Human Resources of the Senate, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate.

(4) REPORT ON CHANGES.—Not later than December 31, 1996, and each December 31 thereafter, each Secretary referred to in paragraph (2) shall prepare and submit to the relevant Committees described in paragraph (3), a report concerning any changes with respect to the determinations made under subsection (c) for the year in which the report is being submitted.

(c) DETERMINATIONS.—Not later than December 31, 1995, each Secretary referred to in subsection (b)(2) shall determine—

(1) the number of full-time equivalent positions required by the Department headed by such Secretary to carry out the covered activities of the Department, as of the day before the date of enactment of this Act;

(2) the number of such positions required by the Department to carry out the activities, as of the appropriate effective date for the Department; and

(3) the difference obtained by subtracting the number referred to in paragraph (2) from the number referred to in paragraph (1).

(d) ACTIONS.—Each Secretary referred to in subsection (b)(2) shall take such actions as may be necessary, including reduction in force actions, consistent with sections 3502 and 3595 of title 5, United States Code, to reduce the number of positions of personnel of the Department—

(1) not later than 30 days after the appropriate effective date for the Department involved, by at least 50 percent of the difference referred to in subsection (c)(3); and

(2) not later than 13 months after such appropriate effective date, by at least the remainder of such difference (after the application of paragraph (1)).

(e) CONSISTENCY.—

(1) EDUCATION.—The Secretary of Education shall carry out this section in a manner that enables the Secretary to meet the requirements of this section.

(2) LABOR.—The Secretary of Labor shall carry out this section in a manner that enables the Secretary to meet the requirements of this section.

(3) HEALTH AND HUMAN SERVICES.—The Secretary of Health and Human Services shall carry out this section in a manner that enables

the Secretary to meet the requirements of this section and sections 502 and 503.

(f) CALCULATION.—In determining, under subsection (c), the number of full-time equivalent positions required by a Department to carry out a covered activity, a Secretary referred to in subsection (b)(2), shall include the number of such positions occupied by personnel carrying out program functions or other functions (including budgetary, legislative, administrative, planning, evaluation, and legal functions) related to the activity.

(g) GENERAL ACCOUNTING OFFICE REPORT.—Not later than July 1, 1996, the Comptroller General of the United States shall prepare and submit to the committees described in subsection (b)(3), a report concerning the determinations made by each Secretary under subsection (c). Such report shall contain an analysis of the determinations made by each Secretary under subsection (c) and a determination as to whether further reductions in full-time equivalent positions are appropriate.

**SEC. 502. REDUCTIONS IN FEDERAL BUREAUCRACY.**

(a) IN GENERAL.—The Secretary of Health and Human Services shall reduce the Federal workforce within the Department of Health and Human Services by an amount equal to the sum of—

(1) 75 percent of the full-time equivalent positions at such Department that relate to any direct spending program, or any program funded through discretionary spending, that has been converted into a block grant program under this Act and the amendments made by this Act; and

(2) an amount equal to 75 percent of that portion of the total full-time equivalent departmental management positions at such Department that bears the same relationship to the amount appropriated for the programs referred to in paragraph (1) as such amount relates to the total amount appropriated for use by such Department.

(b) REDUCTIONS IN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.—Notwithstanding any other provision of this Act, the Secretary of Health and Human Services shall take such actions as may be necessary, including reductions in force actions, consistent with sections 3502 and 3595 of title 5, United States Code, to reduce the full-time equivalent positions within the Department of Health and Human Services—

(1) by 245 full-time equivalent positions related to the program converted into a block grant under the amendment made by section 103; and

(2) by 60 full-time equivalent managerial positions in the Department.

**SEC. 503. REDUCING PERSONNEL IN WASHINGTON, D.C. AREA.**

In making reductions in full-time equivalent positions, the Secretary of Health and Human Services is encouraged to reduce personnel in the Washington, D.C., area office (agency headquarters) before reducing field personnel.

## TITLE VI—REFORM OF PUBLIC HOUSING

**SEC. 601. FAILURE TO COMPLY WITH OTHER WELFARE AND PUBLIC ASSISTANCE PROGRAMS.**

Title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is amended by adding at the end the following new section:

**"SEC. 27. FAILURE TO COMPLY WITH OTHER WELFARE AND PUBLIC ASSISTANCE PROGRAMS.**

"(a) IN GENERAL.—If the benefits of a family are reduced under a Federal, State, or local law relating to welfare or a public assistance program for the failure of any member of the family to perform an action required under the law or program, the family may not, for the duration of the reduction, receive any increased assistance under this Act as the result of a decrease in the income of the family to the extent that the decrease in income is the result of the benefits reduction.

"(b) EXCEPTION.—Subsection (a) shall not apply in any case in which the benefits of a family are reduced because the welfare or public assistance program to which the Federal, State, or local law relates limits the period during which benefits may be provided under the program.".

**SEC. 602. FRAUD UNDER MEANS-TESTED WELFARE AND PUBLIC ASSISTANCE PROGRAMS.**

(a) IN GENERAL.—If an individual's benefits under a Federal, State, or local law relating to a means-tested welfare or a public assistance program are reduced because of an act of fraud by the individual under the law or program, the individual may not, for the duration of the reduction, receive an increased benefit under any other means-tested welfare or public assistance program for which Federal funds are appropriated as a result of a decrease in the income of the individual (determined under the applicable program) attributable to such reduction.

(b) WELFARE OR PUBLIC ASSISTANCE PROGRAMS FOR WHICH FEDERAL FUNDS ARE APPROPRIATED.—For purposes of subsection (a), the term "means-tested welfare or public assistance program for which Federal funds are appropriated" includes the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), any program of public or assisted housing under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), and State programs funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).

**SEC. 603. EFFECTIVE DATE.**

This title and the amendment made by this title shall become effective on the date of enactment of this Act.

## TITLE VII—CHILD PROTECTION BLOCK GRANT PROGRAM AND FOSTER CARE AND ADOPTION ASSISTANCE

### Subtitle A—Block Grants to States for the Protection of Children and Matching Payments for Foster Care and Adoption Assistance

**SEC. 701. ESTABLISHMENT OF PROGRAM.**

Title IV of the Social Security Act (42 U.S.C. 601 et seq.) is amended by striking part B and inserting the following:

**"PART B—BLOCK GRANTS TO STATES FOR THE PROTECTION OF CHILDREN AND MATCHING PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE**

**"SEC. 421. PURPOSE.**

"The purpose of this part is to enable eligible States to carry out a child protection program to—

"(1) identify and assist families at risk of abusing or neglecting their children;

"(2) operate a system for receiving reports of abuse or neglect of children;

"(3) improve the intake, assessment, screening, and investigation of reports of abuse and neglect;

"(4) enhance the general child protective system by improving risk and safety assessment tools and protocols;

"(5) improve legal preparation and representation, including procedures for appealing and responding to appeals of substantiated reports of abuse and neglect;

"(6) provide support, treatment, and family preservation services to families which are, or are at risk of, abusing or neglecting their children;

"(7) support children who must be removed from or who cannot live with their families;

"(8) make timely decisions about permanent living arrangements for children who must be removed from or who cannot live with their families;

"(9) provide for continuing evaluation and improvement of child protection laws, regulations, and services;

"(10) develop and facilitate training protocols for individuals mandated to report child abuse or neglect; and

"(11) develop and enhance the capacity of community-based programs to integrate shared leadership strategies between parents and professionals to prevent and treat child abuse and neglect at the neighborhood level.

**"SEC. 422. ELIGIBLE STATES.**

"(a) IN GENERAL.—As used in this part, the term 'eligible State' means a State that has submitted to the Secretary, not later than October 1, 1996, and every 3 years thereafter, a plan which has been signed by the chief executive officer of the State and that includes the following:

"(1) OUTLINE OF CHILD PROTECTION PROGRAM.—A written document that outlines the activities the State intends to conduct to achieve the purpose of this part, including the procedures to be used for—

"(A) receiving and assessing reports of child abuse or neglect;

"(B) investigating such reports;

"(C) with respect to families in which abuse or neglect has been confirmed, providing services or referral for services for families and children where the State makes a determination that the child may safely remain with the family;

"(D) protecting children by removing them from dangerous settings and ensuring their placement in a safe environment;

"(E) providing training for individuals mandated to report suspected cases of child abuse or neglect;

"(F) protecting children in foster care;

"(G) promoting timely adoptions;

"(H) protecting the rights of families, using adult relatives as the preferred placement for children separated from their parents where such relatives meet the relevant State child protection standards;

"(I) providing services to individuals, families, or communities, either directly or through referral, that are aimed at preventing the occurrence of child abuse and neglect; and

"(J) establishing and responding to citizen review panels under section 426.

"(2) CERTIFICATION OF STATE LAW REQUIRING THE REPORTING OF CHILD ABUSE AND NEGLECT.—A certification that the State has in effect laws that require public officials and other professionals to report, in good faith, actual or suspected instances of child abuse or neglect.

"(3) CERTIFICATION OF PROCEDURES FOR SCREENING, SAFETY ASSESSMENT, AND PROMPT INVESTIGATION.—A certification that the State has in effect procedures for receiving and responding to reports of child abuse or neglect, including the reports described in paragraph (2), and for the immediate screening, safety assessment, and prompt investigation of such reports.

"(4) CERTIFICATION OF STATE PROCEDURES FOR REMOVAL AND PLACEMENT OF ABUSED OR NEGLECTED CHILDREN.—A certification that the State has in effect procedures for the removal from families and placement of abused or neglected children and of any other child in the same household who may also be in danger of abuse or neglect.

"(5) CERTIFICATION OF PROVISIONS FOR IMMUNITY FROM PROSECUTION.—A certification that the State has in effect laws requiring immunity from prosecution under State and local laws and regulations for individuals making good faith reports of suspected or known instances of child abuse or neglect.

"(6) CERTIFICATION OF PROVISIONS AND PROCEDURES FOR EXPUNGEMENT OF CERTAIN RECORDS.—A certification that the State has in effect laws and procedures requiring the facilitation of the prompt expungement of any records that are accessible to the general public or are used for purposes of employment or other background checks in cases determined to be unsubstantiated or false.

"(7) CERTIFICATION OF PROVISIONS AND PROCEDURES RELATING TO APPEALS.—A certification that not later then 2 years after the date of the enactment of this part, the State shall have laws

and procedures in effect affording individuals an opportunity to appeal an official finding of abuse or neglect.

''(8) CERTIFICATION OF STATE PROCEDURES FOR DEVELOPING AND REVIEWING WRITTEN PLANS FOR PERMANENT PLACEMENT OF REMOVED CHILDREN.—A certification that the State has in effect procedures for ensuring that a written plan is prepared for children who have been removed from their families. Such plan shall specify the goals for achieving a permanent placement for the child in a timely fashion, for ensuring that the written plan is reviewed every 6 months (until such placement is achieved), and for ensuring that information about such children is collected regularly and recorded in case records, and include a description of such procedures.

''(9) CERTIFICATION OF STATE PROGRAM TO PROVIDE INDEPENDENT LIVING SERVICES.—A certification that the State has in effect a program to provide independent living services, for assistance in making the transition to self-sufficient adulthood, to individuals in the child protection program of the State who are 16, but who are not 20 (or, at the option of the State, 22), years of age, and who do not have a family to which to be returned.

''(10) CERTIFICATION OF STATE PROCEDURES TO RESPOND TO REPORTING OF MEDICAL NEGLECT OF DISABLED INFANTS.—

''(A) IN GENERAL.—A certification that the State has in place for the purpose of responding to the reporting of medical neglect of infants (including instances of withholding of medically indicated treatment from disabled infants with life-threatening conditions), procedures or programs, or both (within the State child protective services system), to provide for—

''(i) coordination and consultation with individuals designated by and within appropriate health-care facilities;

''(ii) prompt notification by individuals designated by and within appropriate health-care facilities of cases of suspected medical neglect (including instances of withholding of medically indicated treatment from disabled infants with life-threatening conditions); and

''(iii) authority, under State law, for the State child protective service to pursue any legal remedies, including the authority to initiate legal proceedings in a court of competent jurisdiction, as may be necessary to prevent the withholding of medically indicated treatment from disabled infants with life-threatening conditions.

''(B) WITHHOLDING OF MEDICALLY INDICATED TREATMENT.—As used in subparagraph (A), the term 'withholding of medically indicated treatment' means the failure to respond to the infant's life-threatening conditions by providing treatment (including appropriate nutrition, hydration, and medication) which, in the treating physician's or physicians' reasonable medical judgment, will be most likely to be effective in ameliorating or correcting all such conditions, except that such term does not include the failure to provide treatment (other than appropriate nutrition, hydration, or medication) to an infant when, in the treating physician's or physicians' reasonable medical judgment—

''(i) the infant is chronically and irreversibly comatose;

''(ii) the provision of such treatment would—

''(I) merely prolong dying;

''(II) not be effective in ameliorating or correcting all of the infant's life-threatening conditions; or

''(III) otherwise be futile in terms of the survival of the infant; or

''(iii) the provision of such treatment would be virtually futile in terms of the survival of the infant and the treatment itself under such circumstances would be inhumane.

''(11) IDENTIFICATION OF CHILD PROTECTION GOALS.—The quantitative goals of the State child protection program.

''(12) CERTIFICATION OF CHILD PROTECTION STANDARDS.—With respect to fiscal years beginning on or after April 1, 1996, a certification that the State—

''(A) has completed an inventory of all children who, before the inventory, had been in foster care under the responsibility of the State for 6 months or more, which determined—

''(i) the appropriateness of, and necessity for, the foster care placement;

''(ii) whether the child could or should be returned to the parents of the child or should be freed for adoption or other permanent placement; and

''(iii) the services necessary to facilitate the return of the child or the placement of the child for adoption or legal guardianship;

''(B) is operating, to the satisfaction of the Secretary—

''(i) a statewide information system from which can be readily determined the status, demographic characteristics, location, and goals for the placement of every child who is (or, within the immediately preceding 12 months, has been) in foster care;

''(ii) a case review system for each child receiving foster care under the supervision of the State;

''(iii) a service program designed to help children—

''(I) where appropriate, return to families from which they have been removed; or

''(II) be placed for adoption, with a legal guardian, or if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement; and

''(iv) a preplacement preventive services program designed to help children at risk for foster care placement remain with their families; and

''(C)(i) has reviewed (or not later than October 1, 1997, will review) State policies and administrative and judicial procedures in effect for children abandoned at or shortly after birth (including policies and procedures providing for legal representation of such children); and

''(ii) is implementing (or not later than October 1, 1997, will implement) such policies and procedures as the State determines, on the basis of the review described in clause (i), to be necessary to enable permanent decisions to be made expeditiously with respect to the placement of such children.

''(13) CERTIFICATION OF REASONABLE EFFORTS BEFORE PLACEMENT OF CHILDREN IN FOSTER CARE.—A certification that the State in each case will—

''(A) make reasonable efforts prior to the placement of a child in foster care, to prevent or eliminate the need for removal of the child from the child's home, and to make it possible for the child to return home; and

''(B) with respect to families in which abuse or neglect has been confirmed, provide services or referral for services for families and children where the State makes a determination that the child may safely remain with the family.

''(14) CERTIFICATION OF COOPERATIVE EFFORTS.—A certification by the State, where appropriate, that all steps will be taken, including cooperative efforts with the State agencies administering the plans approved under parts A and D, to secure an assignment to the State of any rights to support on behalf of each child receiving foster care maintenance payments under this part.

''(15) CERTIFICATION OF CONFIDENTIALITY AND REQUIREMENTS FOR INFORMATION DISCLOSURE.—

''(A) IN GENERAL.—A certification that the State has in effect and operational—

''(i) requirements ensuring that reports and records made and maintained pursuant to the purposes of this part shall only be made available to—

''(I) individuals who are the subject of the report;

''(II) Federal, State, or local government entities having a need for such information in order to carry out their responsibilities under law to protect children from abuse and neglect;

''(III) child abuse citizen review panels;

''(IV) child fatality review panels;

''(V) a grand jury or court, upon a finding that information in the record is necessary for the determination of an issue before the court or grand jury; and

''(VI) other entities or classes of individuals statutorily authorized by the State to receive such information pursuant to a legitimate State purpose; and

''(ii) provisions that allow for public disclosure of the findings or information about cases of child abuse or neglect that have resulted in a child fatality or near fatality.

''(B) LIMITATION.—Disclosures made pursuant to clause (i) or (ii) shall not include the identifying information concerning the individual initiating a report or complaint alleging suspected instances of child abuse or neglect.

''(C) DEFINITION.—For purposes of this paragraph, the term 'near fatality' means an act that, as certified by a physician, places the child in serious or critical condition.

''(b) DETERMINATIONS.—The Secretary shall determine whether a plan submitted pursuant to subsection (a) contains the material required by subsection (a), other than the material described in paragraph (10) of such subsection. The Secretary may not require a State to include in such a plan any material not described in subsection (a).

**"SEC. 423. GRANTS TO STATES FOR CHILD PROTECTION AND PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE.**

''(a) FUNDING OF BLOCK GRANTS.—

''(1) ENTITLEMENT COMPONENT.—Each eligible State shall be entitled to receive from the Secretary for each fiscal year specified in subsection (c)(1) a grant in an amount equal to the State share of the child protection amount for the fiscal year.

''(2) AUTHORIZATION COMPONENT.—

''(A) IN GENERAL.—For each eligible State for each fiscal year specified in subsection (c)(1), the Secretary shall supplement the grant under paragraph (1) of this subsection by an amount equal to the State share of the amount (if any) appropriated pursuant to subparagraph (B) of this paragraph for the fiscal year.

''(B) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—For grants under subparagraph (A), there are authorized to be appropriated to the Secretary an amount not to exceed $325,000,000 for each fiscal year specified in subsection (c)(1).

''(b) MAINTENANCE PAYMENTS.—

''(1) IN GENERAL.—In addition to the grants described in subsection (a), each eligible State shall be entitled to receive from the Secretary for each quarter of each fiscal year specified in subsection (c)(1) an amount equal to the sum of—

''(A) an amount equal to the Federal medical assistance percentage (as defined in section 1905(b) of this Act as in effect on the day before the date of enactment of this part) of the total amount expended during such quarter as foster care maintenance payments under the child protection program under this part for children in foster family homes or child-care institutions; plus

''(B) an amount equal to the Federal medical assistance percentage (as defined in section 1905(b) of this Act (as so in effect)) of the total amount expended during such quarter as adoption assistance payments under the child protection program under this part pursuant to adoption assistance agreements.

''(2) ESTIMATES BY THE SECRETARY.—

''(A) IN GENERAL.—The Secretary shall, prior to the beginning of each quarter, estimate the amount to which a State will be entitled to receive under paragraph (1) for such quarter, such estimates to be based on—

''(i) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with paragraph (1), and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if

such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived;

''(ii) records showing the number of children in the State receiving assistance under this part; and

''(iii) such other information as the Secretary may find necessary.

''(B) PAYMENTS.—The Secretary shall pay to the States the amounts so estimated under subparagraph (A), reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this subsection to such State for any prior quarter and with respect to which adjustment has not already been made under this paragraph.

''(C) PRO RATA SHARE.— The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by the State or any political subdivision thereof with respect to foster care and adoption assistance furnished under this part shall be considered an overpayment to be adjusted under this paragraph.

''(3) ALLOWANCE OR DISALLOWANCE OF CLAIM.—

''(A) IN GENERAL.—Within 60 days after receipt of a State claim for expenditures pursuant to paragraph (2)(A), the Secretary shall allow, disallow, or defer such claim.

''(B) NOTICE.—Within 15 days after a decision to defer a State claim, the Secretary shall notify the State of the reasons for the deferral and of the additional information necessary to determine the allowability of the claim.

''(C) DECISION.—Within 90 days after receiving such necessary information (in readily reviewable form), the Secretary shall—

''(i) disallow the claim, if able to complete the review and determine that the claim is not allowable; or

''(ii) in any other case, allow the claim, subject to disallowance (as necessary)—

''(I) upon completion of the review, if it is determined that the claim is not allowable; or

''(II) on the basis of findings of an audit or financial management review.

''(c) DEFINITIONS.—As used in this section:

''(1) CHILD PROTECTION AMOUNT.—The term 'child protection amount' means—

''(A) $2,047,000,000 for fiscal year 1997;

''(B) $2,200,000,000 for fiscal year 1998;

''(C) $2,342,000,000 for fiscal year 1999;

''(D) $2,487,000,000 for fiscal year 2000;

''(E) $2,592,000,000 for fiscal year 2001; and

''(F) $2,766,000,000 for fiscal year 2002;

''(2) STATE SHARE.—

''(A) IN GENERAL.—The term 'State share' means the qualified child protection expenses of the State divided by the sum of the qualified child protection expenses of all of the States.

''(B) QUALIFIED CHILD PROTECTION EXPENSES.—The term 'qualified child protection expenses' means, with respect to a State the greater of—

''(i) the total amount of—

''(I) ⅓ of the Federal grant amounts to the State under the provisions of law specified in clauses (i), (ii), and (iii) of subparagraph (C) for fiscal years 1992, 1993, and 1994; and

''(II) ⅓ of the Federal share of expenditures (without regard to disputed expenditures) with respect to administration, training, and statewide mechanized data collection and information systems under the provision of law specified in subparagraph (C)(iv) as reported by the State on ACF Form IV-E-12 for fiscal years 1992, 1993, and 1994; or

''(ii) the total amount of—

''(I) the Federal grant amounts to the State under the provisions of law specified in clauses (i), (ii), and (iii) of subparagraph (C) for fiscal year 1994; and

''(II) the Federal share of expenditures (without regard to disputed expenditures) with respect to administration, training, and statewide mechanized data collection and information systems under the provision of law specified in subparagraph (C)(iv) as reported by the State on ACF Form IV-E-12 for fiscal year 1994.

''(C) PROVISIONS OF LAW.—The provisions of law specified in this subparagraph are the following (as in effect with respect to each of the fiscal years referred to in subparagraph (B)):

''(i) Section 423 of this Act.

''(ii) Section 434 of this Act.

''(iii) Section 474(a)(4) of this Act.

''(iv) Section 474(a)(3) of this Act.

''(D) DETERMINATION OF INFORMATION.—In determining amounts for fiscal years 1992, 1993, and 1994 under subclause (I) of clauses (i) and (ii) of subparagraph (B), the Secretary shall use information listed as actual amounts in the Justification for Estimates for Appropriation Committees of the Administration for Children and Families for fiscal years 1994, 1995, and 1996, respectively. In determining amounts for fiscal years 1992, 1993, and 1994 under subclause (II) of clauses (i) and (ii) of subparagraph (B), the Secretary shall use information available as of February 22, 1995.

''(d) USE OF GRANT.—

''(1) IN GENERAL.—A State to which a grant is made under this section may use the grant in any manner that the State deems appropriate to accomplish the purpose of this part.

''(2) TIMING OF EXPENDITURES.—A State to which a grant is made under this section for a fiscal year shall expend the total amount of the grant not later than the end of the immediately succeeding fiscal year.

''(3) RULE OF INTERPRETATION.—This part shall not be interpreted to prohibit short- and long-term foster care facilities operated for profit from receiving funds provided under this part.

''(e) TIMING OF PAYMENTS.—The Secretary shall pay each eligible State the amount of the grant payable to the State under this section in quarterly installments.

''(f) PENALTIES.—

''(1) FOR USE OF GRANT IN VIOLATION OF THIS PART.—If an audit conducted pursuant to chapter 75 of title 31, United States Code, finds that an amount paid to a State under this section for a fiscal year has been used in violation of this part, then the Secretary shall reduce the amount of the grant that would (in the absence of this paragraph) be payable to the State under this section for the immediately succeeding fiscal year by the amount so used, plus 5 percent of the grant paid under this section to the State for such fiscal year.

''(2) FOR FAILURE TO MAINTAIN EFFORT.—

''(A) IN GENERAL.—If an audit conducted pursuant to chapter 75 of title 31, United States Code, finds that the amount expended by a State (other than from amounts provided by the Federal Government) during the fiscal years specified in subparagraph (B), to carry out the State program funded under this part is less than the applicable percentage specified in such subparagraph of the total amount expended by the State (other than from amounts provided by the Federal Government) during fiscal year 1994 under parts B and E of this title (as in effect on the day before the date of the enactment of this part), then the Secretary shall reduce the amount of the grant that would (in the absence of this paragraph) be payable to the State under this section for the immediately succeeding fiscal year by the amount of the difference, plus 5 percent of the grant paid under this section to the State for such fiscal year.

''(B) SPECIFICATION OF FISCAL YEARS AND APPLICABLE PERCENTAGES.—The fiscal years and applicable percentages specified in this subparagraph are as follows:

''(i) For fiscal years 1997 and 1998, 100 percent.

''(ii) For fiscal years 1999 through 2002, 75 percent.

''(3) FOR FAILURE TO SUBMIT REQUIRED REPORT.—

''(A) IN GENERAL.—The Secretary shall reduce by 3 percent the amount of the grant that would (in the absence of this paragraph) be payable to a State under this section for a fiscal year if the Secretary determines that the State has not submitted the report required by section 427(b) for the immediately preceding fiscal year, within 6 months after the end of the immediately preceding fiscal year.

''(B) RESCISSION OF PENALTY.—The Secretary shall rescind a penalty imposed on a State under subparagraph (A) with respect to a report for a fiscal year if the State submits the report before the end of the immediately succeeding fiscal year.

''(4) FOR FAILURE TO COMPLY WITH SAMPLING METHODS REQUIREMENTS.—The Secretary may reduce by not more than 1 percent the amount of the grant that would (in the absence of this paragraph) be payable to a State under this section for a succeeding fiscal year if the Secretary determines that the State has not complied with the Secretary's sampling methods requirements under section 427(c)(2) during the prior fiscal year.

''(5) STATE FUNDS TO REPLACE REDUCTIONS IN GRANT.—A State which has a penalty imposed against it under this subsection for a fiscal year shall expend additional State funds in an amount equal to the amount of the penalty for the purpose of carrying out the State program under this part during the immediately succeeding fiscal year.

''(6) REASONABLE CAUSE EXCEPTION.—Except in the case of the penalty described in paragraph (2), the Secretary may not impose a penalty on a State under this subsection with respect to a requirement if the Secretary determines that the State has reasonable cause for failing to comply with the requirement.

''(7) CORRECTIVE COMPLIANCE PLAN.—

''(A) IN GENERAL.—

''(i) NOTIFICATION OF VIOLATION.—Before imposing a penalty against a State under this subsection with respect to a violation of this part, the Secretary shall notify the State of the violation and allow the State the opportunity to enter into a corrective compliance plan in accordance with this paragraph which outlines how the State will correct the violation and how the State will insure continuing compliance with this part.

''(ii) 60-DAY PERIOD TO PROPOSE A CORRECTIVE COMPLIANCE PLAN.—During the 60-day period that begins on the date the State receives a notice provided under clause (i) with respect to a violation, the State may submit to the Federal Government a corrective compliance plan to correct the violation.

''(iii) CONSULTATION ABOUT MODIFICATIONS.—During the 60-day period that begins with the date the Secretary receives a corrective compliance plan submitted by a State in accordance with clause (ii), the Secretary may consult with the State on modifications to the plan.

''(iv) ACCEPTANCE OF PLAN.— A corrective compliance plan submitted by a State in accordance with clause (ii) is deemed to be accepted by the Secretary if the Secretary does not accept or reject the plan during the 60-day period that begins on the date the plan is submitted.

''(B) EFFECT OF CORRECTING VIOLATION.—The Secretary may not impose any penalty under this subsection with respect to any violation covered by a State corrective compliance plan accepted by the Secretary if the State corrects the violation pursuant to the plan.

''(C) EFFECT OF FAILING TO CORRECT VIOLATION.—The Secretary shall assess some or all of a penalty imposed on a State under this subsection with respect to a violation if the State does not, in a timely manner, correct the violation pursuant to a State corrective compliance plan accepted by the Secretary.

''(8) LIMITATION ON AMOUNT OF PENALTY.—

''(A) IN GENERAL.—In imposing the penalties described in this subsection, the Secretary shall not reduce any quarterly payment to a State by more than 25 percent.

''(B) CARRYFORWARD OF UNRECOVERED PENALTIES.—To the extent that subparagraph (A)

*prevents the Secretary from recovering during a fiscal year the full amount of all penalties imposed on a State under this subsection for a prior fiscal year, the Secretary shall apply any remaining amount of such penalties to the grant payable to the State under section 423(a) for the immediately succeeding fiscal year.*

*''(g) TREATMENT OF TERRITORIES.—*

*''(1) IN GENERAL.—A territory, as defined in section 1108(b)(1), shall carry out a child protection program in accordance with the provisions of this part.*

*''(2) PAYMENTS.—Subject to the mandatory ceiling amounts specified in section 1108, each territory, as so defined, shall be entitled to receive from the Secretary for any fiscal year an amount equal to the total obligations to the territory under section 434 (as in effect on the day before the date of the enactment of this part) for fiscal year 1995.*

*''(h) LIMITATION ON FEDERAL AUTHORITY.—Except as expressly provided in this Act, the Secretary may not regulate the conduct of States under this part or enforce any provision of this part.*

***''SEC. 424. REQUIREMENTS FOR FOSTER CARE MAINTENANCE PAYMENTS.***

*''(a) IN GENERAL.—Each State operating a program under this part shall make foster care maintenance payments under section 423(b) with respect to a child who would meet the requirements of section 406(a) or of section 407 (as in effect on the day before the date of the enactment of this part) but for the removal of the child from the home of a relative (specified in section 406(a)(as so in effect)), if—*

*''(1) the removal from the home occurred pursuant to a voluntary placement agreement entered into by the child's parent or legal guardian, or was the result of a judicial determination to the effect that continuation therein would be contrary to the welfare of such child and that reasonable efforts of the type described in section 422(a)(13) have been made;*

*''(2) such child's placement and care are the responsibility of—*

*''(A) the State; or*

*''(B) any other public agency with whom the State has made an agreement for the administration of the State program under this part which is still in effect;*

*''(3) such child has been placed in a foster family home or child-care institution as a result of the voluntary placement agreement or judicial determination referred to in paragraph (1); and*

*''(4) such child—*

*''(A) would have been eligible to receive aid under the eligibility standards under the State plan approved under section 402 (as in effect on the day before the date of the enactment of this part and adjusted for inflation, in accordance with regulations issued by the Secretary) in or for the month in which such agreement was entered into or court proceedings leading to the removal of such child from the home were initiated; or*

*''(B) would have received such aid in or for such month if application had been made therefore, or the child had been living with a relative specified in section 406(a) (as so in effect) within 6 months prior to the month in which such agreement was entered into or such proceedings were initiated, and would have received such aid in or for such month if in such month such child had been living with such a relative and application therefore had been made.*

*''(b) LIMITATION ON FOSTER CARE PAYMENTS.—Foster care maintenance payments may be made under this part only on behalf of a child described in subsection (a) of this section who is—*

*''(1) in the foster family home of an individual, whether the payments therefore are made to such individual or to a public or private child-placement or child-care agency; or*

*''(2) in a child-care institution, whether the payments therefore are made to such institution or to a public or private child-placement or child-care agency, which payments shall be limited so as to include in such payments only those items which are included in the term 'foster care maintenance payments' (as defined in section 429(6)).*

*''(c) VOLUNTARY PLACEMENTS.—*

*''(1) SATISFACTION OF CHILD PROTECTION STANDARDS.—Notwithstanding any other provision of this section, Federal payments may be made under this part with respect to amounts expended by any State as foster care maintenance payments under this part, in the case of children removed from their homes pursuant to voluntary placement agreements as described in subsection (a), only if (at the time such amounts were expended) the State has fulfilled all of the requirements of section 422(a)(12).*

*''(2) REMOVAL IN EXCESS OF 180 DAYS.—No Federal payment may be made under this part with respect to amounts expended by any State as foster care maintenance payments, in the case of any child who was removed from such child's home pursuant to a voluntary placement agreement as described in subsection (a) and has remained in voluntary placement for a period in excess of 180 days, unless there has been a judicial determination by a court of competent jurisdiction (within the first 180 days of such placement) to the effect that such placement is in the best interests of the child.*

*''(3) DEEMED REVOCATION OF AGREEMENTS.—In any case where—*

*''(A) the placement of a minor child in foster care occurred pursuant to a voluntary placement agreement entered into by the parents or guardians of such child as provided in subsection (a); and*

*''(B) such parents or guardians request (in such manner and form as the Secretary may prescribe) that the child be returned to their home or to the home of a relative,*

*the voluntary placement agreement shall be deemed to be revoked unless the State opposes such request and obtains a judicial determination, by a court of competent jurisdiction, that the return of the child to such home would be contrary to the child's best interests.*

***''SEC. 425. REQUIREMENTS FOR ADOPTION ASSISTANCE PAYMENTS.***

*''(a) IN GENERAL.—A State operating a program under this part shall enter into adoption assistance agreements with the adoptive parents of children with special needs.*

*''(b) PAYMENTS UNDER AGREEMENTS.—Under any adoption assistance agreement entered into by a State with parents who adopt a child with special needs who meets the requirements of subsection (c), the State may make adoption assistance payments to such parents or through another public or nonprofit private agency, in amounts determined under subsection (d).*

*''(c) CHILDREN WITH SPECIAL NEEDS.—For purposes of subsection (b), a child meets the requirements of this subsection if such child—*

*''(1)(A) at the time adoption proceedings were initiated, met the requirements of section 406(a) or section 407 (as in effect on the day before the date of the enactment of this part) or would have met such requirements except for such child's removal from the home of a relative (specified in section 406(a) (as so in effect)), either pursuant to a voluntary placement agreement with respect to which Federal payments are provided under section 423(b) (or 403 (as so in effect)) or as a result of a judicial determination to the effect that continuation therein would be contrary to the welfare of such child;*

*''(B) meets all of the requirements of title XVI with respect to eligibility for supplemental security income benefits; or*

*''(C) is a child whose costs in a foster family home or child-care institution are covered by the foster care maintenance payments being made with respect to his or her minor parent;*

*''(2)(A) would have received aid under the eligibility standards under the State plan approved under section 402 (as in effect on the day before the date of the enactment of this part, adjusted for inflation, in accordance with regulations issued by the Secretary) in or for the month in which such agreement was entered into or court proceedings leading to the removal of such child from the home were initiated;*

*''(B) would have received such aid in or for such month if application had been made therefore, or had been living with a relative specified in section 406(a) (as so in effect) within 6 months prior to the month in which such agreement was entered into or such proceedings were initiated, and would have received such aid in or for such month if in such month such child had been living with such a relative and application therefore had been made; or*

*''(C) is a child described in subparagraph (A) or (B); and*

*''(3) has been determined by the State, pursuant to subsection (g) of this section, to be a child with special needs.*

*''(d) DETERMINATION OF PAYMENTS.—The amount of the payments to be made in any case under subsection (b) shall be determined through agreement between the adoptive parents and the State or a public or nonprofit private agency administering the program under this part, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents (which may be specified in the adoption assistance agreement), depending upon changes in such circumstances. However, in no case may the amount of the adoption assistance payment exceed the foster care maintenance payment which would have been paid during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.*

*''(e) PAYMENT EXCEPTION.—Notwithstanding subsection (d), no payment may be made to parents with respect to any child who has attained the age of 18 (or, where the State determines that the child has a mental or physical disability which warrants the continuation of assistance, the age of 21), and no payment may be made to parents with respect to any child if the State determines that the parents are no longer legally responsible for the support of the child or if the State determines that the child is no longer receiving any support from such parents. Parents who have been receiving adoption assistance payments under this part shall keep the State or public or nonprofit private agency administering the program under this part informed of circumstances which would, pursuant to this section, make them ineligible for such assistance payments, or eligible for assistance payments in a different amount.*

*''(f) PRE-ADOPTION PAYMENTS.—For purposes of this part, individuals with whom a child who has been determined by the State, pursuant to subsection (g), to be a child with special needs is placed for adoption in accordance with applicable State and local law shall be eligible for adoption assistance payments during the period of the placement, on the same terms and subject to the same conditions as if such individuals had adopted such child.*

*''(g) DETERMINATION OF CHILD WITH SPECIAL NEEDS.—For purposes of this section, a child shall not be considered a child with special needs unless—*

*''(1) the State has determined that the child cannot or should not be returned to the home of the child's parents; and*

*''(2) the State had first determined—*

*''(A) that there exists with respect to the child a specific factor or condition such as the child's ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps because of which it is reasonable to conclude that such child cannot be placed with adoptive parents without providing adoption assistance under*

*this part or medical assistance under title XIX or XXI; and*

*''(B) that, except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parents as a foster child, a reasonable, but unsuccessful, effort has been made to place the child with appropriate adoptive parents without providing adoption assistance under this section or medical assistance under title XIX or XXI.*

***''SEC. 426. CITIZEN REVIEW PANELS.***

*''(a) ESTABLISHMENT.—Each State to which a grant is made under section 423 shall establish at least 3 citizen review panels.*

*''(b) COMPOSITION.—Each panel established under subsection (a) shall be broadly representative of the community from which drawn.*

*''(c) FREQUENCY OF MEETINGS.—Each panel established under subsection (a) shall meet not less frequently than quarterly.*

*''(d) DUTIES.—*

*''(1) IN GENERAL.—Each panel established under subsection (a) shall, by examining specific cases, determine the extent to which the State and local agencies responsible for carrying out activities under this part are doing so in accordance with the State plan, with the child protection standards set forth in section 422(a)(12), and with any other criteria that the panel considers important to ensure the protection of children.*

*''(2) CONFIDENTIALITY.—The members and staff of any panel established under subsection (a) shall not disclose to any person or government any information about any specific child protection case with respect to which the panel is provided information.*

*''(e) STATE ASSISTANCE.—Each State that establishes a panel under subsection (a) shall afford the panel access to any information on any case that the panel desires to review, and shall provide the panel with staff assistance in performing its duties.*

*''(f) REPORTS.—Each panel established under subsection (a) shall make a public report of its activities after each meeting.*

***''SEC. 427. DATA COLLECTION AND REPORTING.***

*''(a) ANNUAL REPORTS ON STATE CHILD WELFARE GOALS.—On the date that is 3 years after the effective date of this part and annually thereafter, each State to which a grant is made under section 423 shall submit to the Secretary a report that contains quantitative information on the extent to which the State is making progress toward achieving the goals of the State child protection program.*

*''(b) STATE DATA REPORTS.—*

*''(1) BIANNUAL REPORTS.—Each State to which a grant is made under section 423 shall biannually submit to the Secretary a report that includes the following disaggregated case record information with respect to each child within the State receiving publicly-supported child welfare services under the State program funded under this part:*

*''(A) Whether the child received services under the program funded under this part.*

*''(B) The age, race, gender, and family income of the parents and child.*

*''(C) The county of residence of the child.*

*''(D) Whether the child was removed from the family.*

*''(E) Whether the child entered foster care under the responsibility of the State.*

*''(F) The type of out-of-home care in which the child was placed (including institutional care, group home care, family foster care, or relative placement).*

*''(G) The child's permanency planning goal, such as family reunification, kinship care, adoption, or independent living.*

*''(H) Whether the child was released for adoption.*

*''(I) Whether the child exited from foster care, and, if so, the reason for the exit, such as return to family, placement with relatives, adoption, independent living, or death.*

*''(J) Other information as required by the Secretary and agreed to by a majority of the States, including information necessary to ensure that there is a smooth transition of data from the Adoption and Foster Care Analysis and Reporting Systems and the National Center on Abuse and Neglect Data System to the data reporting system required under this section.*

*''(2) ANNUAL REPORTS.—Each State to which a grant is made under section 423 shall annually submit to the Secretary a report that includes the following information:*

*''(A) The number of children reported to the State during the year as alleged victims of abuse or neglect.*

*''(B) The number of children for whom an investigation of alleged maltreatment resulted in a determination of substantiated abuse or neglect, the number for whom a report of maltreatment was unsubstantiated, and the number for whom a report of maltreatment was determined to be false.*

*''(C) The number of families that received preventive services.*

*''(D) The number of infants abandoned during the year, the number of such infants who were adopted, and the length of time between abandonment and adoption.*

*''(E) The number of deaths of children resulting from child abuse or neglect.*

*''(F) The number of deaths occurring while children were in the custody of the State.*

*''(G) The number of children served by the State independent living program.*

*''(H) Quantitative measurements demonstrating whether the State is making progress toward the child protection goals identified by the State.*

*''(I) The types of maltreatment suffered by victims of child abuse and neglect.*

*''(J) The number of abused and neglected children receiving services.*

*''(K) The average length of stay of children in out-of-home care.*

*''(L) The response of the State to the findings and recommendations of the citizen review panels established under section 426.*

*''(M) Other information as required by the Secretary and agreed to by a majority of the States, including information necessary to ensure that there is a smooth transition of data from the Adoption and Foster Care Analysis and Reporting Systems and the National Center on Abuse and Neglect Data System to the data reporting system required under this section.*

*''(3) REGULATORY AUTHORITY.—The Secretary shall define by regulation the information required to be included in the reports submitted under paragraphs (1) and (2).*

*''(c) AUTHORITY OF STATES TO USE ESTIMATES.—*

*''(1) IN GENERAL.—A State may comply with a requirement to provide precise numerical information described in subsection (b) by submitting an estimate which is obtained through the use of scientifically acceptable sampling methods.*

*''(2) SECRETARIAL REVIEW OF SAMPLING METHODS.—The Secretary shall periodically review the sampling methods used by a State to comply with a requirement to provide information described in subsection (b). The Secretary may require a State to revise the sampling methods so used if such methods do not meet scientific standards and shall impose the penalty described in section 423(f)(4) upon a State if a State has not complied with such requirements.*

*''(d) ANNUAL REPORT BY THE SECRETARY.—Within 6 months after the end of each fiscal year, the Secretary shall prepare a report based on information provided by the States for the fiscal year pursuant to subsection (b), and shall make the report and such information available to the Congress and the public.*

*''(e) SCOPE OF STATE PROGRAM FUNDED UNDER THIS PART.—As used in subsection (b), the term 'State program funded under this part' includes any equivalent State program.*

***''SEC. 428. FUNDING FOR STUDIES OF CHILD WELFARE.***

*''(a) NATIONAL RANDOM SAMPLE STUDY OF CHILD WELFARE.—There are authorized to be appropriated and there are appropriated to the Secretary for each of fiscal years 1996 through 2002—*

*''(1) $6,000,000 to conduct a national study based on random samples of children who are at risk of child abuse or neglect, or are determined by States to have been abused or neglected under section 208 of the Child and Family Services Block Grant Act of 1995; and*

*''(2) $10,000,000 for such other research as may be necessary under such section.*

*''(b) STATE COURTS ASSESSMENT AND IMPROVEMENT OF HANDLING OF PROCEEDINGS RELATING TO FOSTER CARE AND ADOPTION.—There are authorized to be appropriated and there are appropriated to the Secretary for each of fiscal years 1996 through 1998 $10,000,000 for the purpose of carrying out section 13712 of the Omnibus Budget Reconciliation Act of 1993 (42 U.S.C. 670 note). All funds appropriated under this subsection shall be expended not later than September 30, 1999.*

***''SEC. 429. DEFINITIONS.***

*''For purposes of this part, the following definitions shall apply:*

*''(1) ADMINISTRATIVE REVIEW.—The term 'administrative review' means a review open to the participation of the parents of the child, conducted by a panel of appropriate persons at least one of whom is not responsible for the case management of, or the delivery of services to, either the child or the parents who are the subject of the review.*

*''(2) ADOPTION ASSISTANCE AGREEMENT.—The term 'adoption assistance agreement' means a written agreement, binding on the parties to the agreement, between the State, other relevant agencies, and the prospective adoptive parents of a minor child which at a minimum—*

*''(A) specifies the nature and amount of any payments, services, and assistance to be provided under such agreement; and*

*''(B) stipulates that the agreement shall remain in effect regardless of the State of which the adoptive parents are residents at any given time.*

*The agreement shall contain provisions for the protection (under an interstate compact approved by the Secretary or otherwise) of the interests of the child in cases where the adoptive parents and child move to another State while the agreement is effective.*

*''(3) CASE PLAN.—The term 'case plan' means a written document which includes at least the following:*

*''(A) A description of the type of home or institution in which a child is to be placed, including a discussion of the appropriateness of the placement and how the agency which is responsible for the child plans to carry out the voluntary placement agreement entered into or judicial determination made with respect to the child in accordance with section 424(a)(1).*

*''(B) A plan for assuring that the child receives proper care and that services are provided to the parents, child, and foster parents in order to improve the conditions in the parents' home, facilitate return of the child to his or her own home or the permanent placement of the child, and address the needs of the child while in foster care, including a discussion of the appropriateness of the services that have been provided to the child under the plan.*

*''(C) To the extent available and accessible, the health and education records of the child, including—*

*''(i) the names and addresses of the child's health and educational providers;*

*''(ii) the child's grade level performance;*

*''(iii) the child's school record;*

*''(iv) assurances that the child's placement in foster care takes into account proximity to the school in which the child is enrolled at the time of placement;*

''(v) a record of the child's immunizations;
''(vi) the child's known medical problems;
''(vii) the child's medications; and
''(viii) any other relevant health and education information concerning the child determined to be appropriate by the State.

Where appropriate, for a child age 16 or over, the case plan must also include a written description of the programs and services which will help such child prepare for the transition from foster care to independent living.

''(4) CASE REVIEW SYSTEM.—The term 'case review system' means a procedure for assuring that—

''(A) each child has a case plan designed to achieve placement in the least restrictive (most family like) and most appropriate setting available and in close proximity to the parents' home, consistent with the best interest and special needs of the child, which—

''(i) if the child has been placed in a foster family home or child-care institution a substantial distance from the home of the parents of the child, or in a State different from the State in which such home is located, sets forth the reasons why such placement is in the best interests of the child; and

''(ii) if the child has been placed in foster care outside the State in which the home of the parents of the child is located, requires that, periodically, but not less frequently than every 12 months, a caseworker on the staff of the State in which the home of the parents of the child is located, or of the State in which the child has been placed, visit such child in such home or institution and submit a report on such visit to the State in which the home of the parents of the child is located;

''(B) the status of each child is reviewed periodically but no less frequently than once every six months by either a court or by administrative review (as defined in paragraph (1)) in order to determine the continuing necessity for and appropriateness of the placement, the extent of compliance with the case plan, and the extent of progress which has been made toward alleviating or mitigating the causes necessitating placement in foster care, and to project a likely date by which the child may be returned to the home or placed for adoption or legal guardianship;

''(C) with respect to each such child, procedural safeguards will be applied, among other things, to assure each child in foster care under the supervision of the State of a dispositional hearing to be held, in a family or juvenile court or another court (including a tribal court) of competent jurisdiction, or by an administrative body appointed or approved by the court, no later than 18 months after the original placement (and not less frequently than every 12 months thereafter during the continuation of foster care), which hearing shall determine the future status of the child (including whether the child should be returned to the parent, should be continued in foster care for a specified period, should be placed for adoption, or should (because of the child's special needs or circumstances) be continued in foster care on a permanent or long-term basis) and, in the case of a child described in subparagraph (A)(ii), whether the out-of-State placement continues to be appropriate and in the best interests of the child, and, in the case of a child who has attained age 16, the services needed to assist the child to make the transition from foster care to independent living; and procedural safeguards shall also be applied with respect to parental rights pertaining to the removal of the child from the home of his parents, to a change in the child's placement, and to any determination affecting visitation privileges of parents; and

''(D) a child's health and education record (as described in paragraph (3)(C)) is reviewed and updated, and supplied to the foster parent or foster care provider with whom the child is placed, at the time of each placement of the child in foster care.

''(5) CHILD-CARE INSTITUTION.—The term 'child-care institution' means a private child-care institution, or a public child-care institution which accommodates no more than 25 children, which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing or approval of institutions of this type, as meeting the standards established for such licensing, but the term shall not include detention facilities, forestry camps, training schools, or any other facility operated primarily for the detention of children who are determined to be delinquent.

''(6) FOSTER CARE MAINTENANCE PAYMENTS.—

''(A) IN GENERAL.—The term 'foster care maintenance payments' means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation. In the case of institutional care, such term shall include the reasonable costs of administration and operation of such institution as are necessarily required to provide the items described in the preceding sentence.

''(B) SPECIAL RULE.—In cases where—

''(i) a child placed in a foster family home or child-care institution is the parent of a son or daughter who is in the same home or institution; and

''(ii) payments described in subparagraph (A) are being made under this part with respect to such child,

the foster care maintenance payments made with respect to such child as otherwise determined under subparagraph (A) shall also include such amounts as may be necessary to cover the cost of the items described in that subparagraph with respect to such son or daughter.

''(7) FOSTER FAMILY HOME.—The term 'foster family home' means a foster family home for children which is licensed by the State in which it is situated or has been approved, by the agency of such State having responsibility for licensing homes of this type, as meeting the standards established for such licensing.

''(8) STATE.—The term 'State' means the 50 States and the District of Columbia.

''(9) VOLUNTARY PLACEMENT.—The term 'voluntary placement' means an out-of-home placement of a minor, by or with participation of the State, after the parents or guardians of the minor have requested the assistance of the State and signed a voluntary placement agreement.

''(10) VOLUNTARY PLACEMENT AGREEMENT.—The term 'voluntary placement agreement' means a written agreement, binding on the parties to the agreement, between the State, any other agency acting on its behalf, and the parents or guardians of a minor child which specifies, at a minimum, the legal status of the child and the rights and obligations of the parents or guardians, the child, and the agency while the child is in placement.''.

***SEC. 702. CONFORMING AMENDMENTS.***

(a) SECRETARIAL SUBMISSION OF LEGISLATIVE PROPOSAL FOR TECHNICAL AND CONFORMING AMENDMENTS.—Not later than 90 days after the date of the enactment of this subtitle, the Secretary of Health and Human Services, in consultation, as appropriate, with the heads of other Federal agencies, shall submit to the appropriate committees of Congress a legislative proposal providing for such technical and conforming amendments in the law as are required by the provisions of this subtitle.

(b) AMENDMENTS TO PART D OF TITLE IV OF THE SOCIAL SECURITY ACT.—

(1) Section 452(a)(10)(C) of the Social Security Act (42 U.S.C. 652(a)(10)(C)), as amended by section 108(b)(2) of this Act, is amended—

(A) by striking ''under part E'' and inserting ''under section 423(b)(1)(A)''; and

(B) by striking ''or under section 471(a)(17)''.

(2) Section 452(g)(2)(A) of such Act (42 U.S.C. 652(g)(2)(A)), as amended by paragraphs (6) and (7) of section 108(b), is amended—

(A) by inserting ''or benefits or services were being provided under the State child protection program funded under part B'' after ''part A'' each place it appears; and

(B) in the matter following subparagraph (B), by striking ''agency administering the plan under part E'' and inserting ''under the child protection program funded under part B''.

(3) Section 466(a)(3)(B) of such Act (42 U.S.C. 666(a)(3)(B)), as amended by section 108(b)(14), is amended by striking ''or 471(a)(17)''.

(c) AMENDMENT TO TITLE XVI OF THE SOCIAL SECURITY ACT AS IN EFFECT WITH RESPECT TO THE STATES.—Section 1611(c)(5)(B) of such Act (42 U.S.C. 1382(c)(5)(B)) is amended to read as follows: ''(B) section 423(b)(1)(A) of this Act (relating to foster care maintenance payments),''.

(d) REPEAL OF PART E OF TITLE IV OF THE SOCIAL SECURITY ACT.—Part E of title IV of the Social Security Act (42 U.S.C. 671–679) is hereby repealed.

(e) AMENDMENT TO SECTION 9442 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1986.—Section 9442(4) of the Omnibus Budget Reconciliation Act of 1986 (42 U.S.C. 679a(4)) is amended by inserting ''(as in effect before October 1, 1995)'' after ''Act''.

(f) REDESIGNATION AND AMENDMENTS OF SECTION 1123.—

(1) REDESIGNATION.—The Social Security Act is amended by redesignating section 1123, the second place it appears (42 U.S.C. 1320a–1a), as section 1123A.

(2) AMENDMENTS.—Section 1123A of such Act, as so redesignated, is amended—

(A) in subsection (a)—

(i) by striking ''The Secretary'' and inserting ''Notwithstanding section 423(h), the Secretary'';

(ii) in the matter preceding paragraph (1), and in paragraph (1), by striking ''parts B and E'' and inserting ''part B''; and

(iii) in paragraph (2), by inserting ''under this section'' after ''promulgated'';

(B) in subsection (b)—

(i) in paragraph (3), by striking ''matching''; and

(ii) in paragraph (4)(C), by striking ''matching''; and

(C) in subsection (c)(1)(B), by striking ''matching''.

***SEC. 703. EFFECTIVE DATE; TRANSITION RULES.***

(a) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), this subtitle and the amendments made by this subtitle shall take effect on October 1, 1996.

(2) EXCEPTION.—Section 428 of part B of title IV of the Social Security Act, as added by section 701, and section 702(a) shall take effect on the date of the enactment of this subtitle.

(3) TEMPORARY REDESIGNATION OF SECTION 428.—During the period beginning on the date of the enactment of this subtitle and ending on October 1, 1996, section 428 of part B of title IV of the Social Security Act, as added by section 701, shall be redesignated as section 428A.

(b) TRANSITION RULES.—

(1) CLAIMS, ACTIONS, AND PROCEEDINGS.—The amendments made by this subtitle shall not apply with respect to—

(A) powers, duties, functions, rights, claims, penalties, or obligations applicable to aid, assistance, or services provided before the effective date of this subtitle under the provisions amended; and

(B) administrative actions and proceedings commenced before such date, or authorized before such date to be commenced, under such provisions.

(2) CLOSING OUT ACCOUNT FOR THOSE PROGRAMS TERMINATED OR SUBSTANTIALLY MODIFIED BY THIS SUBTITLE.—In closing out accounts, Federal and State officials may use scientifically acceptable statistical sampling techniques. Claims made under programs which are repealed or substantially amended in this subtitle and

which involve State expenditures in cases where assistance or services were provided during a prior fiscal year, shall be treated as expenditures during fiscal year 1995 for purposes of reimbursement even if payment was made by a State on or after October 1, 1995. States shall complete the filing of all claims no later than September 30, 1997. Federal department heads shall—

(A) use the single audit procedure to review and resolve any claims in connection with the close out of programs; and

(B) reimburse States for any payments made for assistance or services provided during a prior fiscal year from funds for fiscal year 1995, rather than the funds authorized by this subtitle.

**SEC. 704. SENSE OF THE CONGRESS REGARDING TIMELY ADOPTION OF CHILDREN.**

It is the sense of the Congress that—

(1) too many children who wish to be adopted are spending inordinate amounts of time in foster care;

(2) there is an urgent need for States to increase the number of waiting children being adopted in a timely and lawful manner;

(3) studies have shown that States spend an excess of $15,000 each year on each special needs child in foster care, and would save significant amounts of money if they offered incentives to families to adopt special needs children;

(4) States should allocate sufficient funds under this title for adoption assistance and medical assistance to encourage more families to adopt children who otherwise would languish in the foster care system for a period that many experts consider detrimental to their development;

(5) States should offer incentives for families that adopt special needs children to make adoption more affordable for middle-class families;

(6) when it is necessary for a State to remove a child from the home of the child's biological parents, the State should strive—

(A) to provide the child with a single foster care placement and a single coordinated case team; and

(B) to conclude an adoption of the child, when adoption is the goal of the child and the State, within one year of the child's placement in foster care; and

(7) States should participate in local, regional, or national programs to enable maximum visibility of waiting children to potential parents. Such programs should include a nationwide, interactive computer network to disseminate information on children eligible for adoption to help match them with families around the country.

**Subtitle B—Child and Family Services Block Grant**

**SEC. 751. CHILD AND FAMILY SERVICES BLOCK GRANT.**

The Child Abuse Prevention and Treatment Act (42 U.S.C. 5101 et seq.) is amended to read as follows:

**"SEC. 1. SHORT TITLE.**

This Act may be cited as the ''Child and Family Services Block Grant Act of 1995''.

**"SEC. 2. FINDINGS.**

''The Congress finds the following:

''(1) Each year, close to 1,000,000 American children are victims of abuse and neglect.

''(2) Many of these children and their families fail to receive adequate protection or treatment.

''(3) The problem of child abuse and neglect requires a comprehensive approach that—

''(A) integrates the work of social service, legal, health, mental health, education, and substance abuse agencies and organizations;

''(B) strengthens coordination among all levels of government, and with private agencies, civic, religious, and professional organizations, and individual volunteers;

''(C) emphasizes the need for abuse and neglect prevention, assessment, investigation, and treatment at the neighborhood level;

''(D) ensures properly trained and support staff with specialized knowledge, to carry out their child protection duties; and

''(E) is sensitive to ethnic and cultural diversity.

''(4) The child protection system should be comprehensive, child-centered, family-focused, and community-based, should incorporate all appropriate measures to prevent the occurrence or recurrence of child abuse and neglect, and should promote physical and psychological recovery and social re-integration in an environment that fosters the health, safety, self-respect, and dignity of the child.

''(5) The Federal government should provide leadership and assist communities in their child and family protection efforts by—

''(A) generating and sharing knowledge relevant to child and family protection, including the development of models for service delivery;

''(B) strengthening the capacity of States to assist communities;

''(C) helping communities to carry out their child and family protection plans by promoting the competence of professional, paraprofessional, and volunteer resources; and

''(D) providing leadership to end the abuse and neglect of the nation's children and youth.

**"SEC. 3. PURPOSES.**

''The purposes of this Act are the following:

''(1) To assist each State in improving the child protective service systems of such State by—

''(A) improving risk and safety assessment tools and protocols;

''(B) developing, strengthening, and facilitating training opportunities for individuals who are mandated to report child abuse or neglect or otherwise overseeing, investigating, prosecuting, or providing services to children and families who are at risk of abusing or neglecting their children; and

''(C) developing, implementing, or operating information, education, training, or other programs designed assist and provide services for families of disabled infants with life-threatening conditions.

''(2) To support State efforts to develop, operate, expand and enhance a network of community-based, prevention-focused, family resource and support programs that are culturally competent and that coordinate resources among existing education, vocational rehabilitation, disability, respite, health, mental health, job readiness, self-sufficiency, child and family development, community action, Head Start, child care, child abuse and neglect prevention, juvenile justice, domestic violence prevention and intervention, housing, and other human service organizations within the State.

''(3) To facilitate the elimination of barriers to adoption and to provide permanent and loving home environments for children who would benefit from adoption, particularly children with special needs, including disabled infants with life-threatening conditions, by—

''(A) promoting model adoption legislation and procedures in the States and territories of the United States in order to eliminate jurisdictional and legal obstacles to adoption;

''(B) providing a mechanism for the Department of Health and Human Services to—

''(i) promote quality standards for adoption services, pre-placement, post-placement, and post-legal adoption counseling, and standards to protect the rights of children in need of adoption;

''(ii) maintain a national adoption information exchange system to bring together children who would benefit from adoption and qualified prospective adoptive parents who are seeking such children, and conduct national recruitment efforts in order to reach prospective parents for children awaiting adoption; and

''(iii) demonstrate expeditious ways to free children for adoption for whom it has been determined that adoption is the appropriate plan; and

''(C) facilitating the identification and recruitment of foster and adoptive families that can meet children's needs.

''(4) To respond to the needs of children, in particular those who are drug exposed or inflicted with Acquired Immune Deficiency Syndrome (AIDS), by supporting activities aimed at preventing the abandonment of children, providing support to children and their families, and facilitating the recruitment and training of health and social service personnel.

''(5) To carry out any other activities as the Secretary determines are consistent with this Act.

**"SEC. 4. DEFINITIONS.**

''As used in this Act:

''(1) CHILD.—The term 'child' means a person who has not attained the lesser of—

''(A) the age of 18; or

''(B) except in the case of sexual abuse, the age specified by the child protection law of the State in which the child resides;

''(2) CHILD ABUSE AND NEGLECT.—The term 'child abuse and neglect' means, at a minimum, any recent act or failure to act on the part of a parent or caretaker, which results in death, serious physical or emotional harm, sexual abuse or exploitation, or an act or failure to act which presents an imminent risk of serious harm.

''(3) FAMILY RESOURCE AND SUPPORT PROGRAMS.—The term 'family resource and support program' means a community-based, prevention-focused entity that—

''(A) provides, through direct service, the core services required under this Act, including—

''(i) parent education, support and leadership services, together with services characterized by relationships between parents and professionals that are based on equality and respect, and designed to assist parents in acquiring parenting skills, learning about child development, and responding appropriately to the behavior of their children;

''(ii) services to facilitate the ability of parents to serve as resources to one another (such as through mutual support and parent self-help groups);

''(iii) early developmental screening of children to assess any needs of children, and to identify types of support that may be provided;

''(iv) outreach services provided through voluntary home visits and other methods to assist parents in becoming aware of and able to participate in family resources and support program activities;

''(v) community and social services to assist families in obtaining community resources; and

''(vi) follow-up services;

''(B) provides, or arranges for the provision of, other core services through contracts or agreements with other local agencies; and

''(C) provides access to optional services, directly or by contract, purchase of service, or interagency agreement, including—

''(i) child care, early childhood development and early intervention services;

''(ii) self-sufficiency and life management skills training;

''(iii) education services, such as scholastic tutoring, literacy training, and General Educational Degree services;

''(iv) job readiness skills;

''(v) child abuse and neglect prevention activities;

''(vi) services that families with children with disabilities or special needs may require;

''(vii) community and social service referral;

''(viii) peer counseling;

''(ix) referral for substance abuse counseling and treatment; and

''(x) help line services.

''(4) INDIAN TRIBE AND TRIBAL ORGANIZATION.—The terms 'Indian tribe' and 'tribal organization' shall have the same meanings given such terms in subsections (e) and (l), respectively, of section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(e) and (l)).

''(5) RESPITE SERVICES.—The term 'respite services' means short term care services provided

in the temporary absence of the regular caregiver (parent, other relative, foster parent, adoptive parent, or guardian) to children who—

''(A) are in danger of abuse or neglect;

''(B) have experienced abuse or neglect; or

''(C) have disabilities, chronic, or terminal illnesses.

Such services shall be provided within or outside the home of the child, be short-term care (ranging from a few hours to a few weeks of time, per year), and be intended to enable the family to stay together and to keep the child living in the home and community of the child.

''(6) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(7) SEXUAL ABUSE.—The term 'sexual abuse' includes—

''(A) the employment, use, persuasion, inducement, enticement, or coercion of any child to engage in, or assist any other person to engage in, any sexually explicit conduct or simulation of such conduct for the purpose of producing a visual depiction of such conduct; or

''(B) the rape, molestation, prostitution, or other form of sexual exploitation of children, or incest with children;

''(8) STATE.—The term 'State' means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

''(9) WITHHOLDING OF MEDICALLY INDICATED TREATMENT.—The term 'withholding of medically indicated treatment' means the failure to respond to the infant's life-threatening conditions by providing treatment (including appropriate nutrition, hydration, and medication) which, in the treating physician's or physicians' reasonable medical judgment, will be most likely to be effective in ameliorating or correcting all such conditions, except that the term does not include the failure to provide treatment (other than appropriate nutrition, hydration, or medication) to an infant when, in the treating physician's or physicians' reasonable medical judgment—

''(A) the infant is chronically and irreversibly comatose;

''(B) the provision of such treatment would—

''(i) merely prolong dying;

''(ii) not be effective in ameliorating or correcting all of the infant's life-threatening conditions; or

''(iii) otherwise be futile in terms of the survival of the infant; or

''(C) the provision of such treatment would be virtually futile in terms of the survival of the infant and the treatment itself under such circumstances would be inhumane.

## ''TITLE I—GENERAL BLOCK GRANT

### ''SEC. 101. CHILD AND FAMILY SERVICES BLOCK GRANTS.

''(a) ELIGIBILITY.—The Secretary shall award grants to eligible States that file a State plan that is approved under section 102 and that otherwise meet the eligibility requirements for grants under this title.

''(b) AMOUNT OF GRANT.—The amount of a grant made to each State under subsection (a) for a fiscal year shall be based on the population of children under the age of 18 residing in each State that applies for a grant under this section.

''(c) USE OF AMOUNTS.—Amounts received by a State under a grant awarded under subsection (a) shall be used to carry out the purposes described in section 3.

### ''SEC. 102. ELIGIBLE STATES.

''(a) IN GENERAL.—As used in this title, the term 'eligible State' means a State that has submitted to the Secretary, not later than October 1, 1996, and every 3 years thereafter, a plan which has been signed by the chief executive officer of the State and that includes the following:

''(1) OUTLINE OF CHILD PROTECTION PROGRAM.—A written document that outlines the activities the State intends to conduct to achieve the purpose of this title, including the procedures to be used for—

''(A) receiving and assessing reports of child abuse or neglect;

''(B) investigating such reports;

''(C) with respect to families in which abuse or neglect has been confirmed, providing services or referral for services for families and children where the State makes a determination that the child may safely remain with the family;

''(D) protecting children by removing them from dangerous settings and ensuring their placement in a safe environment;

''(E) providing training for individuals mandated to report suspected cases of child abuse or neglect;

''(F) protecting children in foster care;

''(G) promoting timely adoptions;

''(H) protecting the rights of families, using adult relatives as the preferred placement for children separated from their parents where such relatives meet the relevant State child protection standards;

''(I) providing services to individuals, families, or communities, either directly or through referral, that are aimed at preventing the occurrence of child abuse and neglect.

''(2) CERTIFICATION OF STATE LAW REQUIRING THE REPORTING OF CHILD ABUSE AND NEGLECT.—A certification that the State has in effect laws that require public officials and other professionals to report, in good faith, actual or suspected instances of child abuse or neglect.

''(3) CERTIFICATION OF PROCEDURES FOR SCREENING, SAFETY ASSESSMENT, AND PROMPT INVESTIGATION.—A certification that the State has in effect procedures for receiving and responding to reports of child abuse or neglect, including the reports described in paragraph (2), and for the immediate screening, safety assessment, and prompt investigation of such reports.

''(4) CERTIFICATION OF STATE PROCEDURES FOR REMOVAL AND PLACEMENT OF ABUSED OR NEGLECTED CHILDREN.—A certification that the State has in effect procedures for the removal from families and placement of abused or neglected children and of any other child in the same household who may also be in danger of abuse or neglect.

''(5) CERTIFICATION OF PROVISIONS FOR IMMUNITY FROM PROSECUTION.—A certification that the State has in effect laws requiring immunity from prosecution under State and local laws and regulations for individuals making good faith reports of suspected or known instances of child abuse or neglect.

''(6) CERTIFICATION OF PROVISIONS AND PROCEDURES FOR EXPUNGEMENT OF CERTAIN RECORDS.—A certification that the State has in effect laws and procedures requiring the facilitation of the prompt expungement of any records that are accessible to the general public or are used for purposes of employment or other background checks in cases determined to be unsubstantiated or false.

''(7) CERTIFICATION OF PROVISIONS AND PROCEDURES RELATING TO APPEALS.—A certification that not later then 2 years after the date of the enactment of this Act, the State shall have laws and procedures in effect affording individuals an opportunity to appeal an official finding of abuse or neglect.

''(8) CERTIFICATION OF STATE PROCEDURES FOR DEVELOPING AND REVIEWING WRITTEN PLANS FOR PERMANENT PLACEMENT OF REMOVED CHILDREN.—A certification that the State has in effect procedures for ensuring that a written plan is prepared for children who have been removed from their families. Such plan shall specify the goals for achieving a permanent placement for the child in a timely fashion, for ensuring that the written plan is reviewed every 6 months (until such placement is achieved), and for ensuring that information about such children is collected regularly and recorded in case records, and include a description of such procedures.

''(9) CERTIFICATION OF STATE PROGRAM TO PROVIDE INDEPENDENT LIVING SERVICES.—A certification that the State has in effect a program to provide independent living services, for assistance in making the transition to self-sufficient adulthood, to individuals in the child protection program of the State who are 16, but who are not 20 (or, at the option of the State, 22), years of age, and who do not have a family to which to be returned.

''(10) CERTIFICATION OF STATE PROCEDURES TO RESPOND TO REPORTING OF MEDICAL NEGLECT OF DISABLED INFANTS.—A certification that the State has in place for the purpose of responding to the reporting of medical neglect of infants (including instances of withholding of medically indicated treatment from disabled infants with life-threatening conditions), procedures or programs, or both (within the State child protective services system), to provide for—

''(A) coordination and consultation with individuals designated by and within appropriate health-care facilities;

''(B) prompt notification by individuals designated by and within appropriate health-care facilities of cases of suspected medical neglect (including instances of withholding of medically indicated treatment from disabled infants with life-threatening conditions); and

''(C) authority, under State law, for the State child protective service to pursue any legal remedies, including the authority to initiate legal proceedings in a court of competent jurisdiction, as may be necessary to prevent the withholding of medically indicated treatment from disabled infants with life-threatening conditions.

''(11) IDENTIFICATION OF CHILD PROTECTION GOALS.—The quantitative goals of the State child protection program.

''(12) CERTIFICATION OF CHILD PROTECTION STANDARDS.—With respect to fiscal years beginning on or after April 1, 1996, a certification that the State—

''(A) has completed an inventory of all children who, before the inventory, had been in foster care under the responsibility of the State for 6 months or more, which determined—

''(i) the appropriateness of, and necessity for, the foster care placement;

''(ii) whether the child could or should be returned to the parents of the child or should be freed for adoption or other permanent placement; and

''(iii) the services necessary to facilitate the return of the child or the placement of the child for adoption or legal guardianship;

''(B) is operating, to the satisfaction of the Secretary—

''(i) a statewide information system from which can be readily determined the status, demographic characteristics, location, and goals for the placement of every child who is (or, within the immediately preceding 12 months, has been) in foster care;

''(ii) a case review system for each child receiving foster care under the supervision of the State;

''(iii) a service program designed to help children—

''(I) where appropriate, return to families from which they have been removed; or

''(II) be placed for adoption, with a legal guardian, or if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement; and

''(iv) a preplacement preventive services program designed to help children at risk for foster care placement remain with their families; and

''(C)(i) has reviewed (or not later than October 1, 1997, will review) State policies and administrative and judicial procedures in effect for children abandoned at or shortly after birth (including policies and procedures providing for legal representation of such children); and

''(ii) is implementing (or not later than October 1, 1997, will implement) such policies and procedures as the State determines, on the basis of the review described in clause (i), to be necessary to enable permanent decisions to be made

*expeditiously with respect to the placement of such children.*

*''(13) CERTIFICATION OF REASONABLE EFFORTS BEFORE PLACEMENT OF CHILDREN IN FOSTER CARE.—A certification that the State in each case will—*

*''(A) make reasonable efforts prior to the placement of a child in foster care, to prevent or eliminate the need for removal of the child from the child's home, and to make it possible for the child to return home; and*

*''(B) with respect to families in which abuse or neglect has been confirmed, provide services or referral for services for families and children where the State makes a determination that the child may safely remain with the family.*

*''(14) CERTIFICATION OF INFORMATION DISCLOSURE PROVISIONS.—A certification that the State has in effect and operational—*

*''(A) requirements for the prompt disclosure of all relevant information to any Federal, State, or local government entity, citizens review panel, child fatality review panel, or any agent of such government entity determined by the State to have a need for such information in order to carry out its responsibilities under law to protect children from abuse or neglect; and*

*''(B) provisions that allow for the public disclosure of the findings of information about a case of child abuse or neglect which has resulted in a child fatality or near-fatality, except that the public disclosure of such information shall be made in a manner that protects the privacy rights of individuals involved in the case, unless such individuals have waived such rights or criminal court proceedings have been initiated.*

*''(b) DETERMINATIONS.—The Secretary shall determine whether a plan submitted pursuant to subsection (a) contains the material required by subsection (a), other than the material described in paragraph (10) of such subsection. The Secretary may not require a State to include in such a plan any material not described in subsection (a).*

***''SEC. 103. DATA COLLECTION AND REPORTING.***

*''(a) ANNUAL REPORTS ON STATE CHILD WELFARE GOALS.—On the date that is 3 years after the date of enactment of this Act and annually thereafter, each State to which a grant is made under section 101 shall submit to the Secretary a report that contains quantitative information on the extent to which the State is making progress toward achieving the purposes of this Act.*

*''(b) STATE DATA REPORTS.—*

*''(1) BIANNUAL REPORTS.—Each State to which a grant is made under section 101 shall biannually submit to the Secretary a report that includes the following disaggregated case record information with respect to each child within the State receiving publicly-supported child welfare services under the State program funded under this Act:*

*''(A) Whether the child received services under the program funded under this Act.*

*''(B) The age, race, gender, and family income of the parents and child.*

*''(C) The county of residence of the child.*

*''(D) Whether the child was removed from the family.*

*''(E) Whether the child entered foster care under the responsibility of the State.*

*''(F) The type of out-of-home care in which the child was placed (including institutional care, group home care, family foster care, or relative placement).*

*''(G) The child's permanency planning goal, such as family reunification, kinship care, adoption, or independent living.*

*''(H) Whether the child was released for adoption.*

*''(I) Whether the child exited from foster care, and, if so, the reason for the exit, such as return to family, placement with relatives, adoption, independent living, or death.*

*''(J) Other information as required by the Secretary and agreed to by a majority of the States, including information necessary to ensure that there is a smooth transition of data from the Adoption and Foster Care Analysis and Reporting Systems and the National Center on Abuse and Neglect Data System to the data reporting system required under this section.*

*''(2) ANNUAL REPORTS.—Each State to which a grant is made under section 101 shall annually submit to the Secretary a report that includes the following information:*

*''(A) The number of children reported to the State during the year as alleged victims of abuse or neglect.*

*''(B) The number of children for whom an investigation of alleged maltreatment resulted in a determination of substantiated abuse or neglect, the number for whom a report of maltreatment was unsubstantiated, and the number for whom a report of maltreatment was determined to be false.*

*''(C) The number of families that received preventive services.*

*''(D) The number of infants abandoned during the year, the number of such infants who were adopted, and the length of time between abandonment and adoption.*

*''(E) The number of deaths of children resulting from child abuse or neglect.*

*''(F) The number of deaths occurring while children were in the custody of the State.*

*''(G) The number of children served by the State independent living program.*

*''(H) Quantitative measurements demonstrating whether the State is making progress toward the child protection goals identified by the State.*

*''(I) The types of maltreatment suffered by victims of child abuse and neglect.*

*''(J) The number of abused and neglected children receiving services.*

*''(K) The average length of stay of children in out-of-home care.*

*''(L) Other information as required by the Secretary and agreed to by a majority of the States, including information necessary to ensure that there is a smooth transition of data from the Adoption and Foster Care Analysis and Reporting Systems and the National Center on Abuse and Neglect Data System to the data reporting system required under this section.*

*''(3) REGULATORY AUTHORITY.—The Secretary shall define by regulation the information required to be included in the reports submitted under paragraphs (1) and (2).*

*''(c) AUTHORITY OF STATES TO USE ESTIMATES.—*

*''(1) IN GENERAL.—A State may comply with a requirement to provide precise numerical information described in subsection (b) by submitting an estimate which is obtained through the use of scientifically acceptable sampling methods.*

*''(2) SECRETARIAL REVIEW OF SAMPLING METHODS.—The Secretary shall periodically review the sampling methods used by a State to comply with a requirement to provide information described in subsection (b). The Secretary may require a State to revise the sampling methods so used if such methods do not meet scientific standards.*

*''(d) ANNUAL REPORT BY THE SECRETARY.—Within 6 months after the end of each fiscal year, the Secretary shall prepare a report based on information provided by the States for the fiscal year pursuant to subsection (b), and shall make the report and such information available to the Congress and the public.*

*''(e) SCOPE OF STATE PROGRAM FUNDED UNDER THIS ACT.—As used in subsection (b), the term 'State program funded under this Act' includes any equivalent State program.*

***''TITLE II—RESEARCH, DEMONSTRATIONS, TRAINING, AND TECHNICAL ASSISTANCE***

***''SEC. 201. RESEARCH GRANTS.***

*''(a) IN GENERAL.—The Secretary, in consultation with appropriate Federal officials and recognized experts in the field, shall award grants or contracts for the conduct of research in accordance with subsection (b).*

*''(b) RESEARCH.—Research projects to be conducted using amounts received under this section—*

*''(1) shall be designed to provide information to better protect children from abuse or neglect and to improve the well being of abused or neglected children, with at least a portion of any such research conducted under a project being field initiated;*

*''(2) shall at a minimum, focus on—*

*''(A) the nature and scope of child abuse and neglect;*

*''(B) the causes, prevention, assessment, identification, treatment, cultural and socio-economic distinctions, and the consequences of child abuse and neglect;*

*''(C) appropriate, effective and culturally sensitive investigative, administrative, and judicial procedures with respect to cases of child abuse; and*

*''(D) the national incidence of child abuse and neglect, including—*

*''(i) the extent to which incidents of child abuse are increasing or decreasing in number and severity;*

*''(ii) the incidence of substantiated and unsubstantiated reported child abuse cases;*

*''(iii) the number of substantiated cases that result in a judicial finding of child abuse or neglect or related criminal court convictions;*

*''(iv) the extent to which the number of unsubstantiated, unfounded and false reported cases of child abuse or neglect have contributed to the inability of a State to respond effectively to serious cases of child abuse or neglect;*

*''(v) the extent to which the lack of adequate resources and the lack of adequate training of reporters have contributed to the inability of a State to respond effectively to serious cases of child abuse and neglect;*

*''(vi) the number of unsubstantiated, false, or unfounded reports that have resulted in a child being placed in substitute care, and the duration of such placement;*

*''(vii) the extent to which unsubstantiated reports return as more serious cases of child abuse or neglect;*

*''(viii) the incidence and prevalence of physical, sexual, and emotional abuse and physical and emotional neglect in substitute care;*

*''(ix) the incidence and outcomes of abuse allegations reported within the context of divorce, custody, or other family court proceedings, and the interaction between this venue and the child protective services system; and*

*''(x) the cases of children reunited with their families or receiving family preservation services that result in subsequent substantiated reports of child abuse and neglect, including the death of the child; and*

*''(3) may include the appointment of an advisory board to—*

*''(A) provide recommendations on coordinating Federal, State, and local child abuse and neglect activities at the State level with similar activities at the State and local level pertaining to family violence prevention;*

*''(B) consider specific modifications needed in State laws and programs to reduce the number of unfounded or unsubstantiated reports of child abuse or neglect while enhancing the ability to identify and substantiate legitimate cases of abuse or neglect which place a child in danger; and*

*''(C) provide recommendations for modifications needed to facilitate coordinated national and Statewide data collection with respect to child protection and child welfare.*

***''SEC. 202. NATIONAL CLEARINGHOUSE FOR INFORMATION RELATING TO CHILD ABUSE.***

*''(a) ESTABLISHMENT.—The Secretary shall, through the Department of Health and Human Services, or by one or more contracts of not less than 3 years duration provided through a competition, establish a national clearinghouse for information relating to child abuse.*

*''(b) FUNCTIONS.—The Secretary shall, through the clearinghouse established by subsection (a)—*

''(1) maintain, coordinate, and disseminate information on all programs, including private programs, that show promise of success with respect to the prevention, assessment, identification, and treatment of child abuse and neglect;

''(2) maintain and disseminate information relating to—

''(A) the incidence of cases of child abuse and neglect in the United States;

''(B) the incidence of such cases in populations determined by the Secretary under section 105(a)(1) of the Child Abuse Prevention, Adoption, and Family Services Act of 1988 (as such section was in effect on the day before the date of enactment of this Act); and

''(C) the incidence of any such cases related to alcohol or drug abuse;

''(3) disseminate information related to data collected and reported by States pursuant to section 103;

''(4) compile, analyze, and publish a summary of the research conducted under section 201; and

''(5) solicit public comment on the components of such clearinghouse.

**''SEC. 203. GRANTS FOR DEMONSTRATION PROJECTS.**

''(a) AWARDING OF GENERAL GRANTS.—The Secretary may make grants to, and enter into contracts with, public and nonprofit private agencies or organizations (or combinations of such agencies or organizations) for the purpose of developing, implementing, and operating time limited, demonstration programs and projects for the following purposes:

''(1) INNOVATIVE PROGRAMS AND PROJECTS.—The Secretary may award grants to public agencies that demonstrate innovation in responding to reports of child abuse and neglect including programs of collaborative partnerships between the State child protective service agency, community social service agencies and family support programs, schools, churches and synagogues, and other community agencies to allow for the establishment of a triage system that—

''(A) accepts, screens and assesses reports received to determine which such reports require an intensive intervention and which require voluntary referral to another agency, program or project;

''(B) provides, either directly or through referral, a variety of community-linked services to assist families in preventing child abuse and neglect; and

''(C) provides further investigation and intensive intervention where the child's safety is in jeopardy.

''(2) KINSHIP CARE PROGRAMS AND PROJECTS.—The Secretary may award grants to public entities to assist such entities in developing or implementing procedures using adult relatives as the preferred placement for children removed from their home, where such relatives are determined to be capable of providing a safe nurturing environment for the child and where, to the maximum extent practicable, such relatives comply with relevant State child protection standards.

''(3) ADOPTION OPPORTUNITIES.—The Secretary may award grants to public entities to assist such entities in developing or implementing programs to expand opportunities for the adoption of children with special needs.

''(4) FAMILY RESOURCE CENTERS.—The Secretary may award grants to public or nonprofit private entities to provide for the establishment of family resource programs and support services that—

''(A) develop, expand, and enhance Statewide networks of community-based, prevention-focused centers, programs, or services that provide comprehensive support for families;

''(B) promote the development of parental competencies and capacities in order to increase family stability;

''(C) support the additional needs of families with children with disabilities;

''(D) foster the development of a continuum of preventive services for children and families through State and community-based collaborations and partnerships (both public and private); and

''(E) maximize funding for the financing, planning, community mobilization, collaboration, assessment, information and referral, start-up, training and technical assistance, information management, reporting, and evaluation costs for establishing, operating, or expanding a Statewide network of community-based, prevention-focused family resource and support services.

''(5) OTHER INNOVATIVE PROGRAMS.—The Secretary may award grants to public or private nonprofit organizations to assist such entities in developing or implementing innovative programs and projects that show promise of preventing and treating cases of child abuse and neglect (such as Parents Anonymous).

''(b) GRANTS FOR ABANDONED INFANT PROGRAMS.—The Secretary may award grants to public and nonprofit private entities to assist such entities in developing or implementing procedures—

''(1) to prevent the abandonment of infants and young children, including the provision of services to members of the natural family for any condition that increases the probability of abandonment of an infant or young child;

''(2) to identify and address the needs of abandoned infants and young children;

''(3) to assist abandoned infants and young children to reside with their natural families or in foster care, as appropriate;

''(4) to recruit, train, and retain foster families for abandoned infants and young children;

''(5) to carry out residential care programs for abandoned infants and young children who are unable to reside with their families or to be placed in foster care;

''(6) to carry out programs of respite care for families and foster families of infants and young children; and

''(7) to recruit and train health and social services personnel to work with families, foster care families, and residential care programs for abandoned infants and young children.

''(c) EVALUATION.—In making grants for demonstration projects under this section, the Secretary shall require all such projects to be evaluated for their effectiveness. Funding for such evaluations shall be provided either as a stated percentage of a demonstration grant or as a separate grant entered into by the Secretary for the purpose of evaluating a particular demonstration project or group of projects.

**''SEC. 204. TECHNICAL ASSISTANCE.**

''(a) CHILD ABUSE AND NEGLECT.—

''(1) IN GENERAL.—The Secretary shall provide technical assistance under this title to States to assist such States in planning, improving, developing, and carrying out programs and activities relating to the prevention, assessment identification, and treatment of child abuse and neglect.

''(2) EVALUATION.—Technical assistance provided under paragraph (1) may include an evaluation or identification of—

''(A) various methods and procedures for the investigation, assessment, and prosecution of child physical and sexual abuse cases;

''(B) ways to mitigate psychological trauma to the child victim; and

''(C) effective programs carried out by the States under this Act.

''(b) ADOPTION OPPORTUNITIES.—The Secretary shall provide, directly or by grant to or contract with public or private nonprofit agencies or organizations—

''(1) technical assistance and resource and referral information to assist State or local governments with termination of parental rights issues, in recruiting and retaining adoptive families, in the successful placement of children with special needs, and in the provision of pre- and post-placement services, including post-legal adoption services; and

''(2) other assistance to help State and local governments replicate successful adoption-related projects from other areas in the United States.

**''SEC. 205. TRAINING RESOURCES.**

''(a) TRAINING PROGRAMS.—The Secretary may award grants to public or private non-profit organizations—

''(1) for the training of professional and paraprofessional personnel in the fields of medicine, law, education, law enforcement, social work, and other relevant fields who are engaged in, or intend to work in, the field of prevention, identification, and treatment of child abuse and neglect, including the links between domestic violence and child abuse;

''(2) to provide culturally specific instruction in methods of protecting children from child abuse and neglect to children and to persons responsible for the welfare of children, including parents of and persons who work with children with disabilities; and

''(3) to improve the recruitment, selection, and training of volunteers serving in private and public nonprofit children, youth and family service organizations in order to prevent child abuse and neglect through collaborative analysis of current recruitment, selection, and training programs and development of model programs for dissemination and replication nationally.

''(b) DISSEMINATION OF INFORMATION.—The Secretary may provide for and disseminate information relating to various training resources available at the State and local level to—

''(1) individuals who are engaged, or who intend to engage, in the prevention, identification, assessment, and treatment of child abuse and neglect; and

''(2) appropriate State and local officials, including prosecutors, to assist in training law enforcement, legal, judicial, medical, mental health, education, and child welfare personnel in appropriate methods of interacting during investigative, administrative, and judicial proceedings with children who have been subjected to abuse.

**''SEC. 206. APPLICATIONS AND AMOUNTS OF GRANTS.**

''(a) REQUIREMENT OF APPLICATION.—The Secretary may not make a grant to a State or other entity under this title unless—

''(1) an application for the grant is submitted to the Secretary;

''(2) with respect to carrying out the purpose for which the grant is to be made, the application provides assurances of compliance satisfactory to the Secretary; and

''(3) the application otherwise is in such form, is made in such manner, and contains such agreements, assurances, and information as the Secretary determines to be necessary to carry out this title.

''(b) AMOUNT OF GRANT.—The Secretary shall determined the amount of a grant to be awarded under this title.

**''SEC. 207. PEER REVIEW FOR GRANTS.**

''(a) ESTABLISHMENT OF PEER REVIEW PROCESS.—

''(1) IN GENERAL.—The Secretary shall, in consultation with experts in the field and other Federal agencies, establish a formal, rigorous, and meritorious peer review process for purposes of evaluating and reviewing applications for grants under this title and determining the relative merits of the projects for which such assistance is requested. The purpose of this process is to enhance the quality and usefulness of research in the field of child abuse and neglect.

''(2) REQUIREMENTS FOR MEMBERS.—In establishing the process required by paragraph (1), the Secretary shall appoint to the peer review panels only members who are experts in the field of child abuse and neglect or related disciplines, with appropriate expertise in the application to be reviewed, and who are not individuals who are officers or employees of the Administration for Children and Families. The panels shall meet as often as is necessary to facilitate the expeditious review of applications for grants and

*contracts under this title, but may not meet less than once a year. The Secretary shall ensure that the peer review panel utilizes scientifically valid review criteria and scoring guidelines for review committees.*

*''(b) REVIEW OF APPLICATIONS FOR ASSISTANCE.—Each peer review panel established under subsection (a)(1) that reviews any application for a grant shall—*

*''(1) determine and evaluate the merit of each project described in such application;*

*''(2) rank such application with respect to all other applications it reviews in the same priority area for the fiscal year involved, according to the relative merit of all of the projects that are described in such application and for which financial assistance is requested; and*

*''(3) make recommendations to the Secretary concerning whether the application for the project shall be approved.*

*The Secretary shall award grants under this title on the basis of competitive review.*

*''(c) NOTICE OF APPROVAL.—*

*''(1) IN GENERAL.—The Secretary shall provide grants under this title from among the projects which the peer review panels established under subsection (a)(1) have determined to have merit.*

*''(2) REQUIREMENT OF EXPLANATION.—In the instance in which the Secretary approves an application for a program under this title without having approved all applications ranked above such application, the Secretary shall append to the approved application a detailed explanation of the reasons relied on for approving the application and for failing to approve each pending application that is superior in merit.*

***''SEC. 208. NATIONAL RANDOM SAMPLE STUDY OF CHILD WELFARE.***

*''(a) IN GENERAL.—The Secretary shall conduct a national study based on random samples of children who are at risk of child abuse or neglect, or are determined by States to have been abused or neglected, and such other research as may be necessary.*

*''(b) REQUIREMENTS.—The study required by subsection (a) shall—*

*''(1) have a longitudinal component; and*

*''(2) yield data reliable at the State level for as many States as the Secretary determines is feasible.*

*''(c) PREFERRED CONTENTS.—In conducting the study required by subsection (a), the Secretary should—*

*''(1) collect data on the child protection programs of different small States or (different groups of such States) in different years to yield an occasional picture of the child protection programs of such States;*

*''(2) carefully consider selecting the sample from cases of confirmed abuse or neglect; and*

*''(3) follow each case for several years while obtaining information on, among other things—*

*''(A) the type of abuse or neglect involved;*

*''(B) the frequency of contact with State or local agencies;*

*''(C) whether the child involved has been separated from the family, and, if so, under what circumstances;*

*''(D) the number, type, and characteristics of out-of-home placements of the child; and*

*''(E) the average duration of each placement.*

*''(d) REPORTS.—*

*''(1) IN GENERAL.—From time to time, the Secretary shall prepare reports summarizing the results of the study required by subsection (a).*

*''(2) AVAILABILITY.—The Secretary shall make available to the public any report prepared under paragraph (1), in writing or in the form of an electronic data tape.*

*''(3) AUTHORITY TO CHARGE FEE.—The Secretary may charge and collect a fee for the furnishing of reports under paragraph (2).*

*''(4) FUNDING.—The Secretary shall carry out this section using amounts made available under section 428 of the Social Security Act.*

***''TITLE III—GENERAL PROVISIONS***

***''SEC. 301. AUTHORIZATION OF APPROPRIATIONS.***

*''(a) TITLE I.—There are authorized to be appropriated to carry out title I, $230,000,000 for fiscal year 1996, and such sums as may be necessary for each of the fiscal years 1997 through 2002.*

*''(b) TITLE II.—*

*''(1) IN GENERAL.—Of the amount appropriated under subsection (a) for a fiscal year, the Secretary shall make available 12 percent of such amount to carry out title II (except for sections 203 and 208).*

*''(2) GRANTS FOR DEMONSTRATION PROJECTS.—Of the amount made available under paragraph (1) for a fiscal year, the Secretary shall make available not less than 40 percent of such amount to carry out section 203.*

*''(c) INDIAN TRIBES.—Of the amount appropriated under subsection (a) for a fiscal year, the Secretary shall make available 1 percent of such amount to provide grants and contracts to Indian tribes and Tribal Organizations.*

*''(d) AVAILABILITY OF APPROPRIATIONS.—Amounts appropriated under subsection (a) shall remain available until expended.*

***''SEC. 302. GRANTS TO STATES FOR PROGRAMS RELATING TO THE INVESTIGATION AND PROSECUTION OF CHILD ABUSE AND NEGLECT CASES.***

*''(a) GRANTS TO STATES.—The Secretary, in consultation with the Attorney General, is authorized to make grants to the States for the purpose of assisting States in developing, establishing, and operating programs designed to improve—*

*''(1) the handling of child abuse and neglect cases, particularly cases of child sexual abuse and exploitation, in a manner which limits additional trauma to the child victim;*

*''(2) the handling of cases of suspected child abuse or neglect related fatalities; and*

*''(3) the investigation and prosecution of cases of child abuse and neglect, particularly child sexual abuse and exploitation.*

*''(b) ELIGIBILITY REQUIREMENTS.—In order for a State to qualify for assistance under this section, such State shall—*

*''(1) be an eligible State under section 102;*

*''(2) establish a task force as provided in subsection (c);*

*''(3) fulfill the requirements of subsection (d);*

*''(4) submit annually an application to the Secretary at such time and containing such information and assurances as the Secretary considers necessary, including an assurance that the State will—*

*''(A) make such reports to the Secretary as may reasonably be required; and*

*''(B) maintain and provide access to records relating to activities under subsection (a); and*

*''(5) submit annually to the Secretary a report on the manner in which assistance received under this program was expended throughout the State, with particular attention focused on the areas described in paragraphs (1) through (3) of subsection (a).*

*''(c) STATE TASK FORCES.—*

*''(1) GENERAL RULE.—Except as provided in paragraph (2), a State requesting assistance under this section shall establish or designate, and maintain, a State multidisciplinary task force on children's justice (hereafter in this section referred to as 'State task force') composed of professionals with knowledge and experience relating to the criminal justice system and issues of child physical abuse, child neglect, child sexual abuse and exploitation, and child maltreatment related fatalities. The State task force shall include—*

*''(A) individuals representing the law enforcement community;*

*''(B) judges and attorneys involved in both civil and criminal court proceedings related to child abuse and neglect (including individuals involved with the defense as well as the prosecution of such cases);*

*''(C) child advocates, including both attorneys for children and, where such programs are in operation, court appointed special advocates;*

*''(D) health and mental health professionals;*

*''(E) individuals representing child protective service agencies;*

*''(F) individuals experienced in working with children with disabilities;*

*''(G) parents; and*

*''(H) representatives of parents' groups.*

*''(2) EXISTING TASK FORCE.—As determined by the Secretary, a State commission or task force established after January 1, 1983, with substantially comparable membership and functions, may be considered the State task force for purposes of this subsection.*

*''(d) STATE TASK FORCE STUDY.—Before a State receives assistance under this section, and at 3 year intervals thereafter, the State task force shall comprehensively—*

*''(1) review and evaluate State investigative, administrative and both civil and criminal judicial handling of cases of child abuse and neglect, particularly child sexual abuse and exploitation, as well as cases involving suspected child maltreatment related fatalities and cases involving a potential combination of jurisdictions, such as interstate, Federal-State, and State-Tribal; and*

*''(2) make policy and training recommendations in each of the categories described in subsection (e).*

*The task force may make such other comments and recommendations as are considered relevant and useful.*

*''(e) ADOPTION OF STATE TASK FORCE RECOMMENDATIONS.—*

*''(1) GENERAL RULE.—Subject to the provisions of paragraph (2), before a State receives assistance under this section, a State shall adopt recommendations of the State task force in each of the following categories—*

*''(A) investigative, administrative, and judicial handling of cases of child abuse and neglect, particularly child sexual abuse and exploitation, as well as cases involving suspected child maltreatment related fatalities and cases involving a potential combination of jurisdictions, such as interstate, Federal-State, and State-Tribal, in a manner which reduces the additional trauma to the child victim and the victim's family and which also ensures procedural fairness to the accused;*

*''(B) experimental, model and demonstration programs for testing innovative approaches and techniques which may improve the prompt and successful resolution of civil and criminal court proceedings or enhance the effectiveness of judicial and administrative action in child abuse and neglect cases, particularly child sexual abuse and exploitation cases, including the enhancement of performance of court-appointed attorneys and guardians ad litem for children; and*

*''(C) reform of State laws, ordinances, regulations, protocols and procedures to provide comprehensive protection for children from abuse, particularly child sexual abuse and exploitation, while ensuring fairness to all affected persons.*

*''(2) EXEMPTION.—As determined by the Secretary, a State shall be considered to be in fulfillment of the requirements of this subsection if—*

*''(A) the State adopts an alternative to the recommendations of the State task force, which carries out the purpose of this section, in each of the categories under paragraph (1) for which the State task force's recommendations are not adopted; or*

*''(B) the State is making substantial progress toward adopting recommendations of the State task force or a comparable alternative to such recommendations.*

*''(f) FUNDS AVAILABLE.—For grants under this section, the Secretary shall use the amount authorized by section 1404A of the Victims of Crime Act of 1984.*

***''SEC. 303. TRANSITIONAL PROVISION.***

*''A State or other entity that has a grant, contract, or cooperative agreement in effect, on the date of enactment of this Act, under the Family Resource and Support Program, the Community-*

Based Family Resource Program, the Family Support Center Program, the Emergency Child Abuse Prevention Grant Program, or the Temporary Child Care for Children with Disabilities and Crisis Nurseries Programs shall continue to receive funds under such grant, contract, or cooperative agreement, subject to the original terms under which such funds were provided, through the end of the applicable grant, contract, or agreement cycle.

**"SEC. 304. RULE OF CONSTRUCTION.**

"(a) IN GENERAL.—Nothing in this Act, or in part B of title IV of the Social Security Act, shall be construed—

"(1) as establishing a Federal requirement that a parent or legal guardian provide a child any medical service or treatment against the religious beliefs of the parent or legal guardian; and

"(2) to require that a State find, or to prohibit a State from finding, abuse or neglect in cases in which a parent or legal guardian relies solely or partially upon spiritual means rather than medical treatment, in accordance with the religious beliefs of the parent or legal guardian.

"(b) STATE REQUIREMENT.—Notwithstanding subsection (a), a State shall have in place authority under State law to permit the child protective service system of the State to pursue any legal remedies, including the authority to initiate legal proceedings in a court of competent jurisdiction, to provide medical care or treatment for a child when such care or treatment is necessary to prevent or remedy serious harm to the child, or to prevent the withholding of medically indicated treatment from children with life threatening conditions. Except with respect to the withholding of medically indicated treatments from disabled infants with life threatening conditions, case by case determinations concerning the exercise of the authority of this subsection shall be within the sole discretion of the State.

**"SEC. 305. REMOVAL OF BARRIERS TO INTERETHNIC ADOPTION.**

"(a) PURPOSE.—The purpose of this section is to decrease the length of time that children wait to be adopted and to prevent discrimination in the placement of children on the basis of race, color, or national origin.

"(b) MULTIETHNIC PLACEMENTS.—

"(1) PROHIBITION.—A State or other entity that receives funds from the Federal Government and is involved in adoption or foster care placements may not—

"(A) deny to any person the opportunity to become an adoptive or a foster parent, on the basis of the race, color, or national origin of the person, or of the child, involved; or

"(B) delay or deny the placement of a child for adoption or into foster care, or otherwise discriminate in making a placement decision, on the basis of the race, color, or national origin of the adoptive or foster parent, or the child, involved.

"(2) PENALTIES.—

"(A) STATE VIOLATORS.—

"(i) IN GENERAL.—If the Secretary determines that a State is in violation of paragraph (1), the Secretary shall notify the State of such violation. The State shall have 90 days from the date on which such notice is received to correct such violation. During such 90-day period, the Secretary shall provide technical assistance to the State to assist such State in complying with the requirements of paragraph (1).

"(ii) FAILURE TO COMPLY.—If after the expiration of the 90-day period described in clause (i) the Secretary determines that the State continues to be in violation of paragraph (1), the Secretary shall reduce the amount due to the State for the succeeding fiscal year under the block grant program under part B of title IV of the Social Security Act by 10 percent.

"(B) PRIVATE VIOLATORS.—Any other entity that violates paragraph (1) during a period shall remit to the Secretary all funds that were paid to the entity during the period by a State from funds provided under this part.

"(3) PRIVATE CAUSE OF ACTION.—

"(A) IN GENERAL.—Any individual who is aggrieved by a violation of paragraph (1) by a State or other entity may bring an action seeking relief in any United States district court.

"(B) STATUTE OF LIMITATIONS.—An action under this paragraph may not be brought more than 2 years after the date the alleged violation occurred.".

**SEC. 752. REAUTHORIZATIONS.**

(a) MISSING CHILDREN'S ASSISTANCE ACT.—Section 408 of the Missing Children's Assistance Act (42 U.S.C. 5777) is amended—

(1) by striking "To" and inserting "(a) IN GENERAL.—"

(2) by striking "and 1996" and inserting "1996, and 1997"; and

(3) by adding at the end thereof the following new subsection:

"(b) EVALUATION.—The Administrator shall use not more than 5 percent of the amount appropriated for a fiscal year under subsection (a) to conduct an evaluation of the effectiveness of the programs and activities established and operated under this title.".

(b) VICTIMS OF CHILD ABUSE ACT OF 1990.—Section 214B of the Victims of Child Abuse Act of 1990 (42 U.S.C. 13004) is amended—

(1) in subsection (a)(2), by striking "and 1996" and inserting "1996, and 1997"; and

(2) in subsection (b)(2), by striking "and 1996" and inserting "1996 and 1997".

**SEC. 753. REPEALS.**

(a) IN GENERAL.—The following provisions of law are repealed:

(1) Title II of the Child Abuse Prevention and Treatment and Adoption Reform Act of 1978 (42 U.S.C. 5111 et seq.).

(2) The Abandoned Infants Assistance Act of 1988 (42 U.S.C. 670 note).

(3) The Temporary Child Care for Children with Disabilities and Crisis Nurseries Act of 1986 (42 U.S.C. 5117 et seq.).

(4) Section 553 of the Howard M. Metzenbaum Multiethnic Placement Act of 1994 (42 U.S.C. 5115a).

(5) Subtitle F of title VII of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11481 et seq.).

(b) CONFORMING AMENDMENTS.—

(1) RECOMMENDED LEGISLATION.—After consultation with the appropriate committees of the Congress and the Director of the Office of Management and Budget, the Secretary of Health and Human Services shall prepare and submit to the Congress a legislative proposal in the form of an implementing bill containing technical and conforming amendments to reflect the repeals made by this section.

(2) SUBMISSION TO CONGRESS.—Not later than 6 months after the date of enactment of this chapter, the Secretary of Health and Human Services shall submit the implementing bill referred to under paragraph (1).

## TITLE VIII—CHILD CARE

**SEC. 801. SHORT TITLE AND REFERENCES.**

(a) SHORT TITLE.—This title may be cited as the "Child Care and Development Block Grant Amendments of 1995".

(b) REFERENCES.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.).

**SEC. 802. GOALS.**

(a) GOALS.—Section 658A (42 U.S.C. 9801 note) is amended—

(1) in the section heading by inserting "AND GOALS" after "TITLE";

(2) by inserting "(a) SHORT TITLE.—" before "This"; and

(3) by adding at the end the following:

"(b) GOALS.—The goals of this subchapter are—

"(1) to allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within such State;

"(2) to promote parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs;

"(3) to encourage States to provide consumer education information to help parents make informed choices about child care;

"(4) to assist States to provide child care to parents trying to achieve independence from public assistance; and

"(5) to assist States in implementing the health, safety, licensing, and registration standards established in State regulations.".

**SEC. 803. AUTHORIZATION OF APPROPRIATIONS AND ENTITLEMENT AUTHORITY.**

(a) IN GENERAL.—Section 658B (42 U.S.C. 9858) is amended to read as follows:

**"SEC. 658B. AUTHORIZATION OF APPROPRIATIONS.**

"There is authorized to be appropriated to carry out this subchapter $1,000,000,000 for each of the fiscal years 1996 through 2002.".

(b) SOCIAL SECURITY ACT.—Part A of title IV of the Social Security Act (as amended by section 103) is amended—

(1) by redesignating section 418 as section 419; and

(2) by inserting after section 417, the following new section:

**"SEC. 418. FUNDING FOR CHILD CARE.**

"(a) GENERAL CHILD CARE ENTITLEMENT.—

"(1) GENERAL ENTITLEMENT.—Subject to the amount appropriated under paragraph (3), each State shall, for the purpose of providing child care assistance, be entitled to payments under a grant under this subsection for a fiscal year in an amount equal to—

"(A) the sum of the total amount required to be paid to the State under former section 403 for fiscal year 1994 with respect to amounts expended for child care under section—

"(i) 402(g) of this Act (as such section was in effect before October 1, 1995); and

"(ii) 403(i) of this Act (as so in effect); or

"(B) the average of the total amounts required to be paid to the State for fiscal years 1992 through 1994 under the sections referred to in subparagraph (A);

whichever is greater.

"(2) REMAINDER.—

"(A) GRANTS.—The Secretary shall use any amounts appropriated for a fiscal year under paragraph (3), and remaining after the reservation described in paragraph (5) and after grants are awarded under paragraph (1), to make grants to States under this paragraph.

"(B) AMOUNT.—Subject to subparagraph (C), the amount of a grant awarded to a State for a fiscal year under this paragraph shall be based on the formula used for determining the amount of Federal payments to the State under section 403(n) (as such section was in effect before October 1, 1995).

"(C) MATCHING REQUIREMENT.—The Secretary shall pay to each eligible State in a fiscal year an amount, under a grant under subparagraph (A), equal to the Federal medical assistance percentage for such State for fiscal year 1994 (as defined in section 1905(b)) of so much of the expenditures by the State for child care in such year as exceed the State set-aside for such State under subparagraph (A) for such year and the amount of State expenditures in fiscal year 1994 that equal the non-Federal share for the programs described in subparagraphs (A), (B) and (C) of paragraph (1).

"(3) APPROPRIATION.—There are authorized to be appropriated, and there are appropriated, to carry out this section—

"(A) $1,300,000,000 for fiscal year 1997;

''(B) $1,400,000,000 for fiscal year 1998;
''(C) $1,500,000,000 for fiscal year 1999;
''(D) $1,700,000,000 for fiscal year 2000;
''(E) $1,900,000,000 for fiscal year 2001; and
''(F) $2,050,000,000 for fiscal year 2002.

''(4) REDISTRIBUTION.—With respect to any fiscal year, if the Secretary determines that amounts under any grant awarded to a State under this subsection for such fiscal year will not be used by such State for carrying out the purpose for which the grant is made, the Secretary shall make such amounts available for carrying out such purpose to 1 or more other States which apply for such funds to the extent the Secretary determines that such other States will be able to use such additional amounts for carrying out such purpose. Such available amounts shall be redistributed to a State pursuant to section 402(i) (as such section was in effect before October 1, 1995) by substituting 'the number of children residing in all States applying for such funds' for 'the number of children residing in the United States in the second preceding fiscal year'. Any amount made available to a State from an appropriation for a fiscal year in accordance with the preceding sentence shall, for purposes of this part, be regarded as part of such State's payment (as determined under this subsection) for such year.

''(5) INDIAN TRIBES.—The Secretary shall reserve not more than 1 percent of the aggregate amount appropriated to carry out this section in each fiscal year for payments to Indian tribes and tribal organizations.

''(b) USE OF FUNDS.—

''(1) IN GENERAL.—Amounts received by a State under this section shall only be used to provide child care assistance.

''(2) USE FOR CERTAIN POPULATIONS.—A State shall ensure that not less than 70 percent of the total amount of funds received by the State in a fiscal year under this section are used to provide child care assistance to families who are receiving assistance under a State program under this part, families who are attempting through work activities to transition off of such assistance program, and families who are at risk of becoming dependent on such assistance program.

''(c) APPLICATION OF CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT of 1990.—Notwithstanding any other provision of law, amounts provided to a State under this section shall be transferred to the lead agency under the Child Care and Development Block Grant Act of 1990, integrated by the State into the programs established by the State under such Act, and be subject to requirements and limitations of such Act.

''(d) DEFINITION.—As used in this section, the term 'State' means each of the 50 States or the District of Columbia.''.

***SEC. 804. LEAD AGENCY.***

Section 658D(b) (42 U.S.C. 9858b(b)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by striking ''State'' the first place that such appears and inserting ''governmental or nongovernmental''; and

(B) in subparagraph (C), by inserting ''with sufficient time and Statewide distribution of the notice of such hearing,'' after ''hearing in the State''; and

(2) in paragraph (2), by striking the second sentence.

***SEC. 805. APPLICATION AND PLAN.***

Section 658E (42 U.S.C. 9858c) is amended—

(1) in subsection (b)—

(A) by striking ''implemented—'' and all that follows through ''(2)'' and inserting ''implemented''; and

(B) by striking ''for subsequent State plans'';

(2) in subsection (c)—

(A) in paragraph (2)—

(i) in subparagraph (A)—

(I) in clause (i) by striking '', other than through assistance provided under paragraph (3)(C),''; and

(II) by striking ''except'' and all that follows through ''1992'', and inserting ''and provide a detailed description of the procedures the State will implement to carry out the requirements of this subparagraph'';

(ii) in subparagraph (B)—

(I) by striking ''Provide assurances'' and inserting ''Certify''; and

(II) by inserting before the period at the end ''and provide a detailed description of such procedures'';

(iii) in subparagraph (C)—

(I) by striking ''Provide assurances'' and inserting ''Certify''; and

(II) by inserting before the period at the end ''and provide a detailed description of how such record is maintained and is made available'';

(iv) by amending subparagraph (D) to read as follows:

''(D) CONSUMER EDUCATION INFORMATION.—Certify that the State will collect and disseminate to parents of eligible children and the general public, consumer education information that will promote informed child care choices.'';

(v) in subparagraph (E), to read as follows:

''(E) COMPLIANCE WITH STATE LICENSING REQUIREMENTS.—

''(i) IN GENERAL.—Certify that the State has in effect licensing requirements applicable to child care services provided within the State, and provide a detailed description of such requirements and of how such requirements are effectively enforced. Nothing in the preceding sentence shall be construed to require that licensing requirements be applied to specific types of providers of child care services.

''(ii) INDIAN TRIBES AND TRIBAL ORGANIZATIONS.—In lieu of any licensing and regulatory requirements applicable under State and local law, the Secretary, in consultation with Indian tribes and tribal organizations, shall develop minimum child care standards (that appropriately reflect tribal needs and available resources) that shall be applicable to Indian tribes and tribal organization receiving assistance under this subchapter.'';

(vi) by striking subparagraph (F);

(vii) in subparagraph (G)—

(I) by redesignating such subparagraph as subparagraph (F);

(II) by striking ''Provide assurances'' and inserting ''Certify''; and

(III) by striking ''as described in subparagraph (F)''; and

(viii) by striking subparagraphs (H), (I), and (J) and inserting the following:

''(G) MEETING THE NEEDS OF CERTAIN POPULATIONS.—Demonstrate the manner in which the State will meet the specific child care needs of families who are receiving assistance under a State program under part A of title IV of the Social Security Act, families who are attempting through work activities to transition off of such assistance program, and families who are at risk of becoming dependent on such assistance program.'';

(B) in paragraph (3)—

(i) in subparagraph (A), by striking ''(B) and (C)'' and inserting ''(B) through (D)'';

(ii) in subparagraph (B)—

(I) by striking ''.—Subject to the reservation contained in subparagraph (C), the'' and inserting ''AND RELATED ACTIVITIES.—The'';

(II) in clause (i) by striking ''; and'' at the end and inserting a period;

(III) by striking ''for—'' and all that follows through ''section 658E(c)(2)(A)'' and inserting ''for child care services on sliding fee scale basis, activities that improve the quality or availability of such services, and any other activity that the State deems appropriate to realize any of the goals specified in paragraphs (2) through (5) of section 658A(b)''; and

(IV) by striking clause (ii);

(iii) by amending subparagraph (C) to read as follows:

''(C) LIMITATION ON ADMINISTRATIVE COSTS.—Not more than 3 percent of the aggregate amount of funds available to the State to carry out this subchapter by a State in each fiscal year may be expended for administrative costs incurred by such State to carry out all of its functions and duties under this subchapter. As used in the preceding sentence, the term 'administrative costs' shall not include the costs of providing direct services.''; and

(iv) by adding at the end thereof the following:

''(D) ASSISTANCE FOR CERTAIN FAMILIES.—A State shall ensure that a substantial portion of the amounts available (after the State has complied with the requirement of section 418(b)(2) of the Social Security Act with respect to each of the fiscal years 1997 through 2002) to the State to carry out activities this subchapter in each fiscal year is used to provide assistance to low-income working families other than families described in paragraph (2)(F).''; and

(C) in paragraph (4)(A)—

(i) by striking ''provide assurances'' and inserting ''certify'';

(ii) in the first sentence by inserting ''and shall provide a summary of the facts relied on by the State to determine that such rates are sufficient to ensure such access'' before the period; and

(iii) by striking the last sentence.

***SEC. 806. LIMITATION ON STATE ALLOTMENTS.***

Section 658F(b) (42 U.S.C. 9858d(b)) is amended—

(1) in paragraph (1), by striking ''No'' and inserting ''Except as provided for in section 658O(c)(6), no''; and

(2) in paragraph (2), by striking ''referred to in section 658E(c)(2)(F)''.

***SEC. 807. ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE.***

Section 658G (42 U.S.C. 9858e) is amended to read as follows:

***''SEC. 658G. ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE.***

''A State that receives funds to carry out this subchapter for a fiscal year, shall use not less than 3 percent of the amount of such funds for activities that are designed to provide comprehensive consumer education to parents and the public, activities that increase parental choice, and activities designed to improve the quality and availability of child care (such as resource and referral services).''.

***SEC. 808. REPEAL OF EARLY CHILDHOOD DEVELOPMENT AND BEFORE- AND AFTER-SCHOOL CARE REQUIREMENT.***

Section 658H (42 U.S.C. 9858f) is repealed.

***SEC. 809. ADMINISTRATION AND ENFORCEMENT.***

Section 658I(b) (42 U.S.C. 9858g(b)) is amended—

(1) in paragraph (1), by striking '', and shall have'' and all that follows through ''(2)''; and

(2) in the matter following clause (ii) of paragraph (2)(A), by striking ''finding and that'' and all that follows through the period and inserting ''finding and shall require that the State reimburse the Secretary for any funds that were improperly expended for purposes prohibited or not authorized by this subchapter, that the Secretary deduct from the administrative portion of the State allotment for the following fiscal year an amount that is less than or equal to any improperly expended funds, or a combination of such options.''.

***SEC. 810. PAYMENTS.***

Section 658J(c) (42 U.S.C. 9858h(c)) is amended by striking ''expended'' and inserting ''obligated''.

***SEC. 811. ANNUAL REPORT AND AUDITS.***

Section 658K (42 U.S.C. 9858i) is amended—

(1) in the section heading by striking ''ANNUAL REPORT'' and inserting ''REPORTS'';

(2) in subsection (a), to read as follows:

''(a) REPORTS.—

''(1) COLLECTION OF INFORMATION BY STATES.—

''(A) IN GENERAL.—A State that receives funds to carry out this subchapter shall collect the information described in subparagraph (B) on a monthly basis.

''(B) REQUIRED INFORMATION.—The information required under this subparagraph shall include, with respect to a family unit receiving assistance under this subchapter information concerning—

''(i) family income;

''(ii) county of residence;

''(iii) the gender, race, and age of children receiving such assistance;

''(iv) whether the family includes only 1 parent;

''(v) the sources of family income, including the amount obtained from (and separately identified)—

''(I) employment, including self-employment;

''(II) cash or other assistance under part A of title IV of the Social Security Act;

''(III) housing assistance;

''(IV) assistance under the Food Stamp Act of 1977; and

''(V) other assistance programs;

''(vi) the number of months the family has received benefits;

''(vii) the type of child care in which the child was enrolled (such as family child care, home care, or center-based child care);

''(viii) whether the child care provider involved was a relative;

''(ix) the cost of child care for such families; and

''(x) the average hours per week of such care;

during the period for which such information is required to be submitted.

''(C) SUBMISSION TO SECRETARY.—A State described in subparagraph (A) shall, on a quarterly basis, submit the information required to be collected under subparagraph (B) to the Secretary.

''(D) SAMPLING.—The Secretary may disapprove the information collected by a State under this paragraph if the State uses sampling methods to collect such information.

''(2) BIANNUAL REPORTS.—Not later than December 31, 1997, and every 6 months thereafter, a State described in paragraph (1)(A) shall prepare and submit to the Secretary a report that includes aggregate data concerning—

''(A) the number of child care providers that received funding under this subchapter as separately identified based on the types of providers listed in section 658P(5);

''(B) the monthly cost of child care services, and the portion of such cost that is paid for with assistance provided under this subchapter, listed by the type of child care services provided;

''(C) the number of payments made by the State through vouchers, contracts, cash, and disregards under public benefit programs, listed by the type of child care services provided;

''(D) the manner in which consumer education information was provided to parents and the number of parents to whom such information was provided; and

''(E) the total number (without duplication) of children and families served under this subchapter;

during the period for which such report is required to be submitted.''; and

(2) in subsection (b)—

(A) in paragraph (1) by striking ''a application'' and inserting ''an application'';

(B) in paragraph (2) by striking ''any agency administering activities that receive'' and inserting ''the State that receives''; and

(C) in paragraph (4) by striking ''entitles'' and inserting ''entitled''.

***SEC. 812. REPORT BY THE SECRETARY.***

Section 658L (42 U.S.C. 9858j) is amended—

(1) by striking ''1993'' and inserting ''1997'';

(2) by striking ''annually'' and inserting ''biennially''; and

(3) by striking ''Education and Labor'' and inserting ''Economic and Educational Opportunities''.

***SEC. 813. ALLOTMENTS.***

Section 658O (42 U.S.C. 9858m) is amended—

(1) in subsection (a)—

(A) in paragraph (1)

(i) by striking ''POSSESSIONS'' and inserting ''POSSESSIONS'';

(ii) by inserting ''and'' after ''States,''; and

(iii) by striking '', and the Trust Territory of the Pacific Islands''; and

(B) in paragraph (2), by striking ''3 percent'' and inserting ''1 percent'';

(2) in subsection (c)—

(A) in paragraph (5) by striking ''our'' and inserting ''out''; and

(B) by adding at the end thereof the following new paragraph:

''(6) CONSTRUCTION OR RENOVATION OF FACILITIES.—

''(A) REQUEST FOR USE OF FUNDS.—An Indian tribe or tribal organization may submit to the Secretary a request to use amounts provided under this subsection for construction or renovation purposes.

''(B) DETERMINATION.—With respect to a request submitted under subparagraph (A), and except as provided in subparagraph (C), upon a determination by the Secretary that adequate facilities are not otherwise available to an Indian tribe or tribal organization to enable such tribe or organization to carry out child care programs in accordance with this subchapter, and that the lack of such facilities will inhibit the operation of such programs in the future, the Secretary may permit the tribe or organization to use assistance provided under this subsection to make payments for the construction or renovation of facilities that will be used to carry out such programs.

''(C) LIMITATION.—The Secretary may not permit an Indian tribe or tribal organization to use amounts provided under this subsection for construction or renovation if such use will result in a decrease in the level of child care services provided by the tribe or organization as compared to the level of such services provided by the tribe or organization in the fiscal year preceding the year for which the determination under subparagraph (A) is being made.

''(D) UNIFORM PROCEDURES.—The Secretary shall develop and implement uniform procedures for the solicitation and consideration of requests under this paragraph.''; and

(3) in subsection (e), by adding at the end thereof the following new paragraph:

''(4) INDIAN TRIBES OR TRIBAL ORGANIZATIONS.—Any portion of a grant or contract made to an Indian tribe or tribal organization under subsection (c) that the Secretary determines is not being used in a manner consistent with the provision of this subchapter in the period for which the grant or contract is made available, shall be allotted by the Secretary to other tribes or organizations that have submitted applications under subsection (c) in accordance with their respective needs.''.

***SEC. 814. DEFINITIONS.***

Section 658P (42 U.S.C. 9858n) is amended—

(1) in paragraph (2), in the first sentence by inserting ''or as a deposit for child care services if such a deposit is required of other children being cared for by the provider'' after ''child care services''; and

(2) by striking paragraph (3);

(3) in paragraph (4)(B), by striking ''75 percent'' and inserting ''85 percent'';

(4) in paragraph (5)(B)—

(A) by inserting ''great grandchild, sibling (if such provider lives in a separate residence),'' after ''grandchild,'';

(B) by striking ''is registered and''; and

(C) by striking ''State'' and inserting ''applicable''.

(5) by striking paragraph (10);

(6) in paragraph (13)—

(A) by inserting ''or'' after ''Samoa,''; and

(B) by striking '', and the Trust Territory of the Pacific Islands'';

(7) in paragraph (14)—

(A) by striking ''The term'' and inserting the following:

''(A) IN GENERAL.—The term''; and

(B) by adding at the end thereof the following new subparagraph:

''(B) OTHER ORGANIZATIONS.—Such term includes a Native Hawaiian Organization, as defined in section 4009(4) of the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 (20 U.S.C. 4909(4)) and a private nonprofit organization established for the purpose of serving youth who are Indians or Native Hawaiians.''.

***SEC. 815. REPEALS.***

(a) CHILD DEVELOPMENT ASSOCIATE SCHOLARSHIP ASSISTANCE ACT OF 1985.—Title VI of the Human Services Reauthorization Act of 1986 (42 U.S.C. 10901–10905) is repealed.

(b) STATE DEPENDENT CARE DEVELOPMENT GRANTS ACT.—Subchapter E of chapter 8 of subtitle A of title VI of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9871–9877) is repealed.

(c) PROGRAMS OF NATIONAL SIGNIFICANCE.—Title X of the Elementary and Secondary Education Act of 1965, as amended by Public Law 103–382 (108 Stat. 3809 et seq.), is amended—

(1) in section 10413(a) by striking paragraph (4),

(2) in section 10963(b)(2) by striking subparagraph (G), and

(3) in section 10974(a)(6) by striking subparagraph (G).

(d) NATIVE HAWAIIAN FAMILY-BASED EDUCATION CENTERS.—Section 9205 of the Native Hawaiian Education Act (Public Law 103–382; 108 Stat. 3794) is repealed.

***SEC. 816. EFFECTIVE DATE.***

(a) IN GENERAL.—Except as provided in subsection (b), this title and the amendments made by this title shall take effect on October 1, 1996.

(b) EXCEPTION.—The amendment made by section 803(a) shall take effect on the date of enactment of this Act.

## *TITLE IX—CHILD NUTRITION PROGRAMS*

### *Subtitle A—National School Lunch Act*

***SEC. 901. STATE DISBURSEMENT TO SCHOOLS.***

(a) IN GENERAL.—Section 8 of the National School Lunch Act (42 U.S.C. 1757) is amended—

(1) in the third sentence, by striking ''Nothing'' and all that follows through ''educational agency to'' and inserting ''The State educational agency may'';

(2) by striking the fourth, fifth, and eighth sentences;

(3) by redesignating the first through sixth sentences, as amended by paragraph (1), as subsections (a) through (f), respectively;

(4) in subsection (b), as redesignated by paragraph (3), by striking ''the preceding sentence'' and inserting ''subsection (a)''; and

(5) in subsection (d), as redesignated by paragraph (3), by striking ''Such food costs'' and inserting ''Use of funds paid to States''.

(b) DEFINITION OF CHILD.—Section 12(d) of the Act (42 U.S.C. 1760(d)) is amended by adding at the end the following:

''(9) 'child' includes an individual, regardless of age, who—

''(A) is determined by a State educational agency, in accordance with regulations prescribed by the Secretary, to have 1 or more mental or physical disabilities; and

''(B) is attending any institution, as defined in section 17(a), or any nonresidential public or nonprofit private school of high school grade or under, for the purpose of participating in a school program established for individuals with mental or physical disabilities.

No institution that is not otherwise eligible to participate in the program under section 17 shall be considered eligible because of this paragraph.''.

***SEC. 902. NUTRITIONAL AND OTHER PROGRAM REQUIREMENTS.***

(a) NUTRITIONAL STANDARDS.—Section 9(a) of the National School Lunch Act (42 U.S.C. 1758(a)) is amended—

(1) in paragraph (2)—

(A) by striking ''(2)(A) Lunches'' and inserting ''(2) Lunches'';

(B) by striking subparagraph (B); and

(C) by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively;

(2) by striking paragraph (3); and

(3) by redesignating paragraph (4) as paragraph (3).

(b) ELIGIBILITY GUIDELINES.—Section 9(b) of the Act is amended—

(1) in paragraph (2)—

(A) by striking subparagraph (A); and

(B) by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(2) in paragraph (5), by striking the third sentence; and

(3) in paragraph (6), by striking ''paragraph (2)(C)'' and inserting ''paragraph (2)(B)''.

(c) UTILIZATION OF AGRICULTURAL COMMODITIES.—Section 9(c) of the Act is amended by striking the second, fourth, and sixth sentences.

(d) CONFORMING AMENDMENT.—The last sentence of section 9(d)(1) of the Act is amended by striking ''subsection (b)(2)(C)'' and inserting ''subsection (b)(2)(B)''.

(e) NUTRITIONAL INFORMATION.—Section 9(f) of the Act is amended—

(1) by striking paragraph (1);

(2) by striking ''(2)'';

(3) by redesignating subparagraphs (A) through (D) as paragraphs (1) through (4), respectively;

(4) by striking paragraph (1), as redesignated by paragraph (3), and inserting the following:

''(1) NUTRITIONAL REQUIREMENTS.—Except as provided in paragraph (2), not later than the first day of the 1996–1997 school year, schools that are participating in the school lunch or school breakfast program shall serve lunches and breakfasts under the program that—

''(A) are consistent with the goals of the most recent Dietary Guidelines for Americans published under section 301 of the National Nutrition Monitoring and Related Research Act of 1990 (7 U.S.C. 5341); and

''(B) provide, on the average over each week, at least—

''(i) with respect to school lunches, ⅓ of the daily recommended dietary allowance established by the Food and Nutrition Board of the National Research Council of the National Academy of Sciences; and

''(ii) with respect to school breakfasts, ¼ of the daily recommended dietary allowance established by the Food and Nutrition Board of the National Research Council of the National Academy of Sciences.'';

(5) in paragraph (3), as redesignated by paragraph (3)—

(A) by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively; and

(B) in subparagraph (A), as so redesignated, by redesignating subclauses (I) and (II) as clauses (i) and (ii), respectively; and

(6) in paragraph (4), as redesignated by paragraph (3), by striking the first sentence and inserting the following: ''Schools may use any reasonable approach to meet the requirements of this paragraph, including any approach described in paragraph (3).''.

(f) USE OF RESOURCES.—Section 9 of the Act is amended by striking subsection (h).

**SEC. 903. FREE AND REDUCED PRICE POLICY STATEMENT.**

Section 9(b)(2) of the National School Lunch Act (42 U.S.C. 1758(b)(2)), as amended by section 902(b)(1), is further amended by adding at the end the following:

''(C) FREE AND REDUCED PRICE POLICY STATEMENT.—After the initial submission, a school shall not be required to submit a free and reduced price policy statement to a State educational agency under this Act unless there is a substantive change in the free and reduced price policy of the school. A routine change in the policy of a school, such as an annual adjustment of the income eligibility guidelines for free and reduced price meals, shall not be sufficient cause for requiring the school to submit a policy statement.''.

**SEC. 904. SPECIAL ASSISTANCE.**

(a) FINANCING BASED ON NEED.—Section 11(b) of the National School Lunch Act (42 U.S.C. 1759a(b)) is amended—

(1) in the second sentence, by striking '', within'' and all that follows through ''all States,''; and

(2) by striking the third sentence.

(b) APPLICABILITY OF OTHER PROVISIONS.—Section 11 of the Act is amended—

(1) by striking subsection (d);

(2) in subsection (e)(2)—

(A) by striking ''The'' and inserting ''On request of the Secretary, the''; and

(B) by striking ''each month''; and

(3) by redesignating subsections (e) and (f), as so amended, as subsections (d) and (e), respectively.

**SEC. 905. MISCELLANEOUS PROVISIONS AND DEFINITIONS.**

(a) ACCOUNTS AND RECORDS.—Section 12(a) of the National School Lunch Act (42 U.S.C. 1760(a)) is amended by striking ''at all times be available'' and inserting ''be available at any reasonable time''.

(b) RESTRICTION ON REQUIREMENTS.—Section 12(c) of the Act is amended by striking ''neither the Secretary nor the State shall'' and inserting ''the Secretary shall not''.

(c) DEFINITIONS.—Section 12(d) of the Act, as amended by section 901(b), is further amended—

(1) in paragraph (1), by striking ''the Trust Territory of the Pacific Islands'' and inserting ''the Commonwealth of the Northern Mariana Islands'';

(2) by striking paragraphs (3) and (4); and

(3) by redesignating paragraphs (1), (2), and (5) through (9) as paragraphs (6), (7), (3), (4), (2), (5), and (1), respectively, and rearranging the paragraphs so as to appear in numerical order.

(d) ADJUSTMENTS TO NATIONAL AVERAGE PAYMENT RATES.—Section 12(f) of the Act is amended by striking ''the Trust Territory of the Pacific Islands,''.

(e) EXPEDITED RULEMAKING.—Section 12(k) of the Act is amended—

(1) by striking paragraphs (1), (2), and (5); and

(2) by redesignating paragraphs (3) and (4) as paragraphs (1) and (2), respectively.

(f) WAIVER.—Section 12(l) of the Act is amended—

(1) in paragraph (2)—

(A) by striking ''(A)'';

(B) in clause (iii), by adding ''and'' at the end;

(C) in clause (iv), by striking the semicolon at the end and inserting a period;

(D) by striking clauses (v) through (vii);

(E) by striking subparagraph (B); and

(F) by redesignating clauses (i) through (iv), as so amended, as subparagraphs (A) through (D), respectively;

(2) in paragraph (3)—

(A) by striking ''(A)''; and

(B) by striking subparagraphs (B) through (D);

(3) in paragraph (4)—

(A) in the matter preceding subparagraph (A), by striking ''of any requirement relating'' and inserting ''that increases Federal costs or that relates'';

(B) by striking subparagraphs (B), (D), (F), (H), (J), (K), and (L);

(C) by redesignating subparagraphs (C), (E), (G), (I), (M), and (N) as subparagraphs (B) through (G), respectively; and

(D) in subparagraph (F), as redesignated by subparagraph (C), by striking ''and'' at the end and inserting ''or''; and

(4) in paragraph (6)—

(A) by striking ''(A)(i)'' and all that follows through ''(B)''; and

(B) by redesignating clauses (i) through (iv) as subparagraphs (A) through (D), respectively.

(g) FOOD AND NUTRITION PROJECTS.—Section 12 of the Act is amended by striking subsection (m).

**SEC. 906. SUMMER FOOD SERVICE PROGRAM FOR CHILDREN.**

(a) ESTABLISHMENT OF PROGRAM.—Section 13(a) of the National School Lunch Act (42 U.S.C. 1761(a)) is amended—

(1) in paragraph (1)—

(A) in the first sentence, by striking ''initiate, maintain, and expand'' and insert ''initiate and maintain''; and

(B) in subparagraph (E) of the second sentence, by striking ''the Trust Territory of the Pacific Islands,''; and

(2) in paragraph (7)(A), by striking ''Except as provided in subparagraph (C), private'' and inserting ''Private''.

(b) SERVICE INSTITUTIONS.—Section 13(b) of the Act is amended by striking ''(b)(1)'' and all that follows through the end of paragraph (1) and inserting the following:

''(b) SERVICE INSTITUTIONS.—

''(1) PAYMENTS.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, payments to service institutions shall equal the full cost of food service operations (which cost shall include the costs of obtaining, preparing, and serving food, but shall not include administrative costs).

''(B) MAXIMUM AMOUNTS.—Subject to subparagraph (C), payments to any institution under subparagraph (A) shall not exceed—

''(i) $1.82 for each lunch and supper served;

''(ii) $1.13 for each breakfast served; and

''(iii) 46 cents for each meal supplement served.

''(C) ADJUSTMENTS.—Amounts specified in subparagraph (B) shall be adjusted each January 1 to the nearest lower cent increment in accordance with the changes for the 12-month period ending the preceding November 30 in the series for food away from home of the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor. Each adjustment shall be based on the unrounded adjustment for the prior 12-month period.''.

(c) ADMINISTRATION OF SERVICE INSTITUTIONS.—Section 13(b)(2) of the Act is amended—

(1) in the first sentence, by striking ''four meals'' and inserting ''3 meals, or 2 meals and 1 supplement,''; and

(2) by striking the second sentence.

(d) REIMBURSEMENTS.—Section 13(c)(2) of the Act is amended—

(1) by striking subparagraph (A);

(2) in subparagraph (B)—

(A) in the first sentence—

(i) by striking '', and such higher education institutions,''; and

(ii) by striking ''without application'' and inserting ''upon showing residence in areas in which poor economic conditions exist or on the basis of income eligibility statements for children enrolled in the program''; and

(B) by adding at the end the following: ''The higher education institutions referred to in the preceding sentence shall be eligible to participate in the program under this paragraph without application.'';

(3) in subparagraph (C)(ii), by striking ''severe need''; and

(4) by redesignating subparagraphs (B) through (E), as so amended, as subparagraphs (A) through (D), respectively.

(e) ADVANCE PROGRAM PAYMENTS.—Section 13(e)(1) of the Act is amended—

(1) by striking ''institution: Provided, That (A) the'' and inserting ''institution. The'';

(2) by inserting ''(excluding a school)'' after ''any service institution''; and

(3) by striking ''responsibilities, and (B) no'' and inserting ''responsibilities. No''.

(f) FOOD REQUIREMENTS.—Section 13(f) of the Act is amended—

(1) by redesignating the first through seventh sentences as paragraphs (1) through (7), respectively;

(2) by striking paragraph (3), as redesignated by paragraph (1);

(3) in paragraph (4), as redesignated by paragraph (1), by striking ''the first sentence'' and inserting ''paragraph (1)'';

(4) in paragraph (6), as redesignated by paragraph (1), by striking ''that bacteria levels'' and all that follows through the period at the end and inserting ''conformance with standards set by local health authorities.''; and

(5) by redesignating paragraphs (4) through (7), as redesignated by paragraph (1), as paragraphs (3) through (6), respectively.

(g) PERMITTING OFFER VERSUS SERVE.—Section 13(f) of the Act, as amended by subsection (f), is further amended by adding at the end the following:

''(7) OFFER VERSUS SERVE.—A school food authority participating as a service institution may permit a child attending a site on school premises operated directly by the authority to refuse not more than 1 item of a meal that the child does not intend to consume. A refusal of an offered food item shall not affect the amount of payments made under this section to a school for the meal.''.

(h) HEALTH DEPARTMENT INSPECTIONS.—Section 13(k) of the Act is amended by striking paragraph (3).

(i) FOOD SERVICE MANAGEMENT COMPANIES.—Section 13(l) of the Act is amended—

(1) by striking paragraph (4);

(2) in paragraph (5), by striking the first sentence; and

(3) by redesignating paragraph (5), as so amended, as paragraph (4).

(j) RECORDS.—The second sentence of section 13(m) of the Act is amended by striking ''at all times be available'' and inserting ''be available at any reasonable time''.

(k) REMOVING MANDATORY NOTICE TO INSTITUTIONS.—Section 13(n)(2) of the Act is amended by striking '', and its plans and schedule for informing service institutions of the availability of the program''.

(l) PLAN.—Section 13(n) of the Act is amended—

(1) in paragraph (2), by striking ''including the State's methods of assessing need'';

(2) by striking paragraph (3);

(3) in paragraph (4), by striking ''and schedule''; and

(4) by redesignating paragraphs (4) through (7), as so amended, as paragraphs (3) through (6), respectively.

(m) MONITORING AND TRAINING.—Section 13(q) of the Act is amended—

(1) by striking paragraphs (2) and (4);

(2) in paragraph (3), by striking ''paragraphs (1) and (2) of this subsection'' and inserting ''paragraph (1)''; and

(3) by redesignating paragraph (3), as so amended, as paragraph (2).

(n) EXPIRED PROGRAM.—Section 13 of the Act is amended—

(1) by striking subsection (p); and

(2) by redesignating subsections (q) and (r), as so amended, as subsections (p) and (q), respectively.

(o) EFFECTIVE DATE.—The amendments made by subsection (b) shall become effective on January 1, 1996.

***SEC. 907. COMMODITY DISTRIBUTION.***

(a) CEREAL AND SHORTENING IN COMMODITY DONATIONS.—Section 14(b) of the National School Lunch Act (42 U.S.C. 1762a(b)) is amended—

(1) by striking paragraph (1); and

(2) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(b) IMPACT STUDY AND PURCHASING PROCEDURES.—Section 14(d) of the Act is amended by striking the second and third sentences.

(c) CASH COMPENSATION FOR PILOT PROJECT SCHOOLS.—Section 14(g) of the Act is amended by striking paragraph (3).

(d) STATE ADVISORY COUNCIL.—Section 14 is amended—

(1) by striking subsection (e); and

(2) by redesignating subsections (f) and (g), as so amended, as subsections (e) and (f), respectively.

***SEC. 908. CHILD CARE FOOD PROGRAM.***

(a) ESTABLISHMENT OF PROGRAM.—Section 17 of the National School Lunch Act (42 U.S.C. 1766) is amended—

(1) in the section heading, by striking ''AND ADULT''; and

(2) in the first sentence of subsection (a), by striking ''initiate, maintain, and expand'' and inserting ''initiate and maintain''.

(b) PAYMENTS TO SPONSOR EMPLOYEES.—Paragraph (2) of the last sentence of section 17(a) of the Act (42 U.S.C. 1766(a)) is amended—

(1) by striking ''and'' at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C) and inserting ''; and''; and

(3) by adding at the end the following:

''(D) in the case of a family or group day care home sponsoring organization that employs more than 1 employee, the organization does not base payments to an employee of the organization on the number of family or group day care homes recruited.''.

(c) TECHNICAL ASSISTANCE.—The last sentence of section 17(d)(1) of the Act is amended by striking '', and shall provide technical assistance'' and all that follows through ''its application''.

(d) REIMBURSEMENT OF CHILD CARE INSTITUTIONS.—Section 17(f)(2)(B) of the Act (42 U.S.C. 1766(f)(2)(B)) is amended by striking ''two meals and two supplements or three meals and one supplement'' and inserting ''two meals and one supplement''.

(e) IMPROVED TARGETING OF DAY CARE HOME REIMBURSEMENTS.—

(1) RESTRUCTURED DAY CARE HOME REIMBURSEMENTS.—Section 17(f)(3) of the Act is amended by striking ''(3)(A) Institutions'' and all that follows through the end of subparagraph (A) and inserting the following:

''(3) REIMBURSEMENT OF FAMILY OR GROUP DAY CARE HOME SPONSORING ORGANIZATIONS.—

''(A) REIMBURSEMENT FACTOR.—

''(i) IN GENERAL.—An institution that participates in the program under this section as a family or group day care home sponsoring organization shall be provided, for payment to a home sponsored by the organization, reimbursement factors in accordance with this subparagraph for the cost of obtaining and preparing food and prescribed labor costs involved in providing meals under this section.

''(ii) TIER I FAMILY OR GROUP DAY CARE HOMES.—

''(I) DEFINITION.—In this paragraph, the term 'tier I family or group day care home' means—

''(aa) a family or group day care home that is located in a geographic area, as defined by the Secretary based on census data, in which at least 50 percent of the children residing in the area are members of households whose incomes meet the income eligibility guidelines for free or reduced price meals under section 9;

''(bb) a family or group day care home that is located in an area served by a school enrolling elementary students in which at least 50 percent of the total number of children enrolled are certified eligible to receive free or reduced price school meals under this Act or the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.); or

''(cc) a family or group day care home that is operated by a provider whose household meets the income eligibility guidelines for free or reduced price meals under section 9 and whose income is verified by the sponsoring organization of the home under regulations established by the Secretary.

''(II) REIMBURSEMENT.—Except as provided in subclause (III), a tier I family or group day care home shall be provided reimbursement factors under this clause without a requirement for documentation of the costs described in clause (i), except that reimbursement shall not be provided under this subclause for meals or supplements served to the children of a person acting as a family or group day care home provider unless the children meet the income eligibility guidelines for free or reduced price meals under section 9.

''(III) FACTORS.—Except as provided in subclause (IV), the reimbursement factors applied to a home referred to in subclause (II) shall be the factors in effect on the date of enactment of this subclause.

''(IV) ADJUSTMENTS.—The reimbursement factors under this subparagraph shall be adjusted on August 1, 1996, July 1, 1997, and each July 1 thereafter, to reflect changes in the Consumer Price Index for food at home for the most recent 12-month period for which the data are available. The reimbursement factors under this subparagraph shall be rounded to the nearest lower cent increment and based on the unrounded adjustment in effect on June 30 of the preceding school year.

''(iii) TIER II FAMILY OR GROUP DAY CARE HOMES.—

''(I) IN GENERAL.—

''(aa) FACTORS.—Except as provided in subclause (II), with respect to meals or supplements served under this clause by a family or group day care home that does not meet the criteria set forth in clause (ii)(I), the reimbursement factors shall be 90 cents for lunches and suppers, 25 cents for breakfasts, and 10 cents for supplements.

''(bb) ADJUSTMENTS.—The factors shall be adjusted on July 1, 1997, and each July 1 thereafter, to reflect changes in the Consumer Price Index for food at home for the most recent 12-month period for which the data are available. The reimbursement factors under this item shall be rounded down to the nearest lower cent increment and based on the unrounded adjustment for the preceding 12-month period.

''(cc) REIMBURSEMENT.—A family or group day care home shall be provided reimbursement factors under this subclause without a requirement for documentation of the costs described in clause (i), except that reimbursement shall not be provided under this subclause for meals or supplements served to the children of a person acting as a family or group day care home provider unless the children meet the income eligibility guidelines for free or reduced price meals under section 9.

''(II) OTHER FACTORS.—A family or group day care home that does not meet the criteria set forth in clause (ii)(I) may elect to be provided reimbursement factors determined in accordance with the following requirements:

''(aa) CHILDREN ELIGIBLE FOR FREE OR REDUCED PRICE MEALS.—In the case of meals or supplements served under this subsection to children who are members of households whose incomes meet the income eligibility guidelines for free or reduced price meals under section 9, the family or group day care home shall be provided reimbursement factors set by the Secretary in accordance with clause (ii)(III).

''(bb) INELIGIBLE CHILDREN.—In the case of meals or supplements served under this subsection to children who are members of households whose incomes do not meet the income eligibility guidelines, the family or group day care home shall be provided reimbursement factors in accordance with subclause (I).

''(III) INFORMATION AND DETERMINATIONS.—

''(aa) IN GENERAL.—If a family or group day care home elects to claim the factors described in subclause (II), the family or group day care home sponsoring organization serving the home shall collect the necessary income information, as determined by the Secretary, from any parent or other caretaker to make the determinations specified in subclause (II) and shall make the determinations in accordance with rules prescribed by the Secretary.

''(bb) CATEGORICAL ELIGIBILITY.—In making a determination under item (aa), a family or group day care home sponsoring organization may consider a child participating in or subsidized under, or a child with a parent participating in or subsidized under, a federally or State supported child care or other benefit program with an income eligibility limit that does not exceed the eligibility standard for free or reduced price meals under section 9 to be a child who is a member of a household whose income meets the income eligibility guidelines under section 9.

''(cc) FACTORS FOR CHILDREN ONLY.—A family or group day care home may elect to receive the reimbursement factors prescribed under clause (ii)(III) solely for the children participating in a program referred to in item (bb) if the home elects not to have income statements collected from parents or other caretakers.

''(IV) SIMPLIFIED MEAL COUNTING AND REPORTING PROCEDURES.—The Secretary shall prescribe simplified meal counting and reporting procedures for use by a family or group day care home that elects to claim the factors under subclause (II) and by a family or group day care home sponsoring organization that sponsors the home. The procedures the Secretary prescribes may include 1 or more of the following:

''(aa) Setting an annual percentage for each home of the number of meals served that are to be reimbursed in accordance with the reimbursement factors prescribed under clause (ii)(III) and an annual percentage of the number of meals served that are to be reimbursed in accordance with the reimbursement factors prescribed under subclause (I), based on the family income of children enrolled in the home in a specified month or other period.

''(bb) Placing a home into 1 of 2 or more reimbursement categories annually based on the percentage of children in the home whose households have incomes that meet the income eligibility guidelines under section 9, with each such reimbursement category carrying a set of reimbursement factors such as the factors prescribed under clause (ii)(III) or subclause (I) or factors established within the range of factors prescribed under clause (ii)(III) and subclause (I).

''(cc) Such other simplified procedures as the Secretary may prescribe.

''(V) MINIMUM VERIFICATION REQUIREMENTS.—The Secretary may establish any necessary minimum verification requirements.''.

(2) GRANTS TO STATES TO PROVIDE ASSISTANCE TO FAMILY OR GROUP DAY CARE HOMES.—Section 17(f)(3) of the Act is amended by adding at the end the following:

''(D) GRANTS TO STATES TO PROVIDE ASSISTANCE TO FAMILY OR GROUP DAY CARE HOMES.—

''(i) IN GENERAL.—

''(I) RESERVATION.—From amounts made available to carry out this section, the Secretary shall reserve $5,000,000 of the amount made available for fiscal year 1996.

''(II) PURPOSE.—The Secretary shall use the funds made available under subclause (I) to provide grants to States for the purpose of providing—

''(aa) assistance, including grants, to family and day care home sponsoring organizations and other appropriate organizations, in securing and providing training, materials, automated data processing assistance, and other assistance for the staff of the sponsoring organizations; and

''(bb) training and other assistance to family and group day care homes in the implementation of the amendment to subparagraph (A) made by section 913(e)(1) of the Personal Responsibility and Work Opportunity Act of 1995.

''(ii) ALLOCATION.—The Secretary shall allocate from the funds reserved under clause (i)(I)—

''(I) $30,000 in base funding to each State; and

''(II) any remaining amount among the States, based on the number of family day care homes participating in the program in a State during fiscal year 1994 as a percentage of the number of all family day care homes participating in the program during fiscal year 1994.

''(iii) RETENTION OF FUNDS.—Of the amount of funds made available to a State for fiscal year 1996 under clause (i), the State may retain not to exceed 30 percent of the amount to carry out this subparagraph.

''(iv) ADDITIONAL PAYMENTS.—Any payments received under this subparagraph shall be in addition to payments that a State receives under subparagraph (A).''.

(3) PROVISION OF DATA.—Section 17(f)(3) of the Act, as amended by paragraph (2), is further amended by adding at the end the following:

''(E) PROVISION OF DATA TO FAMILY OR GROUP DAY CARE HOME SPONSORING ORGANIZATIONS.—

''(i) CENSUS DATA.—The Secretary shall provide to each State agency administering a child care food program under this section data from the most recent decennial census survey or other appropriate census survey for which the data are available showing which areas in the State meet the requirements of subparagraph (A)(ii)(I)(aa). The State agency shall provide the data to family or group day care home sponsoring organizations located in the State.

''(ii) SCHOOL DATA.—

''(I) IN GENERAL.—A State agency administering the school lunch program under this Act or the school breakfast program under the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.) shall provide to approved family or group day care home sponsoring organizations a list of schools serving elementary school children in the State in which not less than ½ of the children enrolled are certified to receive free or reduced price meals. The State agency shall collect the data necessary to create the list annually and provide the list on a timely basis to any approved family or group day care home sponsoring organization that requests the list.

''(II) USE OF DATA FROM PRECEDING SCHOOL YEAR.—In determining for a fiscal year or other annual period whether a home qualifies as a tier I family or group day care home under subparagraph (A)(ii)(I), the State agency administering the program under this section, and a family or group day care home sponsoring organization, shall use the most current available data at the time of the determination.

''(iii) DURATION OF DETERMINATION.—For purposes of this section, a determination that a family or group day care home is located in an area that qualifies the home as a tier I family or group day care home (as the term is defined in subparagraph (A)(ii)(I)), shall be in effect for 3 years (unless the determination is made on the basis of census data, in which case the determination shall remain in effect until more recent census data are available) unless the State agency determines that the area in which the home is located no longer qualifies the home as a tier I family or group day care home.''.

(4) CONFORMING AMENDMENTS.—Section 17(c) of the Act is amended by inserting ''except as provided in subsection (f)(3),'' after ''For purposes of this section,'' each place it appears in paragraphs (1), (2), and (3).

(f) REIMBURSEMENT.—Section 17(f) of the Act is amended—

(1) in paragraph (3)—

(A) in subparagraph (B), by striking the third and fourth sentences; and

(B) in subparagraph (C)—

(i) in clause (i)—

(I) by striking ''(i)'';

(II) in the first sentence, by striking ''and expansion funds'' and all that follows through ''rural areas'';

(III) by striking the second sentence; and

(IV) by striking ''and expansion funds'' each place it appears; and

(ii) by striking clause (ii); and

(2) by striking paragraph (4).

(g) NUTRITIONAL REQUIREMENTS.—Section 17(g)(1) of the Act is amended—

(1) in subparagraph (A), by striking the second sentence; and

(2) in subparagraph (B), by striking the second sentence.

(h) ELIMINATION OF STATE PAPERWORK AND OUTREACH BURDEN.—Section 17 of the Act is amended by striking subsection (k) and inserting the following:

''(k) TRAINING AND TECHNICAL ASSISTANCE.—A State participating in the program established under this section shall provide sufficient training, technical assistance, and monitoring to facilitate effective operation of the program. The Secretary shall assist the State in developing plans to fulfill the requirements of this subsection.''.

(i) RECORDS.—The second sentence of section 17(m) of the Act is amended by striking ''at all times'' and inserting ''at any reasonable time''.

(j) MODIFICATION OF ADULT CARE FOOD PROGRAM.—Section 17(o) of the Act is amended—

(1) in the first sentence of paragraph (1)—

(A) by striking ''adult day care centers'' and inserting ''day care centers for chronically impaired disabled persons'' ; and

(B) by striking ''to persons 60 years of age or older or''; and

(2) in paragraph (2)—

(A) in subparagraph (A)—

(i) by striking ''adult day care center'' and inserting ''day care center for chronically impaired disabled persons''; and

(ii) in clause (i)—

(I) by striking ''adult'';

(II) by striking ''adults'' and inserting ''persons''; and

(III) by striking ''or persons 60 years of age or older''; and

(B) in subparagraph (B), by striking ''adult day care services'' and inserting ''day care services for chronically impaired disabled persons''.

(k) UNNEEDED PROVISION.—Section 17 of the Act is amended by striking subsection (q).

(l) CONFORMING AMENDMENTS.—

(1) Section 17B(f) of the Act (42 U.S.C. 1766b(f)) is amended—

(A) in the subsection heading, by striking ''AND ADULT''; and

(B) in paragraph (1), by striking ''and adult''.

(2) Section 18(e)(3)(B) of the Act (42 U.S.C. 1769(e)(3)(B)) is amended by striking ''and adult''.

(3) Section 25(b)(1)(C) of the Act (42 U.S.C. 1769f(b)(1)(C)) is amended by striking ''and adult''.

(4) Section 3(1) of the Healthy Meals for Healthy Americans Act of 1994 (Public Law 103–448) is amended by striking ''and adult''.

(m) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall become effective on the date of enactment of this Act.

(2) IMPROVED TARGETING OF DAY CARE HOME REIMBURSEMENTS.—The amendments made by paragraphs (1), (3), and (4) of subsection (e) shall become effective on August 1, 1996.

(3) REGULATIONS.—

(A) INTERIM REGULATIONS.—Not later than February 1, 1996, the Secretary shall issue interim regulations to implement—

(i) the amendments made by paragraphs (1), (3), and (4) of subsection (e); and

(ii) section 17(f)(3)(C) of the National School Lunch Act (42 U.S.C. 1766(f)(3)(C)).

(B) FINAL REGULATIONS.—Not later than August 1, 1996, the Secretary shall issue final regulations to implement the provisions of law referred to in subparagraph (A).

(n) STUDY OF IMPACT OF AMENDMENTS ON PROGRAM PARTICIPATION AND FAMILY DAY CARE LICENSING.—

(1) IN GENERAL.—The Secretary of Agriculture, in conjunction with the Secretary of Health and Human Services, shall study the impact of the amendments made by this section on—

(A) the number of family day care homes participating in the child care food program established under section 17 of the National School Lunch Act (42 U.S.C. 1766);

(B) the number of day care home sponsoring organizations participating in the program;

(C) the number of day care homes that are licensed, certified, registered, or approved by each State in accordance with regulations issued by the Secretary;

(D) the rate of growth of the numbers referred to in subparagraphs (A) through (C);

(E) the nutritional adequacy and quality of meals served in family day care homes that—

(i) received reimbursement under the program prior to the amendments made by this section but do not receive reimbursement after the amendments made by this section; or

(ii) received full reimbursement under the program prior to the amendments made by this section but do not receive full reimbursement after the amendments made by this section; and

(F) the proportion of low-income children participating in the program prior to the amendments made by this section and the proportion of low-income children participating in the program after the amendments made by this section.

(2) REQUIRED DATA.—Each State agency participating in the child care food program under section 17 of the National School Lunch Act (42 U.S.C. 1766) shall submit to the Secretary data on—

(A) the number of family day care homes participating in the program on July 31, 1996, and July 31, 1997;

(B) the number of family day care homes licensed, certified, registered, or approved for service on July 31, 1996, and July 31, 1997; and

(C) such other data as the Secretary may require to carry out this subsection.

(3) SUBMISSION OF REPORT.—Not later than 2 years after the effective date of this section, the Secretary shall submit the study required under this subsection to the Committee on Economic and Educational Opportunities of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

**SEC. 909. PILOT PROJECTS.**

(a) UNIVERSAL FREE PILOT.—Section 18(d) of the National School Lunch Act (42 U.S.C. 1769(d)) is amended—

(1) by striking paragraph (3); and

(2) by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(b) DEMO PROJECT OUTSIDE SCHOOL HOURS.—Section 18(e) of the Act is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)—

(i) by striking ''(A)''; and

(ii) by striking ''shall'' and inserting ''may''; and

(B) by striking subparagraph (B); and

(2) by striking paragraph (5) and inserting the following:

''(5) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection such sums as are necessary for each of fiscal years 1997 and 1998.''.

(c) ELIMINATING PROJECTS.—Section 18 of the Act is amended—

(1) by striking subsections (a) and (g) through (i); and

(2) by redesignating subsections (b) through (f), as so amended, as subsections (a) through (e), respectively.

(d) CONFORMING AMENDMENT.—Section 17B(d)(1)(A) of the Act (42 U.S.C. 1766b(d)(1)(A)) is amended by striking ''18(c)'' and inserting ''18(b)''.

**SEC. 910. REDUCTION OF PAPERWORK.**

Section 19 of the National School Lunch Act (42 U.S.C. 1769a) is repealed.

**SEC. 911. INFORMATION ON INCOME ELIGIBILITY.**

Section 23 of the National School Lunch Act (42 U.S.C. 1769d) is repealed.

**SEC. 912. NUTRITION GUIDANCE FOR CHILD NUTRITION PROGRAMS.**

Section 24 of the National School Lunch Act (42 U.S.C. 1769e) is repealed.

**SEC. 913. INFORMATION CLEARINGHOUSE.**

Section 26 of the National School Lunch Act (42 U.S.C. 1769g) is repealed.

**SEC. 914. SCHOOL NUTRITION OPTIONAL BLOCK GRANT DEMONSTRATION PROGRAM.**

(a) IN GENERAL.—The National School Lunch Act is amended by inserting after section 4 (42 U.S.C. 1753) the following:

**''SEC. 5. SCHOOL NUTRITION OPTIONAL BLOCK GRANT DEMONSTRATION PROGRAM.**

''(a) DEFINITIONS.—In this section:

''(1) BLOCK GRANT DEMONSTRATION PROGRAM.—The term 'block grant demonstration program' means the block grant program demonstration program established under subsection (b).

''(2) DEPARTMENT OF DEFENSE DOMESTIC DEPENDENTS' SCHOOL.—The term 'Department of Defense domestic dependents' school' means an elementary or secondary school established under section 2164 of title 10, United States Code.

''(3) LOW-INCOME STUDENT.—The term 'low-income student' means a student who is a member of a family whose income is less than 130 percent of the poverty line.

''(4) NEEDY STUDENT.—The term 'needy student' means a student who is a member of a family whose income is not less than 130 percent, and not more than 185 percent, of the poverty line.

''(5) POVERTY LINE.—The term 'poverty line' has the meaning provided in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

''(6) STATE PLAN.—The term 'State plan' means a State plan submitted to and approved by the Secretary under subsection (d).

''(b) ESTABLISHMENT.—The Secretary shall establish an optional block grant demonstration program in not more than 1 State in each of the 7 Food and Consumer Service regions of the United States Department of Agriculture to make grants to States to carry out a school lunch and breakfast program for all schoolchildren that—

''(1) safeguards the health and well-being of children through the provision of nutritious, well-balanced meals in schools;

''(2) provides children who are low-income students access to nutritious free meals;

''(3) provides children who are needy students access to nutritious low-cost meals;

''(4) ensures that children are receiving the nutrition required to take advantage of educational opportunities;

''(5) emphasizes foods that are naturally good sources of vitamins and minerals over foods that have been enriched with vitamins and minerals and are high in fat or sodium content;

''(6) provides a comprehensive school nutrition program for children, which may include offering free meals to all children at a school;

''(7) minimizes paperwork burdens and administrative expenses for participating schools; and

''(8) at the option of the State, provides meal supplements to children in afterschool care.

''(c) ELECTION BY THE STATE.—

''(1) IN GENERAL.—A State with respect to which an application submitted under subsection (d)(1) is approved may participate in the block grant demonstration program.

''(2) ELECTION IRREVOCABLE.—A State with respect to which an application under paragraph (1) is approved may not subsequently reverse the decision of the State to participate in the block grant demonstration program until the termination of the program under subsection (n).

''(3) BLOCK GRANT DEMONSTRATION PROGRAM EXCLUSIVE.—Except as otherwise provided in this section, a State that is participating in the block grant demonstration program shall not be subject to, or receive any benefit under—

''(A) the school lunch program established under this Act;

''(B) the school breakfast program established under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773); or

''(C) the commodity distribution programs established under sections 6 and 14.

''(4) MAINTENANCE OF SERVICE TO LOW-INCOME AND NEEDY STUDENTS.—

''(A) PROPORTIONS OF STUDENTS SERVED.—A State shall ensure that, during each year in which the State is participating in the block grant demonstration program, the proportions of school lunches and school breakfasts served to low-income students and needy students under the block grant demonstration program are not less than the proportions of school lunches and school breakfasts, respectively, served to low-income students and needy students in the last year of participation by the State in the school lunch program established under the other sections of this Act or the school breakfast program established under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), respectively.

''(B) PROPORTIONS OF FUNDS USED TO PROVIDE SERVICE.—A State shall ensure that, during each year in which the State is participating in the block grant demonstration program, the proportions of funds used by the State to provide school lunches and school breakfasts for low-income students and needy students under the block grant demonstration program are not less than the proportions of State funds used to provide school lunches and school breakfasts, respectively, for low-income students and needy students in the last year of participation by the State in the school lunch program established under the other sections of this Act or the school breakfast program established under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), respectively.

''(d) APPLICATION AND STATE PLAN.—

''(1) APPLICATION.—To be eligible to receive assistance under the block grant demonstration program, a State shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary shall by regulation reasonably require, including—

''(A) an assurance that the State will comply with the requirements of this section;

''(B) a State plan that meets the requirements of paragraph (2);

''(C) an assurance that the State will comply with the requirements of the State plan under paragraph (2); and

''(D) an assurance that the State will submit an annual report in accordance with paragraph (4).

''(2) REQUIREMENTS OF STATE PLAN.—

''(A) USE OF BLOCK GRANT DEMONSTRATION PROGRAM FUNDS.—

''(i) IN GENERAL.—Subject to clause (ii), the State plan shall provide that the State shall use the amounts provided to the State for each fiscal year under the block grant demonstration program to provide assistance to schools to provide lunches and breakfasts, including—

''(I) free lunches and breakfasts in accordance with subparagraph (E) to low-income students at the schools;

''(II) low-cost lunches and breakfasts to needy students at the schools;

''(III) at the option of the State, lunches and breakfasts to all students; and

''(IV) at the option of the State, meal supplements.

''(ii) ADMINISTRATIVE EXPENSES.—A State may not use the amounts described in clause (i) for the payment of State administrative expenses incurred in carrying out the block grant demonstration program.

''(iii) NONPROFIT OPERATION.—The school lunch and school breakfast program under the block grant demonstration program shall be operated on a nonprofit basis.

''(iv) MAINTENANCE OF STATE EFFORT.—For each fiscal year for which the State participates in the block grant demonstration program, the amount of the State revenues (excluding State revenues derived from the operation of the program) appropriated or used specifically for block grant demonstration program purposes (other than any State revenues expended for salaries and administrative expenses of the program at the State level) shall be not less than the amount of such State revenues made available

*for the preceding fiscal year under this section or for the school lunch program under the other sections of this Act and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), as appropriate.*

*''(B) NUTRITIONAL REQUIREMENTS.—*

*''(i) PROHIBITION ON ADDITIONAL REQUIREMENTS.—The Secretary may not impose any additional nutritional requirement beyond the requirements specified in this subparagraph.*

*''(ii) REQUIREMENTS.—The State plan shall provide for the establishment and implementation of minimum nutritional requirements for meals provided under the block grant demonstration program based on the most recent tested nutritional research available, except that the requirements shall not prohibit the substitution of foods to accommodate the medical or other special dietary needs of individual students.*

*''(iii) DIETARY GUIDELINES.—The nutritional requirements established under clause (ii) shall be consistent with the goals of the most recent Dietary Guidelines for Americans published under section 301 of the National Nutrition Monitoring and Related Research Act of 1990 (7 U.S.C. 5341).*

*''(iv) RECOMMENDED DIETARY ALLOWANCES.—The nutritional requirements established under clause (ii) shall require that meals provided under the block grant demonstration program provide, on the average over each week, at least—*

*''(I) with respect to school lunches, ⅓ of the daily recommended dietary allowance established by the Food and Nutrition Board of the National Research Council of the National Academy of Sciences; and*

*''(II) with respect to school breakfasts, ¼ of the daily recommended dietary allowance established by the Food and Nutrition Board of the National Research Council of the National Academy of Sciences.*

*''(C) REVIEW OF MEAL OPERATIONS.—The State plan shall provide that the State shall review the meal operations of each school food authority participating in the block grant demonstration program not later than 2 years, and not later than 4 years, after the implementation of the block grant demonstration program in the State.*

*''(D) GROUPS SERVED.—Subject to subsection (c)(4), the State plan shall describe how the block grant demonstration program will serve specific groups of students in the State.*

*''(E) ELIGIBILITY LIMITATIONS.—*

*''(i) IN GENERAL.—Subject to clauses (ii) and (iii), the State plan shall describe the income eligibility limitations established for the receipt of free meals and low-cost meals under the block grant demonstration program.*

*''(ii) ELIGIBILITY FOR FREE MEALS.—*

*''(I) LOW-INCOME STUDENTS.—A low-income student who attends a school participating in the block grant demonstration program shall be eligible to receive free school lunches and school breakfasts under the block grant demonstration program.*

*''(II) OTHER STUDENTS.—The State plan may provide that a student who is a member of a family whose income is equal to or more than 130 percent of the poverty line and who attends a school participating in the block grant demonstration program shall be eligible to receive free school lunches and school breakfasts under the block grant demonstration program.*

*''(iii) ELIGIBILITY FOR LOW-COST MEALS.—*

*''(I) IN GENERAL.—The State plan shall provide that a needy student who attends a school participating in the block grant demonstration program shall be eligible to receive a low-cost meal under the block grant demonstration program.*

*''(II) PRICE.—A low-cost meal under subclause (I) shall be offered to a needy student at a price that is less than the price charged to a student who is a member of a family whose income is more than 185 percent of the poverty line.*

*''(III) GROUP ELIGIBILITY CRITERIA.—Subject to the other provisions of this subparagraph and to subsection (c)(4), each State may develop group eligibility criteria based on census or other accurate data that measures the income of families with school-aged children in a school district or based on prior year participation.*

*''(F) OPPORTUNITY FOR CONTINUED PARTICIPATION.—The State plan shall provide that each school participating in the school lunch program under the other sections of this Act or the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), or both, on the day before the effective date of this subparagraph shall be provided the opportunity to participate in the block grant demonstration program. Such continued participation shall include the opportunity for the school to provide the meal or combination of meals offered prior to the effective date of this subparagraph.*

*''(G) PROVISION OF COMMODITIES TO CASH/CLOC SCHOOLS.—*

*''(i) IN GENERAL.—A State plan may not require a school district, nonprofit private school, or Department of Defense domestic dependents' school described in clause (ii), except on request of the school district, private school, or domestic dependents' school, as the case may be, to accept commodities for use in the school lunch or school breakfast program of the school district, private school, or domestic dependents' school in accordance with this section. The school district, private school, or domestic dependents' school may continue to receive commodity assistance in the form that the school received the assistance as of January 1, 1987.*

*''(ii) SCHOOLS.—Clause (i) applies to a school district, nonprofit private school, or Department of Defense domestic dependents' school, as the case may be, that as of January 1, 1987, was receiving all cash payments or all commodity letters of credit in lieu of entitlement commodities for the school lunch program of the school district, private school, or domestic dependents' school under section 18(b).*

*''(H) PRIVACY.—*

*''(i) IN GENERAL.—The State plan shall provide for safeguarding and restricting the use and disclosure of information about any student receiving assistance under the block grant demonstration program.*

*''(ii) RECIPIENTS OF FREE OR LOW-COST MEALS.—In providing assistance to schools to serve meals under the block grant demonstration program, the State shall ensure that the schools do not—*

*''(I) physically segregate students eligible to receive free or low-cost meals on the basis of the eligibility;*

*''(II) provide for the overt identification of the students by special tokens or tickets, announced or published list of names, or other means; or*

*''(III) otherwise discriminate against the students.*

*''(I) OTHER INFORMATION.—The State plan shall contain such other information as may be reasonably required by the Secretary.*

*''(3) APPROVAL OF APPLICATION AND STATE PLAN.—The Secretary shall approve an application and State plan that meet the requirements of this section.*

*''(4) REPORT.—The Secretary may provide a grant under the block grant demonstration program to a State for a fiscal year only if the State agrees that the State will submit, for the fiscal year, a report to the Secretary describing—*

*''(A) the number of students receiving assistance under the block grant demonstration program;*

*''(B) the different types of assistance provided to the students;*

*''(C) the extent to which the assistance was effective in achieving the goals described in subsection (b);*

*''(D) the total number of meals served to students under the block grant demonstration program, including the percentage of the meals served to low-income students and needy students;*

*''(E) the standards and methods that the State is using to ensure the nutritional quality of the meals served under the block grant demonstration program; and*

*''(F) any other information that may be reasonably required by the Secretary.*

*''(e) USE OF FUNDS.—Funds made available under this section may be expended only for—*

*''(1) school lunches, school breakfasts, and meal supplements; and*

*''(2) the purchase of equipment needed to improve school food services under the block grant demonstration program.*

*''(f) ENFORCEMENT.—*

*''(1) REVIEW OF COMPLIANCE WITH STATE PLAN.—The Secretary shall review and monitor State compliance with this section and the State plan.*

*''(2) NONCOMPLIANCE.—*

*''(A) IN GENERAL.—If the Secretary, after providing reasonable notice to a State and opportunity for a hearing, finds that—*

*''(i) there has been a failure by the State to comply substantially with any provision or requirement set forth in the State plan; or*

*''(ii) in the operation of any program or activity for which assistance is provided under the block grant demonstration program, there is a failure by the State to comply substantially with any provision of this section;*

*the Secretary shall notify the State of the finding and that no further payments will be made to the State under the block grant demonstration program, or, in the case of noncompliance in the operation of a program or activity, that no further payments to the State will be made with respect to the program or activity, until the Secretary determines that there is no longer any failure to comply or that the noncompliance will be promptly corrected.*

*''(B) OTHER SANCTIONS.—In the case of a finding of noncompliance made under subparagraph (A), the Secretary may, in addition to, or in lieu of, imposing the sanctions described in subparagraph (A), impose other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this section and disqualification from the receipt of financial assistance under this section.*

*''(C) NOTICE.—The notice required under subparagraph (A) shall include a specific identification of any additional sanction being imposed under subparagraph (B).*

*''(3) ISSUANCE OF REGULATIONS.—The Secretary shall establish by regulation procedures for—*

*''(A) receiving, processing, and determining the validity of complaints concerning any failure of a State to comply with the State plan or any requirement of this section; and*

*''(B) imposing sanctions under this section.*

*''(g) PAYMENTS.—*

*''(1) IN GENERAL.—For each fiscal year, the Secretary shall pay to a State that has an application approved by the Secretary under subsection (d)(3) and that complies with paragraph (3) an amount that is equal to the allotment of the State under subsection (i) for the fiscal year.*

*''(2) METHODS OF PAYMENT.—The Secretary shall make payments to a State for a fiscal year under this section on a quarterly basis—*

*''(A) by issuing letters of credit for the fiscal year, with necessary adjustments on account of overpayments or underpayments, as determined by the Secretary; and*

*''(B) by providing not less than 8 percent but not more than 10 percent of the amount of the allotment to the State in the form of commodities.*

*''(3) EXPENDITURE OF FUNDS BY STATES.—Payments to a State from an allotment under subsection (i) for a fiscal year may be expended by the State only in the fiscal year or in the succeeding fiscal year.*

*''(4) PROVISION OF SCHOOL LUNCHES AND BREAKFASTS.—Subject to the other provisions of*

this section, a State may provide school lunches and school breakfasts under the block grant demonstration program in any manner determined appropriate by the State.

''(h) AUDITS.—

''(1) REQUIREMENT.—After the close of each fiscal year, the Secretary shall carry out an audit of the expenditures from amounts received under this section by each State participating in the block grant demonstration program during the fiscal year.

''(2) RECORDS.—Each State described in paragraph (1) shall maintain such records as the Secretary may reasonably require to carry out an audit under this subsection.

''(3) REPAYMENT OF AMOUNTS.—Each State shall repay to the United States any amounts determined through an audit under this subsection to have not been expended in accordance with this section or to have not been expended in accordance with the State plan, or the Secretary may offset the amounts against any other amount paid to the State under this section.

''(i) ALLOTMENTS.—

''(1) FIRST FISCAL YEAR.—

''(A) IN GENERAL.—For the first fiscal year in which the State participates in the block grant demonstration program, the Secretary shall allot to the State, from amounts made available under section 3 of this Act and the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.), an amount that is equal to the amount that the Secretary projects would be made available to the State to carry out the school lunch program under the other sections of this Act and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773) (including the value of commodities made available under the commodity distribution programs established under sections 6 and 14) for the fiscal year.

''(B) BASIS FOR PROJECTIONS.—In making a projection under subparagraph (A), the Secretary shall take into account—

''(i) participation trends in the State; and

''(ii) projected changes in reimbursement rates under the school lunch program under the other sections of this Act, and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773).

''(C) PUBLICATION IN THE FEDERAL REGISTER.—The Secretary shall publish in the Federal Register—

''(i) not later than February 1, 1996, and each February 1 thereafter, the amount that the Secretary projects will be made available to each State that, as of the date of publication, is not participating in the block grant demonstration program to carry out the school lunch program under the other sections of this Act and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773) for the first fiscal year that begins after the date of publication; and

''(ii) not later than February 1, 1998, and each February 1 thereafter, with respect to each State for which a projection was made under clause (i)—

''(I) the amount that the Secretary projected would be made available to the State for the fiscal year that ended the preceding September 30; and

''(II) the amount that actually was made available to the State for the fiscal year that ended the preceding September 30.

''(2) LATER FISCAL YEARS.—For each fiscal year after the first fiscal year referred to in paragraph (1), the Secretary shall allot to the State, from amounts made available under section 3 of this Act and the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.), an amount that is equal to the sum of—

''(A) the amount allotted under paragraph (1); and

''(B) the product of—

''(i) the amount allotted under paragraph (1); and

''(ii) a factor consisting of the sum of—

''(I) ½ of the percentage change in the series for food away from home of the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor for the most recent 12-month period for which such data are available; and

''(II) ½ of the percentage change in the number of children projected to be enrolled in school in the State in the current school year (as of the first day of the fiscal year) as compared to the number of children enrolled in school in the State in the preceding school year.

''(j) RELATIONSHIP TO OTHER LAWS.—The value of assistance provided to students under the block grant demonstration program shall not be considered to be income or resources for any purpose under any Federal or State law, including any law relating to taxation and welfare and public assistance programs.

''(k) ALTERNATIVE ASSISTANCE TO CERTAIN STUDENTS.—

''(1) ASSISTANCE.—If, by reason of any other provision of law, a State participating in the block grant demonstration program is prohibited from providing assistance from amounts received from a grant under the block grant demonstration program to a nonprofit private school or Department of Defense domestic dependents' school for a fiscal year to carry out the block grant demonstration program, or the Secretary determines that a State has substantially failed or is unwilling to provide the assistance to a nonprofit private school, Department of Defense domestic dependents' school, or public school, for the fiscal year, the Secretary shall, after consultation with appropriate representatives of the State and affected school, arrange for the provision of the assistance to the school for the fiscal year in accordance with the other sections of this Act.

''(2) REDUCTION IN AMOUNT OF STATE GRANT.—If the Secretary arranges for the provision of assistance to a nonprofit private school, Department of Defense domestic dependents' school, or public school in a State for a fiscal year under paragraph (1), the amount of the grant to the State for the fiscal year shall be reduced by the amount of the assistance provided to the school.

''(l) TRANSITION PROVISIONS.—

''(1) TRANSITION INTO BLOCK GRANT DEMONSTRATION PROGRAM.—A State for which an application and State plan are approved under subsection (d)(3) shall be eligible to use a portion (as determined by the Secretary) of the funds and commodities made available to the State for the preceding fiscal year under the school lunch program under the other sections of this Act, and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), to make a transition into the block grant demonstration program.

''(2) TRANSITION UPON TERMINATION OF BLOCK GRANT DEMONSTRATION PROGRAM.—Upon termination of the block grant demonstration program, a State that participated in the block grant demonstration program shall be eligible to use a portion (as determined by the Secretary) of the funds and commodities made available to the State for the preceding fiscal year under the block grant demonstration program to make a transition back to the operation of the school lunch program under the other sections of this Act and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773).

''(m) EVALUATIONS BY THE SECRETARY.—

''(1) IN GENERAL.—Not later than 3 years after the establishment of the block grant demonstration program and not later than 180 days prior to the termination date specified in subsection (n), the Secretary shall conduct an evaluation, and submit a report on the evaluation to Congress (including the comments of the Comptroller General of the United States under paragraph (3)), concerning the block grant demonstration program.

''(2) CONTENTS.—In carrying out paragraph (1), the Secretary shall evaluate, using, to the extent practicable, data required to be reported by the States under this section—

''(A) the effects of the block grant demonstration program on the nutritional quality of the meals offered;

''(B) the degree to which children, especially children who are low-income students and children who are needy students, participated in the block grant demonstration program during each fiscal year covered by the evaluation as compared to the participation of the children in the block grant demonstration program, or in the school lunch program under the other sections of this Act and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), during the prior fiscal year;

''(C) the income distribution of the children served and the amount of Federal assistance the children received under the block grant demonstration program for each fiscal year;

''(D) the schools participating in, and the types of meals offered under, the block grant demonstration program during each fiscal year covered by the evaluation as compared to the schools participating in, and the types of meals offered under, the block grant demonstration program, or the school lunch program under the other sections of this Act and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), during the prior fiscal year;

''(E) how the implementation of the block grant demonstration program differs from the implementation of the school lunch program under the other sections of this Act and the school breakfast program under section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773);

''(F) the effect of the block grant demonstration program on the administrative costs paid by States and schools to carry out school lunch and school breakfast programs;

''(G) the effect of the block grant demonstration program on the paperwork required to be completed by schools and parents under school lunch and school breakfast programs; and

''(H) such other issues concerning the block grant demonstration program as the Secretary considers appropriate.

''(3) COMMENTS BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States shall—

''(A) comment on the evaluation conducted under paragraph (1), including the methodology used by the Secretary in conducting the evaluation; and

''(B) submit the comments to the Secretary for inclusion in the evaluation.

''(n) TERMINATION OF AUTHORITY.—The authority to carry out the block grant demonstration program shall terminate on September 30, 2000.''.

(b) STATE ADMINISTRATIVE EXPENSES.—The first sentence of section 7(a)(1) of the Child Nutrition Act of 1966 (42 U.S.C. 1776(a)(1)) is amended by inserting ''5,'' after ''4,''.

(c) PROHIBITION ON WAIVERS.—Section 12(l)(4) of the National School Lunch Act (42 U.S.C. 1760(l)(4)) is amended—

(1) in subparagraph (M), by striking ''and'' at the end;

(2) in subparagraph (N), by striking the period at the end and inserting ''; and''; and

(3) by adding at the end the following:

''(O) the school nutrition optional block grant demonstration program established under section 5.''.

### *Subtitle B—Child Nutrition Act of 1966*

#### *SEC. 921. SPECIAL MILK PROGRAM.*

Section 3(a)(3) of the Child Nutrition Act of 1966 (42 U.S.C. 1772(a)(3)) is amended by striking ''the Trust Territory of the Pacific Islands'' and inserting ''the Commonwealth of the Northern Mariana Islands''.

#### *SEC. 922. FREE AND REDUCED PRICE POLICY STATEMENT.*

Section 4(b)(1) of the Child Nutrition Act of 1966 (42 U.S.C. 1773(b)(1)) is amended by adding at the end the following:

''(E) FREE AND REDUCED PRICE POLICY STATEMENT.—After the initial submission, a school shall not be required to submit a free and reduced price policy statement to a State educational agency under this Act unless there is a substantive change in the free and reduced price policy of the school. A routine change in the policy of a school, such as an annual adjustment of the income eligibility guidelines for free and reduced price meals, shall not be sufficient cause for requiring the school to submit a policy statement.''.

**SEC. 923. SCHOOL BREAKFAST PROGRAM AUTHORIZATION.**

(a) TRAINING AND TECHNICAL ASSISTANCE IN FOOD PREPARATION.—Section 4(e)(1) of the Child Nutrition Act of 1966 (42 U.S.C. 1773(e)(1)) is amended—

(1) in subparagraph (A), by striking ''(A)''; and

(2) by striking subparagraph (B).

(b) EXPANSION OF PROGRAM; STARTUP AND EXPANSION COSTS.—

(1) IN GENERAL.—Section 4 of the Act is amended by striking subsections (f) and (g).

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall become effective on October 1, 1996.

**SEC. 924. STATE ADMINISTRATIVE EXPENSES.**

(a) USE OF FUNDS FOR COMMODITY DISTRIBUTION ADMINISTRATION; STUDIES.—Section 7 of the Child Nutrition Act of 1966 (42 U.S.C. 1776) is amended—

(1) by striking subsections (e) and (h); and

(2) by redesignating subsections (f), (g), and (i) as subsections (e), (f), and (g), respectively.

(b) APPROVAL OF CHANGES.—Section 7(e) of the Act, as so redesignated, is amended—

(1) by striking ''each year an annual plan'' and inserting ''the initial fiscal year a plan''; and

(2) by adding at the end the following: ''After submitting the initial plan, a State shall only be required to submit to the Secretary for approval a substantive change in the plan.''.

**SEC. 925. REGULATIONS.**

Section 10 of the Child Nutrition Act of 1966 (42 U.S.C. 1779) is amended—

(1) in subsection (b)—

(A) in paragraph (1), by striking ''(1)''; and

(B) by striking paragraphs (2) through (4); and

(2) in subsection (c), by striking ''may'' and inserting ''shall''.

**SEC. 926. PROHIBITIONS.**

Section 11(a) of the Child Nutrition Act of 1966 (42 U.S.C. 1780(a)) is amended by striking ''neither the Secretary nor the State shall'' and inserting ''the Secretary shall not''.

**SEC. 927. MISCELLANEOUS PROVISIONS AND DEFINITIONS.**

Section 15 of the Child Nutrition Act of 1966 (42 U.S.C. 1784) is amended—

(1) in paragraph (1), by striking ''the Trust Territory of the Pacific Islands'' and inserting ''the Commonwealth of the Northern Mariana Islands''; and

(2) in the first sentence of paragraph (3)—

(A) in subparagraph (A), by inserting ''and'' at the end; and

(B) by striking '', and (C)'' and all that follows through ''Governor of Puerto Rico''.

**SEC. 928. ACCOUNTS AND RECORDS.**

The second sentence of section 16(a) of the Child Nutrition Act of 1966 (42 U.S.C. 1785(a)) is amended by striking ''at all times be available'' and inserting ''be available at any reasonable time''.

**SEC. 929. SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN.**

(a) DEFINITIONS.—Section 17(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)) is amended—

(1) in paragraph (15)(B)(iii), by inserting ''of not more than 90 days'' after ''accommodation''; and

(2) in paragraph (16)—

(A) in subparagraph (A), by adding ''and'' at the end; and

(B) in subparagraph (B), by striking ''; and'' and inserting a period; and

(C) by striking subparagraph (C).

(b) SECRETARY'S PROMOTION OF WIC.—Section 17(c) of the Act is amended by striking paragraph (5).

(c) ELIGIBLE PARTICIPANTS.—Section 17(d) of the Act is amended by striking paragraph (4).

(d) NUTRITION EDUCATION AND DRUG ABUSE EDUCATION.—Section 17(e) of the Act is amended—

(1) in the first sentence of paragraph (1), by striking ''shall ensure'' and all that follows through ''is provided'' and inserting ''shall provide nutrition education and may provide drug abuse education'';

(2) in paragraph (2), by striking the third sentence;

(3) by striking paragraph (4) and inserting the following:

''(4) INFORMATION.—The State agency may provide a local agency with materials describing other programs for which participants in the program may be eligible.'';

(4) in paragraph (5), by striking ''The State'' and all that follows through ''local agency shall'' and inserting ''A local agency may''; and

(5) by striking paragraph (6).

(e) STATE PLAN.—Section 17(f) of the Act is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)—

(i) by striking ''annually to the Secretary, by a date specified by the Secretary, a'' and inserting ''to the Secretary, by a date specified by the Secretary, an initial''; and

(ii) by adding at the end the following: ''After submitting the initial plan, a State shall only be required to submit to the Secretary for approval a substantive change in the plan.'';

(B) in subparagraph (C)—

(i) by striking clause (iii) and inserting the following:

''(iii) a plan to coordinate operations under the program with other services or programs that may benefit participants in, and applicants for, the program;'';

(ii) in clause (vi), by inserting after ''in the State'' the following: ''(including a plan to improve access to the program for participants and prospective applicants who are employed, or who reside in rural areas)'';

(iii) by striking clauses (vii), (ix), (x), and (xii);

(iv) in clause (xiii), by striking ''may require'' and inserting ''may reasonably require''; and

(v) by redesignating clauses (viii), (xi), and (xiii), as so amended, as clauses (vii), (viii), and (ix), respectively;

(C) by striking subparagraph (D); and

(D) by redesignating subparagraph (E) as subparagraph (D);

(2) by striking paragraphs (2), (6), (8), (20), (22), and (24);

(3) in the second sentence of paragraph (5), by striking ''at all times be available'' and inserting ''be available at any reasonable time'';

(4) in paragraph (9)(B), by striking the second sentence;

(5) in the first sentence of paragraph (11), by striking '', including standards that will ensure sufficient State agency staff'';

(6) in paragraph (12), by striking the third sentence;

(7) in paragraph (14), by striking ''shall'' and inserting ''may'';

(8) in paragraph (17), by striking ''and to accommodate'' and all that follows through ''facilities'';

(9) in paragraph (19), by striking ''shall'' and inserting ''may''; and

(10) by redesignating paragraphs (3), (4), (5), (7), (9) through (19), (21), and (23), as so amended, as paragraphs (2), (3), (4), (5), (6) through (16), (17), and (18), respectively.

(f) INFORMATION.—Section 17(g) of the Act is amended—

(1) in paragraph (5), by striking ''the report required under subsection (d)(4)'' and inserting ''reports on program participant characteristics''; and

(2) by striking paragraph (6).

(g) PROCUREMENT OF INFANT FORMULA.—

(1) IN GENERAL.—Section 17(h) of the Act is amended—

(A) in paragraph (4)(E), by striking ''and, on'' and all that follows through ''(d)(4)'';

(B) in paragraph (8)—

(i) by striking subparagraphs (A), (C), and (M);

(ii) in subparagraph (G)—

(I) in clause (i), by striking ''(i)''; and

(II) by striking clauses (ii) through (ix);

(iii) in subparagraph (I), by striking ''Secretary—'' and all that follows through ''(v) may'' and inserting ''Secretary may'';

(iv) by redesignating subparagraphs (B) and (D) through (L) as subparagraphs (A) and (B) through (J), respectively;

(v) in subparagraph (A)(i), as so redesignated, by striking ''subparagraphs (C), (D), and (E)(iii), in carrying out subparagraph (A),'' and inserting ''subparagraphs (B) and (C)(iii),'';

(vi) in subparagraph (B)(i), as so redesignated, by striking ''subparagraph (B)'' each place it appears and inserting ''subparagraph (A)''; and

(vii) in subparagraph (C)(iii), as so redesignated, by striking ''subparagraph (B)'' and inserting ''subparagraph (A)''; and

(C) in paragraph (10)(A), by striking ''shall'' and inserting ''may''.

(2) APPLICATION.—The amendments made by paragraph (1) shall not apply to a contract for the procurement of infant formula under section 17(h)(8) of the Act that is in effect on the effective date of this subsection.

(h) NATIONAL ADVISORY COUNCIL ON MATERNAL, INFANT, AND FETAL NUTRITION.—Section 17(k)(3) of the Act is amended by striking ''Secretary shall designate'' and inserting ''Council shall elect''.

(i) COMPLETED STUDY; COMMUNITY COLLEGE DEMONSTRATION; GRANTS FOR INFORMATION AND DATA SYSTEM.—Section 17 of the Act is amended by striking subsections (n), (o), and (p).

(j) DISQUALIFICATION OF VENDORS WHO ARE DISQUALIFIED UNDER THE FOOD STAMP PROGRAM.—Section 17 of the Act, as so amended, is further amended by adding at the end the following:

''(n) DISQUALIFICATION OF VENDORS WHO ARE DISQUALIFIED UNDER THE FOOD STAMP PROGRAM.—

''(1) IN GENERAL.—The Secretary shall issue regulations providing criteria for the disqualification under this section of an approved vendor that is disqualified from accepting benefits under the food stamp program established under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.).

''(2) TERMS.—A disqualification under paragraph (1)—

''(A) shall be for the same period as the disqualification from the program referred to in paragraph (1);

''(B) may begin at a later date than the disqualification from the program referred to in paragraph (1); and

''(C) shall not be subject to judicial or administrative review.''.

**SEC. 930. CASH GRANTS FOR NUTRITION EDUCATION.**

Section 18 of the Child Nutrition Act of 1966 (42 U.S.C. 1787) is repealed.

**SEC. 931. NUTRITION EDUCATION AND TRAINING.**

(a) FINDINGS.—Section 19 of the Child Nutrition Act of 1966 (42 U.S.C. 1788) is amended—

(1) in subsection (a), by striking ''that—'' and all that follows through the period at the end and inserting ''that effective dissemination of scientifically valid information to children participating or eligible to participate in the school

lunch and related child nutrition programs should be encouraged.''; and

(2) in subsection (b), by striking ''encourage'' and all that follows through ''establishing'' and inserting ''establish''.

(b) USE OF FUNDS.—Section 19(f) of the Act is amended—

(1) in paragraph (1)—

(A) by striking subparagraph (B); and

(B) in subparagraph (A)—

(i) by striking ''(A)'';

(ii) by striking clauses (ix) through (xix);

(iii) by redesignating clauses (i) through (viii) and (xx) as subparagraphs (A) through (H) and (I), respectively; and

(iv) in subparagraph (H), as so redesignated, by inserting ''and'' at the end;

(2) by striking paragraphs (2) and (4); and

(3) by redesignating paragraph (3) as paragraph (2).

(c) ACCOUNTS, RECORDS, AND REPORTS.—The second sentence of section 19(g)(1) of the Act is amended by striking ''at all times be available'' and inserting ''be available at any reasonable time''.

(d) STATE COORDINATORS FOR NUTRITION; STATE PLAN.—Section 19(h) of the Act is amended—

(1) in the second sentence of paragraph (1)—

(A) by striking ''as provided in paragraph (2) of this subsection''; and

(B) by striking ''as provided in paragraph (3) of this subsection'';

(2) in paragraph (2), by striking the second and third sentences; and

(3) by striking paragraph (3).

(e) AUTHORIZATION OF APPROPRIATIONS.—Section 19(i) of the Act is amended—

(1) in the first sentence of paragraph (2)(A), by striking ''and each succeeding fiscal year'';

(2) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(3) by inserting after paragraph (2) the following:

''(3) FISCAL YEARS 1997 THROUGH 2002.—

''(A) IN GENERAL.—There are authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 1997 through 2002.

''(B) GRANTS.—

''(i) IN GENERAL.—Grants to each State from the amounts made available under subparagraph (A) shall be based on a rate of 50 cents for each child enrolled in schools or institutions within the State, except that no State shall receive an amount less than $75,000 per fiscal year.

''(ii) INSUFFICIENT FUNDS.—If the amount made available for any fiscal year is insufficient to pay the amount to which each State is entitled under clause (i), the amount of each grant shall be ratably reduced.''.

(f) ASSESSMENT.—Section 19 of the Act is amended by striking subsection (j).

(g) EFFECTIVE DATE.—The amendments made by subsection (e) shall become effective on October 1, 1996.

**SEC. 932. BREASTFEEDING PROMOTION PROGRAM.**

Section 21 of the Child Nutrition Act of 1966 (42 U.S.C. 1790) is repealed.

## TITLE X—FOOD STAMPS AND COMMODITY DISTRIBUTION

**SEC. 1001. SHORT TITLE.**

This title may be cited as the ''Food Stamp Reform and Commodity Distribution Act of 1995''.

### Subtitle A—Food Stamp Program

**SEC. 1011. DEFINITION OF CERTIFICATION PERIOD.**

Section 3(c) of the Food Stamp Act of 1977 (7 U.S.C. 2012(c)) is amended by striking ''Except as provided'' and all that follows and inserting the following: ''The certification period shall not exceed 12 months, except that the certification period may be up to 24 months if all adult household members are elderly or disabled. A State agency shall have at least 1 contact with each certified household every 12 months.''.

**SEC. 1012. DEFINITION OF COUPON.**

Section 3(d) of the Food Stamp Act of 1977 (7 U.S.C. 2012(d)) is amended by striking ''or type of certificate'' and inserting ''type of certificate, authorization card, cash or check issued in lieu of a coupon, or an access device, including an electronic benefit transfer card or personal identification number,''.

**SEC. 1013. TREATMENT OF CHILDREN LIVING AT HOME.**

The second sentence of section 3(i) of the Food Stamp Act of 1977 (7 U.S.C. 2012(i)) is amended by striking ''(who are not themselves parents living with their children or married and living with their spouses)''.

**SEC. 1014. OPTIONAL ADDITIONAL CRITERIA FOR SEPARATE HOUSEHOLD DETERMINATIONS.**

Section 3(i) of the Food Stamp Act of 1977 (7 U.S.C. 2012(i)) is amended by inserting after the third sentence the following: ''Notwithstanding the preceding sentences, a State may establish criteria that prescribe when individuals who live together, and who would be allowed to participate as separate households under the preceding sentences, shall be considered a single household, without regard to the common purchase of food and preparation of meals.''.

**SEC. 1015. ADJUSTMENT OF THRIFTY FOOD PLAN.**

The second sentence of section 3(o) of the Food Stamp Act of 1977 (7 U.S.C. 2012(o)) is amended—

(1) by striking ''shall (1) make'' and inserting the following: ''shall—

''(1) make'';

(2) by striking ''scale, (2) make'' and inserting ''scale;

''(2) make'';

(3) by striking ''Alaska, (3) make'' and inserting the following: ''Alaska;

''(3) make''; and

(4) by striking ''Columbia, (4) through'' and all that follows through the end of the subsection and inserting the following: ''Columbia; and

''(4) on October 1, 1996, and each October 1 thereafter, adjust the cost of the diet to reflect the cost of the diet, in the preceding June, and round the result to the nearest lower dollar increment for each household size, except that on October 1, 1996, the Secretary may not reduce the cost of the diet in effect on September 30, 1996.''.

**SEC. 1016. DEFINITION OF HOMELESS INDIVIDUAL.**

Section 3(s)(2)(C) of the Food Stamp Act of 1977 (7 U.S.C. 2012(s)(2)(C)) is amended by inserting ''for not more than 90 days'' after ''temporary accommodation''.

**SEC. 1017. STATE OPTION FOR ELIGIBILITY STANDARDS.**

Section 5(b) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended by striking ''(b) The Secretary'' and inserting the following:

''(b) ELIGIBILITY STANDARDS.—Except as otherwise provided in this Act, the Secretary''.

**SEC. 1018. EARNINGS OF STUDENTS.**

Section 5(d)(7) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(7)) is amended by striking ''21'' and inserting ''19''.

**SEC. 1019. ENERGY ASSISTANCE.**

(a) IN GENERAL.—Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended by striking paragraph (11) and inserting the following: ''(11) a 1-time payment or allowance made under a Federal or State law for the costs of weatherization or emergency repair or replacement of an unsafe or inoperative furnace or other heating or cooling device,''.

(b) CONFORMING AMENDMENTS.—

(1) Section 5(k) of the Act (7 U.S.C. 2014(k)) is amended—

(A) in paragraph (1)—

(i) in subparagraph (A), by striking ''plan for aid to families with dependent children approved'' and inserting ''program funded''; and

(ii) in subparagraph (B), by striking '', not including energy or utility-cost assistance,'';

(B) in paragraph (2), by striking subparagraph (C) and inserting the following:

''(C) a payment or allowance described in subsection (d)(11);''; and

(C) by adding at the end the following:

''(4) THIRD PARTY ENERGY ASSISTANCE PAYMENTS.—

''(A) ENERGY ASSISTANCE PAYMENTS.—For purposes of subsection (d)(1), a payment made under a Federal or State law to provide energy assistance to a household shall be considered money payable directly to the household.

''(B) ENERGY ASSISTANCE EXPENSES.—For purposes of subsection (e)(7), an expense paid on behalf of a household under a Federal or State law to provide energy assistance shall be considered an out-of-pocket expense incurred and paid by the household.''.

(2) Section 2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)) is amended—

(A) by striking ''(f)(1) Notwithstanding'' and inserting ''(f) Notwithstanding'';

(B) in paragraph (1), by striking ''food stamps,''; and

(C) by striking paragraph (2).

**SEC. 1020. DEDUCTIONS FROM INCOME.**

(a) IN GENERAL.—Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by striking subsection (e) and inserting the following:

''(e) DEDUCTIONS FROM INCOME.—

''(1) STANDARD DEDUCTION.—The Secretary shall allow a standard deduction for each household in the 48 contiguous States and the District of Columbia, Alaska, Hawaii, Guam, and the Virgin Islands of the United States of $134, $229, $189, $269, and $118, respectively.

''(2) EARNED INCOME DEDUCTION.—

''(A) DEFINITION OF EARNED INCOME.—In this paragraph, the term 'earned income' does not include income excluded by subsection (d) or any portion of income earned under a work supplementation or support program, as defined under section 16(b), that is attributable to public assistance.

''(B) DEDUCTION.—Except as provided in subparagraph (C), a household with earned income shall be allowed a deduction of 20 percent of all earned income (other than income excluded by subsection (d)) to compensate for taxes, other mandatory deductions from salary, and work expenses.

''(C) EXCEPTION.—The deduction described in subparagraph (B) shall not be allowed with respect to determining an overissuance due to the failure of a household to report earned income in a timely manner.

''(3) DEPENDENT CARE DEDUCTION.—

''(A) IN GENERAL.—A household shall be entitled, with respect to expenses (other than excluded expenses described in subparagraph (B)) for dependent care, to a dependent care deduction, the maximum allowable level of which shall be $200 per month for each dependent child under 2 years of age and $175 per month for each other dependent, for the actual cost of payments necessary for the care of a dependent if the care enables a household member to accept or continue employment, or training or education that is preparatory for employment.

''(B) EXCLUDED EXPENSES.—The excluded expenses referred to in subparagraph (A) are—

''(i) expenses paid on behalf of the household by a third party;

''(ii) amounts made available and excluded for the expenses referred to in subparagraph (A) under subsection (d)(3); and

''(iii) expenses that are paid under section 6(d)(4).

''(4) DEDUCTION FOR CHILD SUPPORT PAYMENTS.—

''(A) IN GENERAL.—A household shall be entitled to a deduction for child support payments made by a household member to or for an individual who is not a member of the household if

the household member is legally obligated to make the payments.

''(B) METHODS FOR DETERMINING AMOUNT.—The Secretary may prescribe by regulation the methods, including calculation on a retrospective basis, that a State agency shall use to determine the amount of the deduction for child support payments.

''(5) HOMELESS SHELTER ALLOWANCE.—A State agency may develop a standard homeless shelter allowance, which shall not exceed $139 per month, for such expenses as may reasonably be expected to be incurred by households in which all members are homeless individuals but are not receiving free shelter throughout the month. A State agency that develops the allowance may use the allowance in determining eligibility and allotments for the households, except that the State agency may prohibit the use of the allowance for households with extremely low shelter costs.

''(6) EXCESS MEDICAL EXPENSE DEDUCTION.—

''(A) IN GENERAL.—A household containing an elderly or disabled member shall be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to an excess medical expense deduction for the portion of the actual costs of allowable medical expenses, incurred by the elderly or disabled member, exclusive of special diets, that exceeds $35 per month.

''(B) METHOD OF CLAIMING DEDUCTION.—

''(i) IN GENERAL.—A State agency shall offer an eligible household under subparagraph (A) a method of claiming a deduction for recurring medical expenses that are initially verified under the excess medical expense deduction in lieu of submitting information or verification on actual expenses on a monthly basis.

''(ii) METHOD.—The method described in clause (i) shall—

''(I) be designed to minimize the burden for the eligible elderly or disabled household member choosing to deduct the recurrent medical expenses of the member pursuant to the method;

''(II) rely on reasonable estimates of the expected medical expenses of the member for the certification period (including changes that can be reasonably anticipated based on available information about the medical condition of the member, public or private medical insurance coverage, and the current verified medical expenses incurred by the member); and

''(III) not require further reporting or verification of a change in medical expenses if such a change has been anticipated for the certification period.

''(7) EXCESS SHELTER EXPENSE DEDUCTION.—

''(A) IN GENERAL.—A household shall be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 percent of monthly household income after all other applicable deductions have been allowed.

''(B) MAXIMUM AMOUNT OF DEDUCTION.—In the case of a household that does not contain an elderly or disabled individual, the excess shelter expense deduction shall not exceed—

''(i) in the 48 contiguous States and the District of Columbia, $247 per month; and

''(ii) in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, $429, $353, $300, and $182 per month, respectively.

''(C) STANDARD UTILITY ALLOWANCE.—

''(i) IN GENERAL.—In computing the excess shelter expense deduction, a State agency may use a standard utility allowance in accordance with regulations promulgated by the Secretary, except that a State agency may use an allowance that does not fluctuate within a year to reflect seasonal variations.

''(ii) RESTRICTIONS ON HEATING AND COOLING EXPENSES.—An allowance for a heating or cooling expense may not be used in the case of a household that—

''(I) does not incur a heating or cooling expense, as the case may be;

''(II) does incur a heating or cooling expense but is located in a public housing unit that has central utility meters and charges households, with regard to the expense, only for excess utility costs; or

''(III) shares the expense with, and lives with, another individual not participating in the food stamp program, another household participating in the food stamp program, or both, unless the allowance is prorated between the household and the other individual, household, or both.

''(iii) MANDATORY ALLOWANCE.—

''(I) IN GENERAL.—A State agency may make the use of a standard utility allowance mandatory for all households with qualifying utility costs if—

''(aa) the State agency has developed 1 or more standards that include the cost of heating and cooling and 1 or more standards that do not include the cost of heating and cooling; and

''(bb) the Secretary finds that the standards will not result in an increased cost to the Secretary.

''(II) HOUSEHOLD ELECTION.—A State agency that has not made the use of a standard utility allowance mandatory under subclause (I) shall allow a household to switch, at the end of a certification period, between the standard utility allowance and a deduction based on the actual utility costs of the household.

''(iv) AVAILABILITY OF ALLOWANCE TO RECIPIENTS OF ENERGY ASSISTANCE.—

''(I) IN GENERAL.—Subject to subclause (II), if a State agency elects to use a standard utility allowance that reflects heating or cooling costs, the standard utility allowance shall be made available to households receiving a payment, or on behalf of which a payment is made, under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.) or other similar energy assistance program, if the household still incurs out-of-pocket heating or cooling expenses in excess of any assistance paid on behalf of the household to an energy provider.

''(II) SEPARATE ALLOWANCE.—A State agency may use a separate standard utility allowance for households on behalf of which a payment described in subclause (I) is made, but may not be required to do so.

''(III) STATES NOT ELECTING TO USE SEPARATE ALLOWANCE.—A State agency that does not elect to use a separate allowance but makes a single standard utility allowance available to households incurring heating or cooling expenses (other than a household described in subclause (I) or (II) of subparagraph (C)(ii)) may not be required to reduce the allowance due to the provision (directly or indirectly) of assistance under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.).

''(IV) PRORATION OF ASSISTANCE.—For the purpose of the food stamp program, assistance provided under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.) shall be considered to be prorated over the entire heating or cooling season for which the assistance was provided.''.

(b) CONFORMING AMENDMENT.—Section 11(e)(3) of the Act (7 U.S.C. 2020(e)(3)) is amended by striking ''. Under rules prescribed'' and all that follows through ''verifies higher expenses''.

**SEC. 1021. VEHICLE ALLOWANCE.**

Section 5(g) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)) is amended by striking paragraph (2) and inserting the following:

''(2) INCLUDED ASSETS.—

''(A) IN GENERAL.—Subject to the other provisions of this paragraph, the Secretary shall, in prescribing inclusions in, and exclusions from, financial resources, follow the regulations in force as of June 1, 1982 (other than those relating to licensed vehicles and inaccessible resources).

''(B) ADDITIONAL INCLUDED ASSETS.—The Secretary shall include in financial resources—

''(i) any boat, snowmobile, or airplane used for recreational purposes;

''(ii) any vacation home;

''(iii) any mobile home used primarily for vacation purposes;

''(iv) subject to subparagraph (C), any licensed vehicle that is used for household transportation or to obtain or continue employment to the extent that the fair market value of the vehicle exceeds $4,600; and

''(v) any savings or retirement account (including an individual account), regardless of whether there is a penalty for early withdrawal.

''(C) EXCLUDED VEHICLES.—A vehicle (and any other property, real or personal, to the extent the property is directly related to the maintenance or use of the vehicle) shall not be included in financial resources under this paragraph if the vehicle is—

''(i) used to produce earned income;

''(ii) necessary for the transportation of a physically disabled household member; or

''(iii) depended on by a household to carry fuel for heating or water for home use and provides the primary source of fuel or water, respectively, for the household.''.

**SEC. 1022. VENDOR PAYMENTS FOR TRANSITIONAL HOUSING COUNTED AS INCOME.**

Section 5(k)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2014(k)(2)) is amended—

(1) by striking subparagraph (F); and

(2) by redesignating subparagraphs (G) and (H) as subparagraphs (F) and (G), respectively.

**SEC. 1023. DOUBLED PENALTIES FOR VIOLATING FOOD STAMP PROGRAM REQUIREMENTS.**

Section 6(b)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2015(b)(1)) is amended—

(1) in clause (i), by striking ''six months'' and inserting ''1 year''; and

(2) in clause (ii), by striking ''1 year'' and inserting ''2 years''.

**SEC. 1024. DISQUALIFICATION OF CONVICTED INDIVIDUALS.**

Section 6(b)(1)(iii) of the Food Stamp Act of 1977 (7 U.S.C. 2015(b)(1)(iii)) is amended—

(1) in subclause (II), by striking ''or'' at the end;

(2) in subclause (III), by striking the period at the end and inserting ''; or''; and

(3) by inserting after subclause (III) the following:

''(IV) a conviction of an offense under subsection (b) or (c) of section 15 involving an item covered by subsection (b) or (c) of section 15 having a value of $500 or more.''.

**SEC. 1025. DISQUALIFICATION.**

(a) IN GENERAL.—Section 6(d) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)) is amended by striking ''(d)(1) Unless otherwise exempted by the provisions'' and all that follows through the end of paragraph (1) and inserting the following:

''(d) CONDITIONS OF PARTICIPATION.—

''(1) WORK REQUIREMENTS.—

''(A) IN GENERAL.—No physically and mentally fit individual over the age of 15 and under the age of 60 shall be eligible to participate in the food stamp program if the individual—

''(i) refuses, at the time of application and every 12 months thereafter, to register for employment in a manner prescribed by the Secretary;

''(ii) refuses without good cause to participate in an employment and training program under paragraph (4), to the extent required by the State agency;

''(iii) refuses without good cause to accept an offer of employment, at a site or plant not subject to a strike or lockout at the time of the refusal, at a wage not less than the higher of—

''(I) the applicable Federal or State minimum wage; or

''(II) 80 percent of the wage that would have governed had the minimum hourly rate under section 6(a)(1) of the Fair Labor Standards Act

of 1938 (29 U.S.C. 206(a)(1)) been applicable to the offer of employment;

''(iv) refuses without good cause to provide a State agency with sufficient information to allow the State agency to determine the employment status or the job availability of the individual;

''(v) voluntarily and without good cause—

''(I) quits a job; or

''(II) reduces work effort and, after the reduction, the individual is working less than 30 hours per week; or

''(vi) fails to comply with section 20.

''(B) HOUSEHOLD INELIGIBILITY.—If an individual who is the head of a household becomes ineligible to participate in the food stamp program under subparagraph (A), the household shall, at the option of the State agency, become ineligible to participate in the food stamp program for a period, determined by the State agency, that does not exceed the lesser of—

''(i) the duration of the ineligibility of the individual determined under subparagraph (C); or

''(ii) 180 days.

''(C) DURATION OF INELIGIBILITY.—

''(i) FIRST VIOLATION.—The first time that an individual becomes ineligible to participate in the food stamp program under subparagraph (A), the individual shall remain ineligible until the later of—

''(I) the date the individual becomes eligible under subparagraph (A);

''(II) the date that is 1 month after the date the individual became ineligible; or

''(III) a date determined by the State agency that is not later than 3 months after the date the individual became ineligible.

''(ii) SECOND VIOLATION.—The second time that an individual becomes ineligible to participate in the food stamp program under subparagraph (A), the individual shall remain ineligible until the later of—

''(I) the date the individual becomes eligible under subparagraph (A);

''(II) the date that is 3 months after the date the individual became ineligible; or

''(III) a date determined by the State agency that is not later than 6 months after the date the individual became ineligible.

''(iii) THIRD OR SUBSEQUENT VIOLATION.—The third or subsequent time that an individual becomes ineligible to participate in the food stamp program under subparagraph (A), the individual shall remain ineligible until the later of—

''(I) the date the individual becomes eligible under subparagraph (A);

''(II) the date that is 6 months after the date the individual became ineligible;

''(III) a date determined by the State agency; or

''(IV) at the option of the State agency, permanently.

''(D) ADMINISTRATION.—

''(i) GOOD CAUSE.—The Secretary shall determine the meaning of good cause for the purpose of this paragraph.

''(ii) VOLUNTARY QUIT.—The Secretary shall determine the meaning of voluntarily quitting and reducing work effort for the purpose of this paragraph.

''(iii) DETERMINATION BY STATE AGENCY.—

''(I) IN GENERAL.—Subject to subclause (II) and clauses (i) and (ii), a State agency shall determine—

''(aa) the meaning of any term in subparagraph (A);

''(bb) the procedures for determining whether an individual is in compliance with a requirement under subparagraph (A); and

''(cc) whether an individual is in compliance with a requirement under subparagraph (A).

''(II) NOT LESS RESTRICTIVE.—A State agency may not determine a meaning, procedure, or determination under subclause (I) to be less restrictive than a comparable meaning, procedure, or determination under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).

''(iv) STRIKE AGAINST THE GOVERNMENT.—For the purpose of subparagraph (A)(v), an employee of the Federal Government, a State, or a political subdivision of a State, who is dismissed for participating in a strike against the Federal Government, the State, or the political subdivision of the State shall be considered to have voluntarily quit without good cause.

''(v) SELECTING A HEAD OF HOUSEHOLD.—

''(I) IN GENERAL.—For the purpose of this paragraph, the State agency shall allow the household to select any adult parent of a child in the household as the head of the household if all adult household members making application under the food stamp program agree to the selection.

''(II) TIME FOR MAKING DESIGNATION.—A household may designate the head of the household under subclause (I) each time the household is certified for participation in the food stamp program, but may not change the designation during a certification period unless there is a change in the composition of the household.

''(vi) CHANGE IN HEAD OF HOUSEHOLD.—If the head of a household leaves the household during a period in which the household is ineligible to participate in the food stamp program under subparagraph (B)—

''(I) the household shall, if otherwise eligible, become eligible to participate in the food stamp program; and

''(II) if the head of the household becomes the head of another household, the household that becomes headed by the individual shall become ineligible to participate in the food stamp program for the remaining period of ineligibility.''.

(b) CONFORMING AMENDMENT.—

(1) The second sentence of section 17(b)(2) of the Act (7 U.S.C. 2026(b)(2)) is amended by striking ''6(d)(1)(i)'' and inserting ''6(d)(1)(A)(i)''.

(2) Section 20 of the Act (7 U.S.C. 2029) is amended by striking subsection (f) and inserting the following:

''(f) DISQUALIFICATION.—An individual or a household may become ineligible under section 6(d)(1) to participate in the food stamp program for failing to comply with this section.''.

***SEC. 1026. CARETAKER EXEMPTION.***

Section 6(d)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)(2)) is amended by striking subparagraph (B) and inserting the following: ''(B) a parent or other member of a household with responsibility for the care of (i) a dependent child under the age of 6 or any lower age designated by the State agency that is not under the age of 1, or (ii) an incapacitated person;''.

***SEC. 1027. EMPLOYMENT AND TRAINING.***

(a) IN GENERAL.—Section 6(d)(4) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)(4)) is amended—

(1) in subparagraph (A)—

(A) by striking ''Not later than April 1, 1987, each'' and inserting ''Each'';

(B) by inserting ''work,'' after ''skills, training,''; and

(C) by adding at the end the following: ''Each component of an employment and training program carried out under this paragraph shall be delivered through a statewide workforce development system, unless the component is not available locally through the statewide workforce development system.'';

(2) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking the colon at the end and inserting the following: '', except that the State agency shall retain the option to apply employment requirements prescribed under this subparagraph to a program applicant at the time of application:'';

(B) in clause (i), by striking ''with terms and conditions'' and all that follows through ''time of application''; and

(C) in clause (iv)—

(i) by striking subclauses (I) and (II); and

(ii) by redesignating subclauses (III) and (IV) as subclauses (I) and (II), respectively;

(3) in subparagraph (D)—

(A) in clause (i), by striking ''to which the application'' and all that follows through ''30 days or less'';

(B) in clause (ii), by striking ''but with respect'' and all that follows through ''child care''; and

(C) in clause (iii), by striking '', on the basis of'' and all that follows through ''clause (ii)'' and inserting ''the exemption continues to be valid'';

(4) in subparagraph (E), by striking the third sentence;

(5) in subparagraph (G)—

(A) by striking ''(G)(i) The State'' and inserting ''(G) The State''; and

(B) by striking clause (ii);

(6) in subparagraph (H), by striking ''(H)(i) The Secretary'' and all that follows through ''(ii) Federal funds'' and inserting ''(H) Federal funds'';

(7) in subparagraph (I)(i)(II), by striking '', or was in operation,'' and all that follows through ''Social Security Act'' and inserting the following: ''), except that no such payment or reimbursement shall exceed the applicable local market rate'';

(8)(A) by striking subparagraphs (K) and (L) and inserting the following:

''(K) LIMITATION ON FUNDING.—Notwithstanding any other provision of this paragraph, the amount of funds a State agency uses to carry out this paragraph (including under subparagraph (I)) for participants who are receiving benefits under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) shall not exceed the amount of funds the State agency used in fiscal year 1995 to carry out this paragraph for participants who were receiving benefits in fiscal year 1995 under a State program funded under part A of title IV of the Act (42 U.S.C. 601 et seq.).''; and

(B) by redesignating subparagraphs (M) and (N) as subparagraphs (L) and (M), respectively; and

(9) in subparagraph (L), as redesignated by paragraph (8)(B)—

(A) by striking ''(L)(i) The Secretary'' and inserting ''(L) The Secretary''; and

(B) by striking clause (ii).

(b) FUNDING.—Section 16(h) of the Act (7 U.S.C. 2025(h)) is amended by striking ''(h)(1)(A) The Secretary'' and all that follows through the end of paragraph (1) and inserting the following:

''(h) FUNDING OF EMPLOYMENT AND TRAINING PROGRAMS.—

''(1) IN GENERAL.—

''(A) AMOUNTS.—To carry out employment and training programs, the Secretary shall reserve for allocation to State agencies from funds made available for each fiscal year under section 18(a)(1) the amount of—

''(i) for fiscal year 1996, $77,000,000;

''(ii) for fiscal year 1997, $79,000,000;

''(iii) for fiscal year 1998, $81,000,000;

''(iv) for fiscal year 1999, $84,000,000;

''(v) for fiscal year 2000, $86,000,000;

''(vi) for fiscal year 2001, $88,000,000; and

''(vii) for fiscal year 2002, $90,000,000.

''(B) ALLOCATION.—The Secretary shall allocate the amounts reserved under subparagraph (A) among the State agencies using a reasonable formula (as determined by the Secretary) that gives consideration to the population in each State affected by section 6(o).

''(C) REALLOCATION.—

''(i) NOTIFICATION.—A State agency shall promptly notify the Secretary if the State agency determines that the State agency will not expend all of the funds allocated to the State agency under subparagraph (B).

''(ii) REALLOCATION.—On notification under clause (i), the Secretary shall reallocate the funds that the State agency will not expend as the Secretary considers appropriate and equitable.

''(D) MINIMUM ALLOCATION.—Notwithstanding subparagraphs (A) through (C), the Secretary shall ensure that each State agency operating an employment and training program

*shall receive not less than $50,000 in each fiscal year.''.*

*(c) ADDITIONAL MATCHING FUNDS.—Section 16(h)(2) of the Act (7 U.S.C. 2025(h)(2)) is amended by inserting before the period at the end the following: '', including the costs for case management and casework to facilitate the transition from economic dependency to self-sufficiency through work''.*

*(d) REPORTS.—Section 16(h) of the Act (7 U.S.C. 2025(h)) is amended—*

*(1) in paragraph (5)—*

*(A) by striking ''(5)(A) The Secretary'' and inserting ''(5) The Secretary''; and*

*(B) by striking subparagraph (B); and*

*(2) by striking paragraph (6).*

***SEC. 1028. COMPARABLE TREATMENT FOR DISQUALIFICATION.***

*(a) IN GENERAL.—Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015) is amended—*

*(1) by redesignating subsection (i), as added by section 107, as subsection (p); and*

*(2) by inserting after subsection (h) the following:*

*''(i) COMPARABLE TREATMENT FOR DISQUALIFICATION.—*

*''(1) IN GENERAL.—If a disqualification is imposed on a member of a household for a failure of the member to perform an action required under a Federal, State, or local law relating to a means-tested public assistance program, the State agency may impose the same disqualification on the member of the household under the food stamp program.*

*''(2) RULES AND PROCEDURES.—If a disqualification is imposed under paragraph (1) for a failure of an individual to perform an action required under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the State agency may use the rules and procedures that apply under part A of title IV of the Act to impose the same disqualification under the food stamp program.*

*''(3) APPLICATION AFTER DISQUALIFICATION PERIOD.—A member of a household disqualified under paragraph (1) may, after the disqualification period has expired, apply for benefits under this Act and shall be treated as a new applicant, except that a prior disqualification under subsection (d) shall be considered in determining eligibility.''.*

*(b) STATE PLAN PROVISIONS.—Section 11(e) of the Act (7 U.S.C. 2020(e)) is amended—*

*(1) in paragraph (24), by striking ''and'' at the end;*

*(2) in paragraph (25), by striking the period at the end and inserting a semicolon; and*

*(3) by adding at the end the following:*

*''(26) the guidelines the State agency uses in carrying out section 6(i); and''.*

*(c) CONFORMING AMENDMENT.—Section 6(d)(2)(A) of the Act (7 U.S.C. 2015(d)(2)(A)) is amended by striking ''that is comparable to a requirement of paragraph (1)''.*

***SEC. 1029. DISQUALIFICATION FOR RECEIPT OF MULTIPLE FOOD STAMP BENEFITS.***

*Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1028, is further amended by inserting after subsection (i) the following:*

*''(j) DISQUALIFICATION FOR RECEIPT OF MULTIPLE FOOD STAMP BENEFITS.—An individual shall be ineligible to participate in the food stamp program as a member of any household for a 10-year period if the individual is found by a State agency to have made, or is convicted in a Federal or State court of having made, a fraudulent statement or representation with respect to the identity or place of residence of the individual in order to receive multiple benefits simultaneously under the food stamp program.''.*

***SEC. 1030. DISQUALIFICATION OF FLEEING FELONS.***

*Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1029, is further amended by inserting after subsection (j) the following:*

*''(k) DISQUALIFICATION OF FLEEING FELONS.—No member of a household who is otherwise eligible to participate in the food stamp program shall be eligible to participate in the program as a member of that or any other household during any period during which the individual is—*

*''(1) fleeing to avoid prosecution, or custody or confinement after conviction, under the law of the place from which the individual is fleeing, for a crime, or attempt to commit a crime, that is a felony under the law of the place from which the individual is fleeing or that, in the case of New Jersey, is a high misdemeanor under the law of New Jersey; or*

*''(2) violating a condition of probation or parole imposed under a Federal or State law.''.*

***SEC. 1031. COOPERATION WITH CHILD SUPPORT AGENCIES.***

*Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1030, is further amended by inserting after subsection (k) the following:*

*''(l) CUSTODIAL PARENT'S COOPERATION WITH CHILD SUPPORT AGENCIES.—*

*''(1) IN GENERAL.—At the option of a State agency, subject to paragraphs (2) and (3), no natural or adoptive parent or other individual (collectively referred to in this subsection as 'the individual') who is living with and exercising parental control over a child under the age of 18 who has an absent parent shall be eligible to participate in the food stamp program unless the individual cooperates with the State agency administering the program established under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.)—*

*''(A) in establishing the paternity of the child (if the child is born out of wedlock); and*

*''(B) in obtaining support for—*

*''(i) the child; or*

*''(ii) the individual and the child.*

*''(2) GOOD CAUSE FOR NONCOOPERATION.—Paragraph (1) shall not apply to the individual if good cause is found for refusing to cooperate, as determined by the State agency in accordance with standards prescribed by the Secretary in consultation with the Secretary of Health and Human Services. The standards shall take into consideration circumstances under which cooperation may be against the best interests of the child.*

*''(3) FEES.—Paragraph (1) shall not require the payment of a fee or other cost for services provided under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.).*

*''(m) NON-CUSTODIAL PARENT'S COOPERATION WITH CHILD SUPPORT AGENCIES.—*

*''(1) IN GENERAL.—At the option of a State agency, subject to paragraphs (2) and (3), a putative or identified non-custodial parent of a child under the age of 18 (referred to in this subsection as 'the individual') shall not be eligible to participate in the food stamp program if the individual refuses to cooperate with the State agency administering the program established under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.)—*

*''(A) in establishing the paternity of the child (if the child is born out of wedlock); and*

*''(B) in providing support for the child.*

*''(2) REFUSAL TO COOPERATE.—*

*''(A) GUIDELINES.—The Secretary, in consultation with the Secretary of Health and Human Services, shall develop guidelines on what constitutes a refusal to cooperate under paragraph (1).*

*''(B) PROCEDURES.—The State agency shall develop procedures, using guidelines developed under subparagraph (A), for determining whether an individual is refusing to cooperate under paragraph (1).*

*''(3) FEES.—Paragraph (1) shall not require the payment of a fee or other cost for services provided under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.).*

*''(4) PRIVACY.—The State agency shall provide safeguards to restrict the use of information collected by a State agency administering the program established under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.) to purposes for which the information is collected.''.*

***SEC. 1032. DISQUALIFICATION RELATING TO CHILD SUPPORT ARREARS.***

*Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1031, is further amended by inserting after subsection (m) the following:*

*''(n) DISQUALIFICATION FOR CHILD SUPPORT ARREARS.—*

*''(1) IN GENERAL.—No individual shall be eligible to participate in the food stamp program as a member of any household during any month that the individual is delinquent in any payment due under a court order for the support of a child of the individual.*

*''(2) EXCEPTIONS.—Paragraph (1) shall not apply if—*

*''(A) a court is allowing the individual to delay payment; or*

*''(B) the individual is complying with a payment plan approved by a court or the State agency designated under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.) to provide support for the child of the individual.''.*

***SEC. 1033. WORK REQUIREMENT.***

*(a) IN GENERAL.—Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1032, is further amended by inserting after subsection (n) the following:*

*''(o) WORK REQUIREMENT.—*

*''(1) DEFINITION OF WORK PROGRAM.—In this subsection, the term 'work program' means—*

*''(A) a program under the Job Training Partnership Act (29 U.S.C. 1501 et seq.);*

*''(B) a program under section 236 of the Trade Act of 1974 (19 U.S.C. 2296); or*

*''(C) a program of employment or training operated or supervised by a State or political subdivision of a State that meets standards approved by the Governor of the State, including a program under section 6(d)(4), other than a job search program or a job search training program.*

*''(2) WORK REQUIREMENT.—Subject to the other provisions of this subsection, no individual shall be eligible to participate in the food stamp program as a member of any household if, during the preceding 12-month period, the individual received food stamp benefits for not less than 4 months during which the individual did not—*

*''(A) work 20 hours or more per week, averaged monthly; or*

*''(B) participate in and comply with the requirements of a work program for 20 hours or more per week, as determined by the State agency; or*

*''(C) participate in a program under section 20 or a comparable program established by a State or political subdivision of a State.*

*''(3) EXCEPTION.—Paragraph (2) shall not apply to an individual if the individual is—*

*''(A) under 18 or over 50 years of age;*

*''(B) medically certified as physically or mentally unfit for employment;*

*''(C) a parent or other member of a household with responsibility for a dependent child;*

*''(D) otherwise exempt under section 6(d)(2); or*

*''(E) a pregnant woman.*

*''(4) WAIVER.—*

*''(A) IN GENERAL.—On the request of a State agency, the Secretary may waive the applicability of paragraph (2) to any group of individuals in the State if the Secretary makes a determination that the area in which the individuals reside—*

*''(i) has an unemployment rate of over 10 percent; or*

*''(ii) does not have a sufficient number of jobs to provide employment for the individuals.*

*''(B) REPORT.—The Secretary shall report the basis for a waiver under subparagraph (A) to*

the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

''(5) SUBSEQUENT ELIGIBILITY.—

''(A) IN GENERAL.—Paragraph (2) shall cease to apply to an individual if, during a 30-day period, the individual—

''(i) works 80 or more hours;

''(ii) participates in and complies with the requirements of a work program for 80 or more hours, as determined by a State agency; or

''(iii) participates in a program under section 20 or a comparable program established by a State or political subdivision of a State.

''(B) LIMITATION.—During the subsequent 12-month period, the individual shall be eligible to participate in the food stamp program for not more than 4 months during which the individual does not—

''(i) work 20 hours or more per week, averaged monthly;

''(ii) participate in and comply with the requirements of a work program for 20 hours or more per week, as determined by the State agency; or

''(iii) participate in a program under section 20 or a comparable program established by a State or political subdivision of a State.''.

(b) TRANSITION PROVISION.—Prior to 1 year after the date of enactment of this Act, the term ''preceding 12-month period'' in section 6(o) of the Food Stamp Act of 1977, as amended by subsection (a), means the preceding period that begins on the date of enactment of this Act.

**SEC. 1034. ENCOURAGE ELECTRONIC BENEFIT TRANSFER SYSTEMS.**

(a) IN GENERAL.—Section 7(i) of the Food Stamp Act of 1977 (7 U.S.C. 2016(i)) is amended—

(1) by striking paragraph (1) and inserting the following:

''(1) ELECTRONIC BENEFIT TRANSFERS.—

''(A) IMPLEMENTATION.—Each State agency shall implement an electronic benefit transfer system in which household benefits determined under section 8(a) or 24 are issued from and stored in a central databank before October 1, 2002, unless the Secretary provides a waiver for a State agency that faces unusual barriers to implementing an electronic benefit transfer system.

''(B) TIMELY IMPLEMENTATION.—State agencies are encouraged to implement an electronic benefit transfer system under subparagraph (A) as soon as practicable.

''(C) STATE FLEXIBILITY.—Subject to paragraph (2), a State agency may procure and implement an electronic benefit transfer system under the terms, conditions, and design that the State agency considers appropriate.

''(D) OPERATION.—An electronic benefit transfer system should take into account generally accepted standard operating rules based on—

''(i) commercial electronic funds transfer technology;

''(ii) the need to permit interstate operation and law enforcement monitoring; and

''(iii) the need to permit monitoring and investigations by authorized law enforcement agencies.'';

(2) in paragraph (2)—

(A) by striking ''effective no later than April 1, 1992,'';

(B) in subparagraph (A)—

(i) by striking '', in any 1 year,''; and

(ii) by striking ''on-line'';

(C) by striking subparagraph (D) and inserting the following:

''(D)(i) measures to maximize the security of a system using the most recent technology available that the State agency considers appropriate and cost effective and which may include personal identification numbers, photographic identification on electronic benefit transfer cards, and other measures to protect against fraud and abuse; and

''(ii) effective not later than 2 years after the effective date of this clause, to the extent practicable, measures that permit a system to differentiate items of food that may be acquired with an allotment from items of food that may not be acquired with an allotment.'';

(D) in subparagraph (G), by striking ''and'' at the end;

(E) in subparagraph (H), by striking the period at the end and inserting ''; and''; and

(F) by adding at the end the following:

''(I) procurement standards.''; and

(3) by adding at the end the following:

''(7) REPLACEMENT OF BENEFITS.—Regulations issued by the Secretary regarding the replacement of benefits and liability for replacement of benefits under an electronic benefit transfer system shall be similar to the regulations in effect for a paper food stamp issuance system.

''(8) REPLACEMENT CARD FEE.—A State agency may collect a charge for replacement of an electronic benefit transfer card by reducing the monthly allotment of the household receiving the replacement card.

''(9) OPTIONAL PHOTOGRAPHIC IDENTIFICATION.—

''(A) IN GENERAL.—A State agency may require that an electronic benefit card contain a photograph of 1 or more members of a household.

''(B) OTHER AUTHORIZED USERS.—If a State agency requires a photograph on an electronic benefit card under subparagraph (A), the State agency shall establish procedures to ensure that any other appropriate member of the household or any authorized representative of the household may utilize the card.''.

(b) SENSE OF CONGRESS.—It is the sense of Congress that a State that operates an electronic benefit transfer system under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) should operate the system in a manner that is compatible with electronic benefit transfer systems operated by other States.

**SEC. 1035. VALUE OF MINIMUM ALLOTMENT.**

The proviso in section 8(a) of the Food Stamp Act of 1977 (7 U.S.C. 2017(a)) is amended by striking '', and shall be adjusted'' and all that follows through ''$5''.

**SEC. 1036. BENEFITS ON RECERTIFICATION.**

Section 8(c)(2)(B) of the Food Stamp Act of 1977 (7 U.S.C. 2017(c)(2)(B)) is amended by striking ''of more than one month''.

**SEC. 1037. OPTIONAL COMBINED ALLOTMENT FOR EXPEDITED HOUSEHOLDS.**

Section 8(c) of the Food Stamp Act of 1977 (7 U.S.C. 2017(c)) is amended by striking paragraph (3) and inserting the following:

''(3) OPTIONAL COMBINED ALLOTMENT FOR EXPEDITED HOUSEHOLDS.—A State agency may provide to an eligible household applying after the 15th day of a month, in lieu of the initial allotment of the household and the regular allotment of the household for the following month, an allotment that is equal to the total amount of the initial allotment and the first regular allotment. The allotment shall be provided in accordance with section 11(e)(3) in the case of a household that is not entitled to expedited service and in accordance with paragraphs (3) and (9) of section 11(e) in the case of a household that is entitled to expedited service.''.

**SEC. 1038. FAILURE TO COMPLY WITH OTHER MEANS-TESTED PUBLIC ASSISTANCE PROGRAMS.**

Section 8 of the Food Stamp Act of 1977 (7 U.S.C. 2017) is amended by striking subsection (d) and inserting the following:

''(d) REDUCTION OF PUBLIC ASSISTANCE BENEFITS.—

''(1) IN GENERAL.—If the benefits of a household are reduced under a Federal, State, or local law relating to a means-tested public assistance program for the failure of a member of the household to perform an action required under the law or program, for the duration of the reduction—

''(A) the household may not receive an increased allotment as the result of a decrease in the income of the household to the extent that the decrease is the result of the reduction; and

''(B) the State agency may reduce the allotment of the household by not more than 25 percent.

''(2) RULES AND PROCEDURES.—If the allotment of a household is reduced under this subsection for a failure to perform an action required under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the State agency may use the rules and procedures that apply under part A of title IV of the Act to reduce the allotment under the food stamp program.''.

**SEC. 1039. ALLOTMENTS FOR HOUSEHOLDS RESIDING IN CENTERS.**

Section 8 of the Food Stamp Act of 1977 (7 U.S.C. 2017) is amended by adding at the end the following:

''(f) ALLOTMENTS FOR HOUSEHOLDS RESIDING IN CENTERS.—

''(1) IN GENERAL.—In the case of an individual who resides in a center for the purpose of a drug or alcoholic treatment program described in the last sentence of section 3(i), a State agency may provide an allotment for the individual to—

''(A) the center as an authorized representative of the individual for a period that is less than 1 month; and

''(B) the individual, if the individual leaves the center.

''(2) DIRECT PAYMENT.—A State agency may require an individual referred to in paragraph (1) to designate the center in which the individual resides as the authorized representative of the individual for the purpose of receiving an allotment.''.

**SEC. 1040. CONDITION PRECEDENT FOR APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS.**

Section 9(a)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)(1)) is amended by adding at the end the following: ''No retail food store or wholesale food concern of a type determined by the Secretary, based on factors that include size, location, and type of items sold, shall be approved to be authorized or reauthorized for participation in the food stamp program unless an authorized employee of the Department of Agriculture, a designee of the Secretary, or, if practicable, an official of the State or local government designated by the Secretary has visited the store or concern for the purpose of determining whether the store or concern should be approved or reauthorized, as appropriate.''.

**SEC. 1041. AUTHORITY TO ESTABLISH AUTHORIZATION PERIODS.**

Section 9(a) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)) is amended by adding at the end the following:

''(3) AUTHORIZATION PERIODS.—The Secretary shall establish specific time periods during which authorization to accept and redeem coupons, or to redeem benefits through an electronic benefit transfer system, shall be valid under the food stamp program.''.

**SEC. 1042. INFORMATION FOR VERIFYING ELIGIBILITY FOR AUTHORIZATION.**

Section 9(c) of the Food Stamp Act of 1977 (7 U.S.C. 2018(c)) is amended—

(1) in the first sentence, by inserting '', which may include relevant income and sales tax filing documents,'' after ''submit information''; and

(2) by inserting after the first sentence the following: ''The regulations may require retail food stores and wholesale food concerns to provide written authorization for the Secretary to verify all relevant tax filings with appropriate agencies and to obtain corroborating documentation from other sources so that the accuracy of information provided by the stores and concerns may be verified.''.

**SEC. 1043. WAITING PERIOD FOR STORES THAT FAIL TO MEET AUTHORIZATION CRITERIA.**

Section 9(d) of the Food Stamp Act of 1977 (7 U.S.C. 2018(d)) is amended by adding at the end the following: ''A retail food store or wholesale

food concern that is denied approval to accept and redeem coupons because the store or concern does not meet criteria for approval established by the Secretary may not, for at least 6 months, submit a new application to participate in the program. The Secretary may establish a longer time period under the preceding sentence, including permanent disqualification, that reflects the severity of the basis of the denial.''.

**SEC. 1044. OPERATION OF FOOD STAMP OFFICES.**

Section 11 of the Food Stamp Act of 1977 (7 U.S.C. 2020), as amended by section 1020(b), is further amended—

(1) in subsection (e)—

(A) by striking paragraph (2) and inserting the following:

''(2)(A) that the State agency shall establish procedures governing the operation of food stamp offices that the State agency determines best serve households in the State, including households with special needs, such as households with elderly or disabled members, households in rural areas with low-income members, homeless individuals, households residing on reservations, and households in areas in which a substantial number of members of low-income households speak a language other than English.

''(B) In carrying out subparagraph (A), a State agency—

''(i) shall provide timely, accurate, and fair service to applicants for, and participants in, the food stamp program;

''(ii) shall develop an application containing the information necessary to comply with this Act;

''(iii) shall permit an applicant household to apply to participate in the program on the same day that the household first contacts a food stamp office in person during office hours;

''(iv) shall consider an application that contains the name, address, and signature of the applicant to be filed on the date the applicant submits the application;

''(v) shall require that an adult representative of each applicant household certify in writing, under penalty of perjury, that—

''(I) the information contained in the application is true; and

''(II) all members of the household are citizens or are aliens eligible to receive food stamps under section 6(f);

''(vi) shall provide a method of certifying and issuing coupons to eligible homeless individuals, to ensure that participation in the food stamp program is limited to eligible households; and

''(vii) may establish operating procedures that vary for local food stamp offices to reflect regional and local differences within the State.

''(C) Nothing in this Act shall prohibit the use of signatures provided and maintained electronically, storage of records using automated retrieval systems only, or any other feature of a State agency's application system that does not rely exclusively on the collection and retention of paper applications or other records.

''(D) The signature of any adult under this paragraph shall be considered sufficient to comply with any provision of Federal law requiring a household member to sign an application or statement.'';

(B) in paragraph (3)—

(i) by striking ''shall—'' and all that follows through ''provide each'' and inserting ''shall provide each''; and

(ii) by striking ''(B) assist'' and all that follows through ''representative of the State agency;'';

(C) by striking paragraphs (14) and (25);

(D)(i) by redesignating paragraphs (15) through (24) as paragraphs (14) through (23), respectively; and

(ii) by redesignating paragraph (26) as paragraph (24); and

(2) in subsection (i)—

(A) by striking ''(i) Notwithstanding'' and all that follows through ''(2)'' and inserting the following:

''(i) APPLICATION AND DENIAL PROCEDURES.—

''(1) APPLICATION PROCEDURES.—Notwithstanding any other provision of law,''; and

(B) by striking ''; (3) households'' and all that follows through ''title IV of the Social Security Act. No'' and inserting a period and the following:

''(2) DENIAL AND TERMINATION.—Other than in a case of disqualification as a penalty for failure to comply with a public assistance program rule or regulation, no''.

**SEC. 1045. STATE EMPLOYEE AND TRAINING STANDARDS.**

Section 11(e)(6) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(6)) is amended—

(1) by striking ''that (A) the'' and inserting ''that—

''(A) the'';

(2) by striking ''Act; (B) the'' and inserting ''Act; and

''(B) the'';

(3) in subparagraph (B), by striking ''United States Civil Service Commission'' and inserting ''Office of Personnel Management''; and

(4) by striking subparagraphs (C) through (E).

**SEC. 1046. EXCHANGE OF LAW ENFORCEMENT INFORMATION.**

Section 11(e)(8) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(8)) is amended—

(1) by striking ''that (A) such'' and inserting the following: ''that—

''(A) the'';

(2) by striking ''law, (B) notwithstanding'' and inserting the following: ''law;

''(B) notwithstanding'';

(3) by striking ''Act, and (C) such'' and inserting the following: ''Act;

''(C) the''; and

(4) by adding at the end the following:

''(D) notwithstanding any other provision of law, the address, social security number, and, if available, photograph of any member of a household shall be made available, on request, to any Federal, State, or local law enforcement officer if the officer furnishes the State agency with the name of the member and notifies the agency that—

''(i) the member—

''(I) is fleeing to avoid prosecution, or custody or confinement after conviction, for a crime (or attempt to commit a crime) that, under the law of the place the member is fleeing, is a felony (or, in the case of New Jersey, a high misdemeanor), or is violating a condition of probation or parole imposed under Federal or State law; or

''(II) has information that is necessary for the officer to conduct an official duty related to subclause (I);

''(ii) locating or apprehending the member is an official duty; and

''(iii) the request is being made in the proper exercise of an official duty; and

''(E) the safeguards shall not prevent compliance with paragraph (16);''.

**SEC. 1047. EXPEDITED COUPON SERVICE.**

Section 11(e)(9) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(9)) is amended—

(1) in subparagraph (A)—

(A) by striking ''five days'' and inserting ''7 days''; and

(B) by inserting ''and'' at the end;

(2) by striking subparagraphs (B) and (C);

(3) by redesignating subparagraph (D) as subparagraph (B); and

(4) in subparagraph (B), as redesignated by paragraph (3), by striking '', (B), or (C)''.

**SEC. 1048. WITHDRAWING FAIR HEARING REQUESTS.**

Section 11(e)(10) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(10)) is amended by inserting before the semicolon at the end a period and the following: ''At the option of a State, at any time prior to a fair hearing determination under this paragraph, a household may withdraw, orally or in writing, a request by the household for the fair hearing. If the withdrawal request is an oral request, the State agency shall provide a written notice to the household confirming the withdrawal request and providing the household with an opportunity to request a hearing''.

**SEC. 1049. INCOME, ELIGIBILITY, AND IMMIGRATION STATUS VERIFICATION SYSTEMS.**

Section 11 of the Food Stamp Act of 1977 (7 U.S.C. 2020) is amended—

(1) in subsection (e)(18), as redesignated by section 1044(1)(D)—

(A) by striking ''that information is'' and inserting ''at the option of the State agency, that information may be''; and

(B) by striking ''shall be requested'' and inserting ''may be requested''; and

(2) by adding at the end the following:

''(p) STATE VERIFICATION OPTION.—Notwithstanding any other provision of law, in carrying out the food stamp program, a State agency shall not be required to use an income and eligibility or an immigration status verification system established under section 1137 of the Social Security Act (42 U.S.C. 1320b–7).''.

**SEC. 1050. DISQUALIFICATION OF RETAILERS WHO INTENTIONALLY SUBMIT FALSIFIED APPLICATIONS.**

Section 12(b) of the Food Stamp Act of 1977 (7 U.S.C. 2021(b)) is amended—

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

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

(3) by adding at the end the following:

''(4) for a reasonable period of time to be determined by the Secretary, including permanent disqualification, on the knowing submission of an application for the approval or reauthorization to accept and redeem coupons that contains false information about a substantive matter that was a part of the application.''.

**SEC. 1051. DISQUALIFICATION OF RETAILERS WHO ARE DISQUALIFIED UNDER THE WIC PROGRAM.**

Section 12 of the Food Stamp Act of 1977 (7 U.S.C. 2021) is amended by adding at the end the following:

''(g) DISQUALIFICATION OF RETAILERS WHO ARE DISQUALIFIED UNDER THE WIC PROGRAM.—

''(1) IN GENERAL.—The Secretary shall issue regulations providing criteria for the disqualification under this Act of an approved retail food store and a wholesale food concern that is disqualified from accepting benefits under the special supplemental nutrition program for women, infants, and children established under section 17 of the Child Nutrition Act of 1966 (7 U.S.C. 1786).

''(2) TERMS.—A disqualification under paragraph (1)—

''(A) shall be for the same length of time as the disqualification from the program referred to in paragraph (1);

''(B) may begin at a later date than the disqualification from the program referred to in paragraph (1); and

''(C) notwithstanding section 14, shall not be subject to judicial or administrative review.''.

**SEC. 1052. COLLECTION OF OVERISSUANCES.**

(a) COLLECTION OF OVERISSUANCES.—Section 13 of the Food Stamp Act of 1977 (7 U.S.C. 2022) is amended—

(1) by striking subsection (b) and inserting the following:

''(b) COLLECTION OF OVERISSUANCES.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, a State agency shall collect any overissuance of coupons issued to a household by—

''(A) reducing the allotment of the household;

''(B) withholding amounts from unemployment compensation from a member of the household under subsection (c);

''(C) recovering from Federal pay or a Federal income tax refund under subsection (d); or

''(D) any other means.

''(2) COST EFFECTIVENESS.—Paragraph (1) shall not apply if the State agency demonstrates

to the satisfaction of the Secretary that all of the means referred to in paragraph (1) are not cost effective.

''(3) MAXIMUM REDUCTION ABSENT FRAUD.—If a household received an overissuance of coupons without any member of the household being found ineligible to participate in the program under section 6(b)(1) and a State agency elects to reduce the allotment of the household under paragraph (1)(A), the State agency shall not reduce the monthly allotment of the household under paragraph (1)(A) by an amount in excess of the greater of—

''(A) 10 percent of the monthly allotment of the household; or

''(B) $10.

''(4) PROCEDURES.—A State agency shall collect an overissuance of coupons issued to a household under paragraph (1) in accordance with the requirements established by the State agency for providing notice, electing a means of payment, and establishing a time schedule for payment.''; and

(2) in subsection (d)—

(A) by striking ''as determined under subsection (b) and except for claims arising from an error of the State agency,'' and inserting '', as determined under subsection (b)(1),''; and

(B) by inserting before the period at the end the following: ''or a Federal income tax refund as authorized by section 3720A of title 31, United States Code''.

(b) CONFORMING AMENDMENTS.—Section 11(e)(8) of the Act (7 U.S.C. 2020(e)(8)) is amended—

(1) by striking ''and excluding claims'' and all that follows through ''such section''; and

(2) by inserting before the semicolon at the end the following: ''or a Federal income tax refund as authorized by section 3720A of title 31, United States Code''.

(c) RETENTION RATE.—Section 16(a) of the Act (7 U.S.C. 2025(a)) is amended by striking ''25 percent during the period beginning October 1, 1990'' and all that follows through ''error of a State agency'' and inserting the following: ''25 percent of the overissuances collected by the State agency under section 13, except those overissuances arising from an error of the State agency''.

**SEC. 1053. AUTHORITY TO SUSPEND STORES VIOLATING PROGRAM REQUIREMENTS PENDING ADMINISTRATIVE AND JUDICIAL REVIEW.**

Section 14(a) of the Food Stamp Act of 1977 (7 U.S.C. 2023(a)) is amended—

(1) by redesignating the first through seventeenth sentences as paragraphs (1) through (17), respectively; and

(2) by adding at the end the following:

''(18) SUSPENSION OF STORES PENDING REVIEW.—Notwithstanding any other provision of this subsection, any permanent disqualification of a retail food store or wholesale food concern under paragraph (3) or (4) of section 12(b) shall be effective from the date of receipt of the notice of disqualification. If the disqualification is reversed through administrative or judicial review, the Secretary shall not be liable for the value of any sales lost during the disqualification period.''.

**SEC. 1054. EXPANDED CRIMINAL FORFEITURE FOR VIOLATIONS.**

(a) FORFEITURE OF ITEMS EXCHANGED IN FOOD STAMP TRAFFICKING.—The first sentence of section 15(g) of the Food Stamp Act of 1977 (7 U.S.C. 2024(g)) is amended by striking ''or intended to be furnished''.

(b) CRIMINAL FORFEITURE.—Section 15 of the Act (7 U.S.C. 2024) is amended by adding at the end the following:

''(h) CRIMINAL FORFEITURE.—

''(1) IN GENERAL.—In imposing a sentence on a person convicted of an offense in violation of subsection (b) or (c), a court shall order, in addition to any other sentence imposed under this subsection, that the person forfeit to the United States all property described in paragraph (2).

''(2) PROPERTY SUBJECT TO FORFEITURE.—All property, real and personal, used in a transaction or attempted transaction, to commit, or to facilitate the commission of, a violation (other than a misdemeanor) of subsection (b) or (c), or proceeds traceable to a violation of subsection (b) or (c), shall be subject to forfeiture to the United States under paragraph (1).

''(3) INTEREST OF OWNER.—No interest in property shall be forfeited under this subsection as the result of any act or omission established by the owner of the interest to have been committed or omitted without the knowledge or consent of the owner.

''(4) PROCEEDS.—The proceeds from any sale of forfeited property and any monies forfeited under this subsection shall be used—

''(A) first, to reimburse the Department of Justice for the costs incurred by the Department to initiate and complete the forfeiture proceeding;

''(B) second, to reimburse the Department of Agriculture Office of Inspector General for any costs the Office incurred in the law enforcement effort resulting in the forfeiture;

''(C) third, to reimburse any Federal or State law enforcement agency for any costs incurred in the law enforcement effort resulting in the forfeiture; and

''(D) fourth, by the Secretary to carry out the approval, reauthorization, and compliance investigations of retail stores and wholesale food concerns under section 9.''.

**SEC. 1055. LIMITATION OF FEDERAL MATCH.**

Section 16(a)(4) of the Food Stamp Act of 1977 (7 U.S.C. 2025(a)(4)) is amended by inserting after the comma at the end the following: ''but not including recruitment activities,''.

**SEC. 1056. STANDARDS FOR ADMINISTRATION.**

(a) IN GENERAL.—Section 16 of the Food Stamp Act of 1977 (7 U.S.C. 2025) is amended by striking subsection (b).

(b) CONFORMING AMENDMENTS.—

(1) The first sentence of section 11(g) of the Act (7 U.S.C. 2020(g)) is amended by striking ''the Secretary's standards for the efficient and effective administration of the program established under section 16(b)(1) or''.

(2) Section 16(c)(1)(B) of the Act (7 U.S.C. 2025(c)(1)(B)) is amended by striking ''pursuant to subsection (b)''.

**SEC. 1057. WORK SUPPLEMENTATION OR SUPPORT PROGRAM.**

Section 16 of the Food Stamp Act of 1977 (7 U.S.C. 2025), as amended by section 1056(a), is further amended by inserting after subsection (a) the following:

''(b) WORK SUPPLEMENTATION OR SUPPORT PROGRAM.—

''(1) DEFINITION OF WORK SUPPLEMENTATION OR SUPPORT PROGRAM.—In this subsection, the term 'work supplementation or support program' means a program under which, as determined by the Secretary, public assistance (including any benefits provided under a program established by the State and the food stamp program) is provided to an employer to be used for hiring and employing a public assistance recipient who was not employed by the employer at the time the public assistance recipient entered the program.

''(2) PROGRAM.—A State agency may elect to use an amount equal to the allotment that would otherwise be issued to a household under the food stamp program, but for the operation of this subsection, for the purpose of subsidizing or supporting a job under a work supplementation or support program established by the State.

''(3) PROCEDURE.—If a State agency makes an election under paragraph (2) and identifies each household that participates in the food stamp program that contains an individual who is participating in the work supplementation or support program—

''(A) the Secretary shall pay to the State agency an amount equal to the value of the allotment that the household would be eligible to receive but for the operation of this subsection;

''(B) the State agency shall expend the amount received under subparagraph (A) in accordance with the work supplementation or support program in lieu of providing the allotment that the household would receive but for the operation of this subsection;

''(C) for purposes of—

''(i) sections 5 and 8(a), the amount received under this subsection shall be excluded from household income and resources; and

''(ii) section 8(b), the amount received under this subsection shall be considered to be the value of an allotment provided to the household; and

''(D) the household shall not receive an allotment from the State agency for the period during which the member continues to participate in the work supplementation or support program.

''(4) OTHER WORK REQUIREMENTS.—No individual shall be excused, by reason of the fact that a State has a work supplementation or support program, from any work requirement under section 6(d), except during the periods in which the individual is employed under the work supplementation or support program.

''(5) LENGTH OF PARTICIPATION.—A State agency shall provide a description of how the public assistance recipients in the program shall, within a specific period of time, be moved from supplemented or supported employment to employment that is not supplemented or supported.

''(6) DISPLACEMENT.—A work supplementation or support program shall not displace the employment of individuals who are not supplemented or supported.''.

**SEC. 1058. WAIVER AUTHORITY.**

Section 17(b)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2026(b)(1)) is amended—

(1) by redesignating subparagraph (B) as subparagraph (C); and

(2) in subparagraph (A)—

(A) by striking the second sentence; and

(B) by striking ''benefits to eligible households, including'' and inserting the following: ''benefits to eligible households, and may waive any requirement of this Act to the extent necessary for the project to be conducted.

''(B) PROJECT REQUIREMENTS.—

''(i) PROGRAM GOAL.—The Secretary may not conduct a project under subparagraph (A) unless the project is consistent with the goal of the food stamp program of providing food assistance to raise levels of nutrition among low-income individuals.

''(ii) PERMISSIBLE PROJECTS.—The Secretary may conduct a project under subparagraph (A) to—

''(I) improve program administration;

''(II) increase the self-sufficiency of food stamp recipients;

''(III) test innovative welfare reform strategies; and

''(IV) allow greater conformity with the rules of other programs than would be allowed but for this paragraph.

''(iii) IMPERMISSIBLE PROJECTS.—The Secretary may not conduct a project under subparagraph (A) that—

''(I) involves the payment of the value of an allotment in the form of cash, unless the project was approved prior to the date of enactment of this subparagraph;

''(II) substantially transfers funds made available under this Act to services or benefits provided primarily through another public assistance program; or

''(III) is not limited to a specific time period.

''(iv) ADDITIONAL INCLUDED PROJECTS.—Pilot or experimental projects may include''.

**SEC. 1059. AUTHORIZATION OF PILOT PROJECTS.**

Section 17(b)(1)(B) of the Food Stamp Act of 1977 (7 U.S.C. 2026(b)(1)(B)), as amended by section 1058, is further amended—

(1) in clause (iv), by striking ''coupons. Any pilot'' and inserting the following: ''coupons.

''(v) CASH PAYMENT PILOT PROJECTS.—Any pilot''; and

*(2) in clause (v), as so amended, by striking ''1995'' and inserting ''2002''.*

***SEC. 1060. RESPONSE TO WAIVERS.***

*Section 17(b)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2026(b)(1)), as amended by section 1058, is further amended by adding at the end the following:*

*''(D) RESPONSE TO WAIVERS.—*

*''(i) RESPONSE.—Not later than 60 days after the date of receiving a request for a waiver under subparagraph (A), the Secretary shall provide a response that—*

*''(I) approves the waiver request;*

*''(II) denies the waiver request and explains any modification needed for approval of the waiver request;*

*''(III) denies the waiver request and explains the grounds for the denial; or*

*''(IV) requests clarification of the waiver request.*

*''(ii) FAILURE TO RESPOND.—If the Secretary does not provide a response in accordance with clause (i), the waiver shall be considered approved, unless the approval is specifically prohibited by this Act.*

*''(iii) NOTICE OF DENIAL.—On denial of a waiver request under clause (i)(III), the Secretary shall provide a copy of the waiver request and a description of the reasons for the denial to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.''.*

***SEC. 1061. EMPLOYMENT INITIATIVES PROGRAM.***

*Section 17 of the Food Stamp Act of 1977 (7 U.S.C. 2026) is amended by striking subsection (d) and inserting the following:*

*''(d) EMPLOYMENT INITIATIVES PROGRAM.—*

*''(1) ELECTION TO PARTICIPATE.—*

*''(A) IN GENERAL.—Subject to the other provisions of this subsection, a State may elect to carry out an employment initiatives program under this subsection.*

*''(B) REQUIREMENT.—A State shall be eligible to carry out an employment initiatives program under this subsection only if not less than 50 percent of the households that received food stamp benefits during the summer of 1993 also received benefits under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) during the summer of 1993.*

*''(2) PROCEDURE.—*

*''(A) IN GENERAL.—A State that has elected to carry out an employment initiatives program under paragraph (1) may use amounts equal to the food stamp allotments that would otherwise be issued to a household under the food stamp program, but for the operation of this subsection, to provide cash benefits in lieu of the food stamp allotments to the household if the household is eligible under paragraph (3).*

*''(B) PAYMENT.—The Secretary shall pay to each State that has elected to carry out an employment initiatives program under paragraph (1) an amount equal to the value of the allotment that each household would be eligible to receive under this Act but for the operation of this subsection.*

*''(C) OTHER PROVISIONS.—For purposes of the food stamp program (other than this subsection)—*

*''(i) cash assistance under this subsection shall be considered to be an allotment; and*

*''(ii) each household receiving cash benefits under this subsection shall not receive any other food stamp benefit for the period for which the cash assistance is provided.*

*''(D) ADDITIONAL PAYMENTS.—Each State that has elected to carry out an employment initiatives program under paragraph (1) shall—*

*''(i) increase the cash benefits provided to each household under this subsection to compensate for any State or local sales tax that may be collected on purchases of food by any household receiving cash benefits under this subsection, unless the Secretary determines on the basis of information provided by the State that the increase is unnecessary on the basis of the limited nature of the items subject to the State or local sales tax; and*

*''(ii) pay the cost of any increase in cash benefits required by clause (i).*

*''(3) ELIGIBILITY.—A household shall be eligible to receive cash benefits under paragraph (2) if an adult member of the household—*

*''(A) has worked in unsubsidized employment for not less than the preceding 90 days;*

*''(B) has earned not less than $350 per month from the employment referred to in subparagraph (A) for not less than the preceding 90 days;*

*''(C)(i) is receiving benefits under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.); or*

*''(ii) was receiving benefits under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) at the time the member first received cash benefits under this subsection and is no longer eligible for the State program because of earned income;*

*''(D) is continuing to earn not less than $350 per month from the employment referred to in subparagraph (A); and*

*''(E) elects to receive cash benefits in lieu of food stamp benefits under this subsection.*

*''(4) EVALUATION.—A State that operates a program under this subsection for 2 years shall provide to the Secretary a written evaluation of the impact of cash assistance under this subsection. The State agency, with the concurrence of the Secretary, shall determine the content of the evaluation.''.*

***SEC. 1062. ADJUSTABLE FOOD STAMP CAP.***

*Section 18 of the Food Stamp Act of 1977 (7 U.S.C. 2027) is amended—*

*(1) in subsection (a)(1)—*

*(A) in the first sentence, by striking ''1991 through 1995'' and inserting ''1996 through 2002''; and*

*(B) in the last sentence, by striking ''In each monthly report, the Secretary shall also state'' and inserting the following: ''The Secretary shall file a report each February 15, April 15, and July 15, stating''; and*

*(2) by striking subsection (b) and inserting the following:*

*''(b) LIMITATION ON FOOD STAMP ALLOTMENTS.—*

*''(1) OBLIGATIONS.—*

*''(A) IN GENERAL.—Notwithstanding any other provision of law, except as provided in subparagraphs (B) and (C), obligations to carry out this Act shall not exceed—*

*''(i) $25,443,000,000 for fiscal year 1996;*

*''(ii) $24,636,000,000 for fiscal year 1997;*

*''(iii) $25,319,000,000 for fiscal year 1998;*

*''(iv) $26,307,000,000 for fiscal year 1999;*

*''(v) $27,568,000,000 for fiscal year 2000;*

*''(vi) $28,602,000,000 for fiscal year 2001; and*

*''(vii) $29,804,000,000 for fiscal year 2002.*

*''(B) COST OF FOOD ADJUSTMENT.—On October 1 of each fiscal year, the Secretary shall adjust the limit on obligations under subparagraph (A) for the fiscal year to reflect any change in the cost of the program due to any increase or decrease in the cost of the thrifty food plan compared to the cost of the thrifty food plan for the same period projected by the Director of the Congressional Budget Office prior to the date of enactment of this subparagraph.*

*''(C) CASELOAD ADJUSTMENT.—On May 15 of each fiscal year, the Secretary shall adjust the limit on obligations under subparagraph (A) for the fiscal year to reflect any change in the cost of the program due to any increase or decrease in participation as estimated by comparing participation during the first 6 months of the fiscal year to participation for the same period projected by the Director of the Congressional Budget Office prior to the date of enactment of this subparagraph.*

*''(2) REDUCTION.—Notwithstanding any other provision of this Act, if the Secretary finds that for any fiscal year the requirements of participating States will exceed the amount of obligations specified in paragraph (1), the Secretary shall direct State agencies to reduce the value of allotments to be issued to households certified as eligible to participate in the food stamp program to the extent necessary to comply with paragraph (1).*

*''(3) REPORT.—The Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate concerning the methodology and assumptions under, effects of, and adjustments under, this subsection.''.*

***SEC. 1063. REAUTHORIZATION OF PUERTO RICO NUTRITION ASSISTANCE PROGRAM.***

*The first sentence of section 19(a)(1)(A) of the Food Stamp Act of 1977 (7 U.S.C. 2028(a)(1)(A)) is amended by striking ''$974,000,000'' and all that follows through ''fiscal year 1995'' and inserting ''$1,143,000,000 for each of fiscal years 1995 and 1996, $1,174,000,000 for fiscal year 1997, $1,204,000,000 for fiscal year 1998, $1,236,000,000 for fiscal year 1999, $1,268,000,000 for fiscal year 2000, $1,301,000,000 for fiscal year 2001, and $1,335,000,000 for fiscal year 2002''.*

***SEC. 1064. SIMPLIFIED FOOD STAMP PROGRAM.***

*(a) IN GENERAL.—The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) is amended by adding at the end the following:*

***''SEC. 24. SIMPLIFIED FOOD STAMP PROGRAM.***

*''(a) DEFINITION OF FEDERAL COSTS.—In this section, the term 'Federal costs' does not include any Federal costs incurred under section 17.*

*''(b) ELECTION.—Subject to subsection (d), a State may elect to carry out a Simplified Food Stamp Program (referred to in this section as a 'Program'), statewide or in a political subdivision of the State, in accordance with this section.*

*''(c) OPERATION OF PROGRAM.—If a State elects to carry out a Program, within the State or a political subdivision of the State—*

*''(1) a household in which all members receive assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) shall automatically be eligible to participate in the Program; and*

*''(2) subject to subsection (f), benefits under the Program shall be determined under rules and procedures established by the State under—*

*''(A) a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);*

*''(B) the food stamp program (other than section 25); or*

*''(C) a combination of a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and the food stamp program (other than section 25).*

*''(d) APPROVAL OF PROGRAM.—*

*''(1) STATE PLAN.—A State agency may not operate a Program unless the Secretary approves a State plan for the operation of the Program under paragraph (2).*

*''(2) APPROVAL OF PLAN.—The Secretary shall approve any State plan to carry out a Program if the Secretary determines that the plan—*

*''(A) complies with this section; and*

*''(B) contains sufficient documentation that the plan will not increase Federal costs for any fiscal year.*

*''(e) INCREASED FEDERAL COSTS.—*

*''(1) DETERMINATION.—During each fiscal year and not later than 90 days after the end of each fiscal year, the Secretary shall determine whether a Program being carried out by a State agency is increasing Federal costs under this Act above the Federal costs incurred under the food stamp program in operation in the State or political subdivision of the State for the fiscal year prior to the implementation of the Program, adjusted for any changes in—*

*''(A) participation;*

*''(B) the income of participants in the food stamp program that is not attributable to public assistance; and*

''(C) the thrifty food plan under section 3(o).

''(2) NOTIFICATION.—If the Secretary determines that the Program has increased Federal costs under this Act for any fiscal year or any portion of any fiscal year, the Secretary shall notify the State not later than 30 days after the Secretary makes the determination under paragraph (1).

''(3) ENFORCEMENT.—

''(A) CORRECTIVE ACTION.—Not later than 90 days after the date of a notification under paragraph (2), the State shall submit a plan for approval by the Secretary for prompt corrective action that is designed to prevent the Program from increasing Federal costs under this Act.

''(B) TERMINATION.—If the State does not submit a plan under subparagraph (A) or carry out a plan approved by the Secretary, the Secretary shall terminate the approval of the State agency operating the Program and the State agency shall be ineligible to operate a future Program.

''(f) RULES AND PROCEDURES.—

''(1) IN GENERAL.—In operating a Program, a State or political subdivision of a State may follow the rules and procedures established by the State or political subdivision under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) or under the food stamp program.

''(2) STANDARDIZED DEDUCTIONS.—In operating a Program, a State or political subdivision of a State may standardize the deductions provided under section 5(e). In developing the standardized deduction, the State shall consider the work expenses, dependent care costs, and shelter costs of participating households.

''(3) REQUIREMENTS.—In operating a Program, a State or political subdivision shall comply with the requirements of—

''(A) subsections (a) through (g) of section 7;

''(B) section 8(a) (except that the income of a household may be determined under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.));

''(C) subsection (b) and (d) of section 8;

''(D) subsections (a), (c), (d), and (n) of section 11;

''(E) paragraphs (8), (12), (16), (18), (20), (24), and (25) of section 11(e);

''(F) section 11(e)(10) (or a comparable requirement established by the State under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)); and

''(G) section 16.

''(4) LIMITATION ON ELIGIBILITY.—Notwithstanding any other provision of this section, a household may not receive benefits under this section as a result of the eligibility of the household under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), unless the Secretary determines that any household with income above 130 percent of the poverty guidelines is not eligible for the program.''.

(b) STATE PLAN PROVISIONS.—Section 11(e) of the Act (7 U.S.C. 2020(e)), as amended by sections 1028(b) and 1044, is further amended by adding at the end the following:

''(25) if a State elects to carry out a Simplified Food Stamp Program under section 24, the plans of the State agency for operating the program, including—

''(A) the rules and procedures to be followed by the State agency to determine food stamp benefits;

''(B) how the State agency will address the needs of households that experience high shelter costs in relation to the incomes of the households; and

''(C) a description of the method by which the State agency will carry out a quality control system under section 16(c).''.

(c) CONFORMING AMENDMENTS.—

(1) Section 8 of the Act (7 U.S.C. 2017), as amended by section 1039, is further amended—

(A) by striking subsection (e); and

(B) by redesignating subsection (f) as subsection (e).

(2) Section 17 of the Act (7 U.S.C. 2026) is amended—

(A) by striking subsection (i); and

(B) by redesignating subsections (j) through (l) as subsections (i) through (k), respectively.

**SEC. 1065. STATE FOOD ASSISTANCE BLOCK GRANT.**

(a) IN GENERAL.—The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), as amended by section 1064, is further amended by adding at the end the following:

**''SEC. 25. STATE FOOD ASSISTANCE BLOCK GRANT.**

''(a) DEFINITIONS.—In this section:

''(1) FOOD ASSISTANCE.—The term 'food assistance' means assistance that may be used only to obtain food, as defined in section 3(g).

''(2) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Guam, and the Virgin Islands of the United States.

''(b) ESTABLISHMENT.—The Secretary shall establish a program to make grants to States in accordance with this section to provide—

''(1) food assistance to needy individuals and families residing in the State; and

''(2) funds for administrative costs incurred in providing the assistance.

''(c) ELECTION.—

''(1) IN GENERAL.—A State may annually elect to participate in the program established under subsection (b) if the State—

''(A) has fully implemented an electronic benefit transfer system that operates in the entire State;

''(B) has a payment error rate under section 16(c) that is not more than 6 percent as announced most recently by the Secretary; or

''(C) has a payment error rate in excess of 6 percent and agrees to contribute non-Federal funds for the fiscal year of the grant, for benefits and administration of the State's food assistance program, the amount determined under paragraph (2).

''(2) STATE MANDATORY CONTRIBUTIONS.—

''(A) IN GENERAL.—In the case of a State that elects to participate in the program under paragraph (1)(C), the State shall agree to contribute, for a fiscal year, an amount equal to—

''(A)(i) the benefits issued in the State; multiplied by

''(ii) the payment error rate of the State; minus

''(B)(i) the benefits issued in the State; multiplied by

''(ii) 6 percent.

''(B) DETERMINATION.—Notwithstanding sections 13 and 14, the calculation of the contribution shall be based solely on the determination of the Secretary of the payment error rate.

''(C) DATA.—For purposes of implementing subparagraph (A) for a fiscal year, the Secretary shall use the data for the most recent fiscal year available.

''(3) ELECTION LIMITATION.—

''(A) RE-ENTERING FOOD STAMP PROGRAM.—A State that elects to participate in the program under paragraph (1) may in a subsequent year decline to elect to participate in the program and instead participate in the food stamp program in accordance with the other sections of this Act.

''(B) LIMITATION.—Subsequent to re-entering the food stamp program under subparagraph (A), the State shall only be eligible to participate in the food stamp program in accordance with the other sections of this Act and shall not be eligible to elect to participate in the program established under subsection (b).

''(4) PROGRAM EXCLUSIVE.—

''(A) IN GENERAL.—A State that is participating in the program established under subsection (b) shall not be subject to, or receive any benefit under, this Act except as provided in this section.

''(B) CONTRACT WITH FEDERAL GOVERNMENT.—Nothing in this section shall prohibit a State from contracting with the Federal Government for the provision of services or materials necessary to carry out a program under this section.

''(d) LEAD AGENCY.—A State desiring to receive a grant under this section shall designate, in an application submitted to the Secretary under subsection (e)(1), an appropriate State agency responsible for the administration of the program under this section as the lead agency.

''(e) APPLICATION AND PLAN.—

''(1) APPLICATION.—To be eligible to receive assistance under this section, a State shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary shall by regulation require, including—

''(A) an assurance that the State will comply with the requirements of this section;

''(B) a State plan that meets the requirements of paragraph (3); and

''(C) an assurance that the State will comply with the requirements of the State plan under paragraph (3).

''(2) ANNUAL PLAN.—The State plan contained in the application under paragraph (1) shall be submitted for approval annually.

''(3) REQUIREMENTS OF PLAN.—

''(A) LEAD AGENCY.—The State plan shall identify the lead agency.

''(B) USE OF BLOCK GRANT FUNDS.—The State plan shall provide that the State shall use the amounts provided to the State for each fiscal year under this section—

''(i) to provide food assistance to needy individuals and families residing in the State, other than residents of institutions who are ineligible for food stamps under section 3(i); and

''(ii) to pay administrative costs incurred in providing the assistance.

''(C) GROUPS SERVED.—The State plan shall describe how and to what extent the program will serve specific groups of individuals and families and how the treatment will differ from treatment under the food stamp program under the other sections of this Act of the individuals and families, including—

''(i) elderly individuals and families;

''(ii) migrants or seasonal farmworkers;

''(iii) homeless individuals and families;

''(iv) individuals and families who live in institutions eligible under section 3(i);

''(v) individuals and families with earnings; and

''(vi) members of Indian tribes or tribal organizations.

''(D) ASSISTANCE FOR ENTIRE STATE.—The State plan shall provide that benefits under this section shall be available throughout the entire State.

''(E) NOTICE AND HEARINGS.—The State plan shall provide that an individual or family who applies for, or receives, assistance under this section shall be provided with notice of, and an opportunity for a hearing on, any action under this section that adversely affects the individual or family.

''(F) ASSESSMENT OF NEEDS.—The State plan shall assess the food and nutrition needs of needy persons residing in the State.

''(G) ELIGIBILITY STANDARDS.—The State plan shall describe the income, resource, and other eligibility standards that are established for the receipt of assistance under this section.

''(H) DISQUALIFICATION OF FLEEING FELONS.—The State plan shall provide for the disqualification of any individual who would be disqualified from participating in the food stamp program under section 6(k).

''(I) DISQUALIFICATION FOR CHILD SUPPORT ARREARS.—The State plan shall provide for the disqualification of any individual who would be disqualified from participating in the food stamp program under section 6(n).

''(J) RECEIVING BENEFITS IN MORE THAN 1 JURISDICTION.—The State plan shall establish a system for the exchange of information with other States to verify the identity and receipt of benefits by recipients.

''(K) PRIVACY.—The State plan shall provide for safeguarding and restricting the use and disclosure of information about any individual or family receiving assistance under this section.

''(L) OTHER INFORMATION.—The State plan shall contain such other information as may be required by the Secretary.

''(4) APPROVAL OF APPLICATION AND PLAN.—The Secretary shall approve an application and State plan that satisfies the requirements of this section.

''(f) NO INDIVIDUAL OR FAMILY ENTITLEMENT TO ASSISTANCE.—Nothing in this section—

''(1) entitles any individual or family to assistance under this section; or

''(2) limits the right of a State to impose additional limitations or conditions on assistance under this section.

''(g) BENEFITS FOR ALIENS.—

''(1) ELIGIBILITY.—No individual who is an alien shall be eligible to receive benefits under a State plan approved under subsection (e)(4) if the individual is not eligible to participate in the food stamp program due to the alien status of the individual.

''(2) INCOME.—The State plan shall provide that the income of an alien shall be determined in accordance with section 5(i).

''(h) EMPLOYMENT AND TRAINING.—

''(1) WORK REQUIREMENTS.—No individual or household shall be eligible to receive benefits under a State plan funded under this section if the individual or household is not eligible to participate in the food stamp program under subsection (d) or (o) of section 6.

''(2) WORK PROGRAMS.—Each State shall implement an employment and training program in accordance with the terms and conditions of section 6(d)(4) for individuals under the program and shall be eligible to receive funding under section 16(h).

''(i) ENFORCEMENT.—

''(1) REVIEW OF COMPLIANCE WITH STATE PLAN.—The Secretary shall review and monitor State compliance with this section and the State plan approved under subsection (e)(4).

''(2) NONCOMPLIANCE.—

''(A) IN GENERAL.—If the Secretary, after reasonable notice to a State and opportunity for a hearing, finds that—

''(i) there has been a failure by the State to comply substantially with any provision or requirement set forth in the State plan approved under subsection (e)(4); or

''(ii) in the operation of any program or activity for which assistance is provided under this section, there is a failure by the State to comply substantially with any provision of this section;

the Secretary shall notify the State of the finding and that no further grants will be made to the State under this section (or, in the case of noncompliance in the operation of a program or activity, that no further grants to the State will be made with respect to the program or activity) until the Secretary is satisfied that there is no longer any failure to comply or that the noncompliance will be promptly corrected.

''(B) OTHER PENALTIES.—In the case of a finding of noncompliance made pursuant to subparagraph (A), the Secretary may, in addition to, or in lieu of, imposing the penalties described in subparagraph (A), impose other appropriate penalties, including recoupment of money improperly expended for purposes prohibited or not authorized by this section and disqualification from the receipt of financial assistance under this section.

''(C) NOTICE.—The notice required under subparagraph (A) shall include a specific identification of any additional penalty being imposed under subparagraph (B).

''(3) ISSUANCE OF REGULATIONS.—The Secretary shall establish by regulation procedures for—

''(A) receiving, processing, and determining the validity of complaints made to the Secretary concerning any failure of a State to comply with the State plan or any requirement of this section; and

''(B) imposing penalties under this section.

''(j) GRANT.—

''(1) IN GENERAL.—For each fiscal year, the Secretary shall pay to a State that has an application approved by the Secretary under subsection (e)(4) an amount that is equal to the grant of the State under subsection (m) for the fiscal year.

''(2) METHOD OF GRANT.—The Secretary shall make a grant to a State for a fiscal year under this section by issuing 1 or more letters of credit for the fiscal year, with necessary adjustments on account of overpayments or underpayments, as determined by the Secretary.

''(3) SPENDING OF GRANTS BY STATE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a grant to a State determined under subsection (m)(1) for a fiscal year may be expended by the State only in the fiscal year.

''(B) CARRYOVER.—The State may reserve up to 10 percent of a grant determined under subsection (m)(1) for a fiscal year to provide assistance under this section in subsequent fiscal years, except that the reserved funds may not exceed 30 percent of the total grant received under this section for a fiscal year.

''(4) FOOD ASSISTANCE AND ADMINISTRATIVE EXPENDITURES.—In each fiscal year, not more than 6 percent of the Federal and State funds required to be expended by a State under this section shall be used for administrative expenses.

''(5) PROVISION OF FOOD ASSISTANCE.—A State may provide food assistance under this section in any manner determined appropriate by the State, such as electronic benefit transfer limited to food purchases, coupons limited to food purchases, or direct provision of commodities.

''(k) QUALITY CONTROL.—Each State participating in the program established under this section shall maintain a system in accordance with, and shall be subject to section 16(c), including sanctions and eligibility for incentive payment under section 16(c), adjusted for State specific characteristics under regulations issued by the Secretary.

''(l) NONDISCRIMINATION.—

''(1) IN GENERAL.—The Secretary shall not provide financial assistance for any program, project, or activity under this section if any person with responsibilities for the operation of the program, project, or activity discriminates with respect to the program, project, or activity because of race, religion, color, national origin, sex, or disability.

''(2) ENFORCEMENT.—The powers, remedies, and procedures set forth in title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) may be used by the Secretary to enforce paragraph (1).

''(m) GRANT CALCULATION.—

''(1) STATE GRANT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), from the amounts made available under section 18 for each fiscal year, the Secretary shall provide a grant to each State participating in the program established under this section an amount that is equal to the sum of—

''(i) the greater of, as determined by the Secretary—

''(I) the total dollar value of all benefits issued under the food stamp program established under this Act by the State during fiscal year 1994; or

''(II) the average per fiscal year of the total dollar value of all benefits issued under the food stamp program by the State during each of fiscal years 1992 through 1994; and

''(ii) the greater of, as determined by the Secretary—

''(I) the total amount received by the State for administrative costs under section 16(a) (not including any adjustment under section 16(c)) for fiscal year 1994; or

''(II) the average per fiscal year of the total amount received by the State for administrative costs under section 16(a) (not including any adjustment under section 16(c)) for each of fiscal years 1992 through 1994.

''(B) INSUFFICIENT FUNDS.—If the Secretary finds that the total amount of grants to which States would otherwise be entitled for a fiscal year under subparagraph (A) will exceed the amount of funds that will be made available to provide the grants for the fiscal year, the Secretary shall reduce the grants made to States under this subsection, on a pro rata basis, to the extent necessary.

''(2) REDUCTION.—The Secretary shall reduce the grant of a State by the amount a State has agreed to contribute under subsection (c)(1)(C).''.

(b) EMPLOYMENT AND TRAINING FUNDING.—Section 16(h) of the Act (7 U.S.C. 2025(a)), as amended by section 1027(d)(2), is further amended by adding at the end the following:

''(6) BLOCK GRANT STATES.—Each State electing to operate a program under section 25 shall—

''(A) receive the greater of—

''(i) the total dollar value of the funds received under paragraph (1) by the State during fiscal year 1994; or

''(ii) the average per fiscal year of the total dollar value of all funds received under paragraph (1) by the State during each of fiscal years 1992 through 1994; and

''(B) be eligible to receive funds under paragraph (2), within the limitations in section 6(d)(4)(K).''.

(c) RESEARCH ON OPTIONAL STATE FOOD ASSISTANCE BLOCK GRANT.—Section 17 of the Act (7 U.S.C. 2026), as amended by section 1064(c)(2), is further amended by adding at the end the following:

''(l) RESEARCH ON OPTIONAL STATE FOOD ASSISTANCE BLOCK GRANT.—The Secretary may conduct research on the effects and costs of a State program carried out under section 25.''.

**SEC. 1066. AMERICAN SAMOA.**

The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), as amended by section 1065, is further amended by adding at the end the following:

**''SEC. 26. TERRITORY OF AMERICAN SAMOA.**

From amounts made available to carry out this Act, the Secretary may pay to the Territory of American Samoa not more than $5,300,000 for each of fiscal years 1996 through 2002 to finance 100 percent of the expenditures for the fiscal year for a nutrition assistance program extended under section 601(c) of Public Law 96–597 (48 U.S.C. 1469d(c)).''.

**SEC. 1067. ASSISTANCE FOR COMMUNITY FOOD PROJECTS.**

The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), as amended by section 1066, is further amended by adding at the end the following:

**''SEC. 27. ASSISTANCE FOR COMMUNITY FOOD PROJECTS.**

''(a) DEFINITION OF COMMUNITY FOOD PROJECTS.—In this section, the term 'community food project' means a community-based project that requires a 1-time infusion of Federal assistance to become self-sustaining and that is designed to—

''(1) meet the food needs of low-income people;

''(2) increase the self-reliance of communities in providing for their own food needs; and

''(3) promote comprehensive responses to local food, farm, and nutrition issues.

''(b) AUTHORITY TO PROVIDE ASSISTANCE.—

''(1) IN GENERAL.—From amounts made available to carry out this Act, the Secretary may make grants to assist eligible private nonprofit entities to establish and carry out community food projects.

''(2) LIMITATION ON GRANTS.—The total amount of funds provided as grants under this section for any fiscal year may not exceed $2,500,000.

''(c) ELIGIBLE ENTITIES.—To be eligible for a grant under subsection (b), a private nonprofit entity must—

''(1) have experience in the area of—

''(A) community food work, particularly concerning small and medium-sized farms, including the provision of food to people in low-income communities and the development of new markets in low-income communities for agricultural producers; or

''(B) job training and business development activities for food-related activities in low-income communities;

''(2) demonstrate competency to implement a project, provide fiscal accountability, collect data, and prepare reports and other necessary documentation; and

''(3) demonstrate a willingness to share information with researchers, practitioners, and other interested parties.

''(d) PREFERENCE FOR CERTAIN PROJECTS.—In selecting community food projects to receive assistance under subsection (b), the Secretary shall give a preference to projects designed to—

''(1) develop linkages between 2 or more sectors of the food system;

''(2) support the development of entrepreneurial projects;

''(3) develop innovative linkages between the for-profit and nonprofit food sectors; or

''(4) encourage long-term planning activities and multi-system, interagency approaches.

''(e) MATCHING FUNDS REQUIREMENTS.—

''(1) REQUIREMENTS.—The Federal share of the cost of establishing or carrying out a community food project that receives assistance under subsection (b) may not exceed 50 percent of the cost of the project during the term of the grant.

''(2) CALCULATION.—In providing for the non-Federal share of the cost of carrying out a community food project, the entity receiving the grant shall provide for the share through a payment in cash or in kind, fairly evaluated, including facilities, equipment, or services.

''(3) SOURCES.—An entity may provide for the non-Federal share through State government, local government, or private sources.

''(f) TERM OF GRANT.—

''(1) SINGLE GRANT.—A community food project may be supported by only a single grant under subsection (b).

''(2) TERM.—The term of a grant under subsection (b) may not exceed 3 years.

''(g) TECHNICAL ASSISTANCE AND RELATED INFORMATION.—

''(1) TECHNICAL ASSISTANCE.—In carrying out this section, the Secretary may provide technical assistance regarding community food projects, processes, and development to an entity seeking the assistance.

''(2) SHARING INFORMATION.—

''(A) IN GENERAL.—The Secretary may provide for the sharing of information concerning community food projects and issues among and between government, private for-profit and nonprofit groups, and the public through publications, conferences, and other appropriate forums.

''(B) OTHER INTERESTED PARTIES.—The Secretary may share information concerning community food projects with researchers, practitioners, and other interested parties.

''(h) EVALUATION.—

''(1) IN GENERAL.—The Secretary shall provide for the evaluation of the success of community food projects supported using funds under this section.

''(2) REPORT.—Not later than January 30, 2002, the Secretary shall submit a report to Congress regarding the results of the evaluation.''.

### Subtitle B—Commodity Distribution Programs

#### SEC. 1071. COMMODITY DISTRIBUTION PROGRAM; COMMODITY SUPPLEMENTAL FOOD PROGRAM.

(a) REAUTHORIZATION.—The first sentence of section 4(a) of the Agriculture and Consumer Protection Act of 1973 (Public Law 93–86; 7 U.S.C. 612c note) is amended by striking ''1995'' and inserting ''2002''.

(b) FUNDING.—Section 5 of the Act (Public Law 93–86; 7 U.S.C. 612c note) is amended—

(1) in subsection (a)(2), by striking ''1995'' and inserting ''2002''; and

(2) in subsection (d)(2), by striking ''1995'' and inserting ''2002''.

#### SEC. 1072. EMERGENCY FOOD ASSISTANCE PROGRAM.

(a) DEFINITIONS.—Section 201A of the Emergency Food Assistance Act of 1983 (Public Law 98–8; 7 U.S.C. 612c note) is amended to read as follows:

**''SEC. 201A. DEFINITIONS.**

''In this Act:

''(1) ADDITIONAL COMMODITIES.—The term 'additional commodities' means commodities made available under section 214 in addition to the commodities made available under sections 202 and 203D.

''(2) AVERAGE MONTHLY NUMBER OF UNEMPLOYED PERSONS.—The term 'average monthly number of unemployed persons' means the average monthly number of unemployed persons in each State in the most recent fiscal year for which information concerning the number of unemployed persons is available, as determined by the Bureau of Labor Statistics of the Department of Labor.

''(3) ELIGIBLE RECIPIENT AGENCY.—The term 'eligible recipient agency' means a public or nonprofit organization—

''(A) that administers—

''(i) an emergency feeding organization;

''(ii) a charitable institution (including a hospital and a retirement home, but excluding a penal institution) to the extent that the institution serves needy persons;

''(iii) a summer camp for children, or a child nutrition program providing food service;

''(iv) a nutrition project operating under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.), including a project that operates a congregate nutrition site and a project that provides home-delivered meals; or

''(v) a disaster relief program;

''(B) that has been designated by the appropriate State agency, or by the Secretary; and

''(C) that has been approved by the Secretary for participation in the program established under this Act.

''(4) EMERGENCY FEEDING ORGANIZATION.—The term 'emergency feeding organization' means a public or nonprofit organization that administers activities and projects (including the activities and projects of a charitable institution, a food bank, a food pantry, a hunger relief center, a soup kitchen, or a similar public or private nonprofit eligible recipient agency) providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons.

''(5) FOOD BANK.—The term 'food bank' means a public or charitable institution that maintains an established operation involving the provision of food or edible commodities, or the products of food or edible commodities, to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that, as an integral part of their normal activities, provide meals or food to feed needy persons on a regular basis.

''(6) FOOD PANTRY.—The term 'food pantry' means a public or private nonprofit organization that distributes food to low-income and unemployed households, including food from sources other than the Department of Agriculture, to relieve situations of emergency and distress.

''(7) POVERTY LINE.—The term 'poverty line' has the same meaning given the term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

''(8) SOUP KITCHEN.—The term 'soup kitchen' means a public or charitable institution that, as integral part of the normal activities of the institution, maintains an established feeding operation to provide food to needy homeless persons on a regular basis.

''(9) TOTAL VALUE OF ADDITIONAL COMMODITIES.—The term 'total value of additional commodities' means the actual cost of all additional commodities made available under section 214 that are paid by the Secretary (including the distribution and processing costs incurred by the Secretary).

''(10) VALUE OF ADDITIONAL COMMODITIES ALLOCATED TO EACH STATE.—The term 'value of additional commodities allocated to each State' means the actual cost of additional commodities made available under section 214 and allocated to each State that are paid by the Secretary (including the distribution and processing costs incurred by the Secretary).''.

(b) STATE PLAN.—Section 202A of the Act (7 U.S.C. 612c note) is amended to read as follows:

**''SEC. 202A. STATE PLAN.**

''(a) IN GENERAL.—To receive commodities under this Act, a State shall submit a plan of operation and administration every 4 years to the Secretary for approval. The plan may be amended at any time, with the approval of the Secretary.

''(b) REQUIREMENTS.—Each plan shall—

''(1) designate the State agency responsible for distributing the commodities received under this Act;

''(2) set forth a plan of operation and administration to expeditiously distribute commodities under this Act;

''(3) set forth the standards of eligibility for recipient agencies; and

''(4) set forth the standards of eligibility for individual or household recipients of commodities, which shall require—

''(A) individuals or households to be comprised of needy persons; and

''(B) individual or household members to be residing in the geographic location served by the distributing agency at the time of applying for assistance.

''(c) STATE ADVISORY BOARD.—The Secretary shall encourage each State receiving commodities under this Act to establish a State advisory board consisting of representatives of all interested entities, both public and private, in the distribution of commodities received under this Act in the State.''.

(c) AUTHORIZATION OF APPROPRIATIONS FOR ADMINISTRATIVE FUNDS.—Section 204(a)(1) of the Act (7 U.S.C. 612c note) is amended—

(1) in the first sentence—

(A) by striking ''1991 through 1995' and inserting ''1996 through 2002''; and

(B) by striking ''for State and local'' and all that follows through ''under this title'' and inserting ''to pay for the direct and indirect administrative costs of the State related to the processing, transporting, and distributing to eligible recipient agencies of commodities provided by the Secretary under this Act and commodities secured from other sources''; and

(2) by striking the fourth sentence.

(d) DELIVERY OF COMMODITIES.—Section 214 of the Act (7 U.S.C. 612c note) is amended—

(1) by striking subsections (a) through (e) and (j);

(2) by redesignating subsections (f) through (i) as subsections (a) through (d), respectively;

(3) in subsection (b), as redesignated by paragraph (2)—

(A) in the first sentence, by striking ''subsection (f) or subsection (j) if applicable,'' and inserting ''subsection (a)''; and

(B) in the second sentence, by striking ''subsection (f)'' and inserting ''subsection (a)'';

(4) by striking subsection (c), as redesignated by paragraph (2), and inserting the following:

''(c) ADMINISTRATION.—

''(1) IN GENERAL.—Commodities made available for each fiscal year under this section shall be delivered at reasonable intervals to States based on the grants calculated under subsection (a), or reallocated under subsection (b), before December 31 of the following fiscal year.

''(2) ENTITLEMENT.—Each State shall be entitled to receive the value of additional commodities determined under subsection (a).''; and

(5) in subsection (d), as redesignated by paragraph (2), by striking ''or reduce'' and all that follows through ''each fiscal year''.

(e) TECHNICAL AMENDMENTS.—The Act (7 U.S.C. 612c note) is amended—

(1) in the first sentence of section 203B(a), by striking ''203 and 203A of this Act'' and inserting ''203A'';

(2) in section 204(a), by striking ''title'' each place it appears and inserting ''Act'';

(3) in the first sentence of section 210(e), by striking ''(except as otherwise provided for in section 214(j))''; and

(4) by striking section 212.

(f) REPORT ON EFAP.—Section 1571 of the Food Security Act of 1985 (Public Law 99–198; 7 U.S.C. 612c note) is repealed.

(g) AVAILABILITY OF COMMODITIES UNDER THE FOOD STAMP PROGRAM.—The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), as amended by section 1067, is further amended by adding at the end the following:

**''SEC. 28. AVAILABILITY OF COMMODITIES FOR THE EMERGENCY FOOD ASSISTANCE PROGRAM.**

''(a) PURCHASE OF COMMODITIES.—From amounts appropriated under this Act, for each of fiscal years 1997 through 2002, the Secretary shall purchase $300,000,000 of a variety of nutritious and useful commodities of the types that the Secretary has the authority to acquire through the Commodity Credit Corporation or under section 32 of the Act entitled 'An Act to amend the Agricultural Adjustment Act, and for other purposes', approved August 24, 1935 (7 U.S.C. 612c), and distribute the commodities to States for distribution in accordance with section 214 of the Emergency Food Assistance Act of 1983 (Public Law 98–8; 7 U.S.C. 612c note).

''(b) BASIS FOR COMMODITY PURCHASES.—In purchasing commodities under subsection (a), the Secretary shall, to the extent practicable and appropriate, make purchases based on—

''(1) agricultural market conditions;

''(2) preferences and needs of States and distributing agencies; and

''(3) preferences of recipients.''.

(h) EFFECTIVE DATE.—The amendments made by subsection (d) shall become effective on October 1, 1996.

**SEC. 1073. FOOD BANK DEMONSTRATION PROJECT.**

Section 3 of the Charitable Assistance and Food Bank Act of 1987 (Public Law 100–232; 7 U.S.C. 612c note) is repealed.

**SEC. 1074. HUNGER PREVENTION PROGRAMS.**

The Hunger Prevention Act of 1988 (Public Law 100–435; 7 U.S.C. 612c note) is amended—

(1) by striking section 110;

(2) by striking subtitle C of title II; and

(3) by striking section 502.

**SEC. 1075. REPORT ON ENTITLEMENT COMMODITY PROCESSING.**

Section 1773 of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101–624; 7 U.S.C. 612c note) is amended by striking subsection (f).

**SEC. 1076. NATIONAL COMMODITY PROCESSING.**

The first sentence of section 1114(a)(2)(A) of the Agriculture and Food Act of 1981 (7 U.S.C. 1431e(2)(A)) is amended by striking ''1995'' and inserting ''2002''.

## TITLE XI—MISCELLANEOUS

**SEC. 1101. EXPENDITURE OF FEDERAL FUNDS IN ACCORDANCE WITH LAWS AND PROCEDURES APPLICABLE TO EXPENDITURE OF STATE FUNDS.**

(a) IN GENERAL.—Notwithstanding any other provision of law, any funds received by a State under the provisions of law specified in subsection (b) shall be expended only in accordance with the laws and procedures applicable to expenditures of the State's own revenues, including appropriation by the State legislature, consistent with the terms and conditions required under such provisions of law.

(b) PROVISIONS OF LAW.—The provisions of law specified in this subsection are the following:

(1) Part A of title IV of the Social Security Act (relating to block grants for temporary assistance for needy families).

(2) Section 25 of the Food Stamp Act of 1977 (relating to the optional State food assistance block grant).

(3) The Child Care and Development Block Grant Act of 1990 (relating to block grants for child care).

**SEC. 1102. ELIMINATION OF HOUSING ASSISTANCE WITH RESPECT TO FUGITIVE FELONS AND PROBATION AND PAROLE VIOLATORS.**

(a) ELIGIBILITY FOR ASSISTANCE.—The United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is amended—

(1) in section 6(l)—

(A) in paragraph (5), by striking ''and'' at the end;

(B) in paragraph (6), by striking the period at the end and inserting ''; and''; and

(C) by inserting immediately after paragraph (6) the following new paragraph:

''(7) provide that it shall be cause for immediate termination of the tenancy of a public housing tenant if such tenant—

''(A) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

''(B) is violating a condition of probation or parole imposed under Federal or State law.''; and

(2) in section 8(d)(1)(B)—

(A) in clause (iii), by striking ''and'' at the end;

(B) in clause (iv), by striking the period at the end and inserting ''; and''; and

(C) by adding after clause (iv) the following new clause:

''(v) it shall be cause for termination of the tenancy of a tenant if such tenant—

''(I) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

''(II) is violating a condition of probation or parole imposed under Federal or State law;''.

(b) PROVISION OF INFORMATION TO LAW ENFORCEMENT AGENCIES.—Title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), as amended by section 601 of this Act, is amended by adding at the end the following:

**''SEC. 28. EXCHANGE OF INFORMATION WITH LAW ENFORCEMENT AGENCIES.**

''Notwithstanding any other provision of law, each public housing agency that enters into a contract for assistance under section 6 or 8 of this Act with the Secretary shall furnish any Federal, State, or local law enforcement officer, upon the request of the officer, with the current address, Social Security number, and photograph (if applicable) of any recipient of assistance under this Act, if the officer—

''(1) furnishes the public housing agency with the name of the recipient; and

''(2) notifies the agency that—

''(A) such recipient—

''(i) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

''(ii) is violating a condition of probation or parole imposed under Federal or State law; or

''(iii) has information that is necessary for the officer to conduct the officer's official duties;

''(B) the location or apprehension of the recipient is within such officer's official duties; and

''(C) the request is made in the proper exercise of the officer's official duties.''.

**SEC. 1103. SENSE OF THE SENATE REGARDING ENTERPRISE ZONES.**

(a) FINDINGS.—The Senate finds that:

(1) Many of the Nation's urban centers are places with high levels of poverty, high rates of welfare dependency, high crime rates, poor schools, and joblessness;

(2) Federal tax incentives and regulatory reforms can encourage economic growth, job creation and small business formation in many urban centers;

(3) Encouraging private sector investment in America's economically distressed urban and rural areas is essential to breaking the cycle of poverty and the related ills of crime, drug abuse, illiteracy, welfare dependency, and unemployment;

(4) The empowerment zones enacted in 1993 should be enhanced by providing incentives to increase entrepreneurial growth, capital formation, job creation, educational opportunities, and home ownership in the designated communities and zones.

(b) SENSE OF THE SENATE.—Therefore, it is the Sense of the Senate that the Congress should adopt enterprise zone legislation in the One Hundred Fourth Congress, and that such enterprise zone legislation provide the following incentives and provisions:

(1) Federal tax incentives that expand access to capital, increase the formation and expansion of small businesses, and promote commercial revitalization;

(2) Regulatory reforms that allow localities to petition Federal agencies, subject to the relevant agencies' approval, for waivers or modifications of regulations to improve job creation, small business formation and expansion, community development, or economic revitalization objectives of the enterprise zones;

(3) Home ownership incentives and grants to encourage resident management of public housing and home ownership of public housing;

(4) School reform pilot projects in certain designated enterprise zones to provide low-income parents with new and expanded educational options for their children's elementary and secondary schooling.

**SEC. 1104. SENSE OF THE SENATE REGARDING THE INABILITY OF THE NON-CUSTODIAL PARENT TO PAY CHILD SUPPORT.**

It is the sense of the Senate that—

(a) States should diligently continue their efforts to enforce child support payments by the non-custodial parent to the custodial parent, regardless of the employment status or location of the non-custodial parent; and

(b) States are encouraged to pursue pilot programs in which the parents of a non-adult, non-custodial parent who refuses to or is unable to pay child support must—

(1) pay or contribute to the child support owed by the non-custodial parent; or

(2) otherwise fulfill all financial obligations and meet all conditions imposed on the non-custodial parent, such as participation in a work program or other related activity.

**SEC. 1105. FOOD STAMP ELIGIBILITY.**

Section 6(f) of the Food Stamp Act of 1977 (7 U.S.C. 2015(f)) is amended by striking the third sentence and inserting the following:

''The State agency shall, at its option, consider either all income and financial resources of the individual rendered ineligible to participate in the food stamp program under this subsection, or such income, less a pro rata share, and the financial resources of the ineligible individual, to determine the eligibility and the value of the allotment of the household of which such individual is a member.''.

***SEC. 1106. ESTABLISHING NATIONAL GOALS TO PREVENT TEENAGE PREGNANCIES.***

*(a) IN GENERAL.—Not later than January 1, 1997, the Secretary of Health and Human Services shall establish and implement a strategy for—*

*(1) preventing out-of-wedlock teenage pregnancies, and*

*(2) assuring that at least 25 percent of the communities in the United States have teenage pregnancy prevention programs in place.*

*(b) REPORT.—Not later than June 30, 1998, and annually thereafter, the Secretary shall report to the Congress with respect to the progress that has been made in meeting the goals described in paragraphs (1) and (2) of subsection (a).*

***SEC. 1107. SENSE OF THE SENATE REGARDING ENFORCEMENT OF STATUTORY RAPE LAWS.***

*It is the sense of the Senate that States and local jurisdictions should aggressively enforce statutory rape laws.*

***SEC. 1108. SANCTIONING FOR TESTING POSITIVE FOR CONTROLLED SUBSTANCES.***

*Notwithstanding any other provision of law, States shall not be prohibited by the Federal Government from sanctioning welfare recipients who test positive for use of controlled substances.*

***SEC. 1109. ABSTINENCE EDUCATION.***

*(a) INCREASES IN FUNDING.—Section 501(a) of the Social Security Act (42 U.S.C. 701(a)) is amended in the matter preceding paragraph (1) by striking ''Fiscal year 1990 and each fiscal year thereafter'' and inserting ''Fiscal years 1990 through 1995 and $761,000,000 for fiscal year 1996 and each fiscal year thereafter''.*

*(b) ABSTINENCE EDUCATION.—Section 501(a)(1) of such Act (42 U.S.C. 701(a)(1)) is amended—*

*(1) in subparagraph (C), by striking ''and'' at the end;*

*(2) in subparagraph (D), by adding ''and'' at the end; and*

*(3) by adding at the end the following new subparagraph:*

*''(E) to provide abstinence education, and at the option of the State, where appropriate, mentoring, counseling, and adult supervision to promote abstinence from sexual activity, with a focus on those groups which are most likely to bear children out-of-wedlock.''.*

*(c) ABSTINENCE EDUCATION DEFINED.—Section 501(b) of such Act (42 U.S.C. 701(b)) is amended by adding at the end the following new paragraph:*

*''(5) ABSTINENCE EDUCATION.—For purposes of this subsection, the term 'abstinence education' means an educational or motivational program which—*

*''(A) has as its exclusive purpose, teaching the social, psychological, and health gains to be realized by abstaining from sexual activity;*

*''(B) teaches abstinence from sexual activity outside marriage as the expected standard for all school age children;*

*''(C) teaches that abstinence from sexual activity is the only certain way to avoid out-of-wedlock pregnancy, sexually transmitted diseases, and other associated health problems;*

*''(D) teaches that a mutually faithful monogamous relationship in context of marriage is the expected standard of human sexual activity;*

*''(E) teaches that sexual activity outside of the context of marriage is likely to have harmful psychological and physical effects;*

*''(F) teaches that bearing children out-of-wedlock is likely to have harmful consequences for the child, the child's parents, and society;*

*''(G) teaches young people how to reject sexual advances and how alcohol and drug use increases vulnerability to sexual advances; and*

*''(H) teaches the importance of attaining self-sufficiency before engaging in sexual activity.''.*

*(d) SET-ASIDE.—*

*(1) IN GENERAL.—Section 502(c) of such Act (42 U.S.C. 702(c)) is amended in the matter preceding paragraph (1) by striking ''From'' and inserting ''Except as provided in subsection (e), from''.*

*(2) SET-ASIDE.—Section 502 of such Act (42 U.S.C. 702) is amended by adding at the end the following new subsection:*

*''(e) Of the amounts appropriated under section 501(a) for any fiscal year, the Secretary shall set aside $75,000,000 for abstinence education in accordance with section 501(a)(1)(E).*

***SEC. 1110. PROVISIONS TO ENCOURAGE ELECTRONIC BENEFIT TRANSFER SYSTEMS.***

*Section 904 of the Electronic Fund Transfer Act (15 U.S.C. 1693b) is amended—*

*(1) by striking ''(d) In the event'' and inserting ''(d) APPLICABILITY TO SERVICE PROVIDERS OTHER THAN CERTAIN FINANCIAL INSTITUTIONS.—*

*''(1) IN GENERAL.—In the event''; and*

*(2) by adding at the end the following new paragraph:*

*''(2) STATE AND LOCAL GOVERNMENT ELECTRONIC BENEFIT TRANSFER PROGRAMS.—*

*''(A) EXEMPTION GENERALLY.—The disclosures, protections, responsibilities, and remedies established under this title, and any regulation prescribed or order issued by the Board in accordance with this title, shall not apply to any electronic benefit transfer program established under State or local law or administered by a State or local government.*

*''(B) EXCEPTION FOR DIRECT DEPOSIT INTO RECIPIENT'S ACCOUNT.—Subparagraph (A) shall not apply with respect to any electronic funds transfer under an electronic benefit transfer program for deposits directly into a consumer account held by the recipient of the benefit.*

*''(C) RULE OF CONSTRUCTION.—No provision of this paragraph may be construed as—*

*''(i) affecting or altering the protections otherwise applicable with respect to benefits established by Federal, State, or local law; or*

*''(ii) otherwise superseding the application of any State or local law.*

*''(D) ELECTRONIC BENEFIT TRANSFER PROGRAM DEFINED.—For purposes of this paragraph, the term 'electronic benefit transfer program'—*

*''(i) means a program under which a government agency distributes needs-tested benefits by establishing accounts to be accessed by recipients electronically, such as through automated teller machines, or point-of-sale terminals; and*

*''(ii) does not include employment-related payments, including salaries and pension, retirement, or unemployment benefits established by Federal, State, or local governments.''.*

***SEC. 1111. REDUCTION IN BLOCK GRANTS TO STATES FOR SOCIAL SERVICES.***

*Section 2003(c) of the Social Security Act (42 U.S.C. 1397b(c)) is amended—*

*(1) by striking ''and'' at the end of paragraph (4); and*

*(2) by striking paragraph (5) and inserting the following:*

*''(5) $2,800,000,000 for each of the fiscal years 1990 through 1996 and for each fiscal year after fiscal year 2002; and*

*''(6) $2,520,000,000 for each of the fiscal years 1997 through 2002.''.*

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, amend the title so as to read as follows: ''An Act to restore the American family, enhance support and work opportunities for families with children, reduce out-of-wedlock pregnancies, reduce welfare dependence, and control welfare spending.''.

And the Senate agree to the same.

BILL ARCHER,
BILL GOODLING,
PAT ROBERTS,
E. CLAY SHAW, JR.,
JAMES TALENT,
JIM NUSSLE,
TIM HUTCHINSON,
JIM MCCRERY,
LAMAR SMITH,
NANCY L. JOHNSON,
DAVE CAMP,
GARY A. FRANKS,

As an additional conferee:

BILL EMERSON,

As an additional conferee:

RANDY ''DUKE'' CUNNINGHAM,

*Managers on the Part of the House.*

WILLIAM V. ROTH, JR.,
BOB DOLE,
JOHN H. CHAFEE,
CHARLES GRASSLEY,
ORRIN HATCH,

From the Committee on Labor and Human Resources:

NANCY LANDON KASSEBAUM,
JIM JEFFORDS,
DAN COATS,
JUDD GREGG,

From the Committee on Agriculture, Nutrition, and Forestry:

JESSE HELMS,

*Managers on the Part of the Senate.*

## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence, submit the following joint statement to the House and Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment to the text of the bill struck all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment that is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clerical changes.

TABLE 1.—ORGANIZATION OF CONFERENCE COMPARISON DOCUMENT BY TITLE AS COMPARED WITH TITLES OF HOUSE BILL AND SENATE AMENDMENT

| Name of title | Conference title | House title | Senate title |
|---|---|---|---|
| Part 1: | | | |
| Block Grants for Temporary Assistance for Needy Families. | I | I | I |
| Supplemental Security Income. | II | VI | II |
| Child Support Enforcement. | III | VII | IX |
| Restricting Welfare and Public Benefits in for Aliens. | IV | IV | V |
| Reductions in Federal Government Positions. | V | | XII |
| Housing | VI | | X |
| Protection of Battered Individuals. | (1) | | VIII |
| Miscellaneous | XI | VIII | XIII |
| Part 2: | | | |
| Child Protection | VII | II | XI |
| Adoption Expenses | VII | | VIII |
| Child Care Block Grant. | VIII | III | VI |
| Part: 3 | | | |
| Child Nutrition | IX | III | IV |
| Food Stamp Reform | X | V | III |

TABLE 1.—ORGANIZATION OF CONFERENCE COMPARISON DOCUMENT BY TITLE AS COMPARED WITH TITLES OF HOUSE BILL AND SENATE AMENDMENT—Continued

| Name of title | Conference title | House title | Senate title |
|---|---|---|---|
| Commodity Distribution. | X | V | IV |

[1] Not included.

TITLE I. BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

1. SHORT TITLE (SECTION 1)

*Present law*

Not applicable.

*House bill*

The Personal Responsibility Act of 1995.

*Senate amendment*

The Work Opportunity Act of 1995.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment as follows: The personal Responsibility and Work Opportunity Act of 1995.

2. OBJECTIVES

*Present law*

To provide for the general welfare by enabling the several States to make more adequate provision for dependent children. (Social Security Act, 1935)

*House bill*

To restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence.

*Senate amendment*

To enhance support and work opportunities for families with children, reduce welfare dependence, and control welfare spending.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment as follows: To restore the American family, enhance support and work opportunities for families with children, reduce out-of-wedlock pregnancies, reduce welfare dependence, and control welfare spending.

3. SENSE OF THE CONGRESS ON FAMILIES (SECTION 101)

*Present law*

To provision.

*House bill*

It is the sense of the Congress that marriage is the foundation of a successful society, and an essential social institution which promotes the interests of children and society at large. The negative consequences of an out-of-wedlock birth on the child, the mother, and society are well documented. Yet the nation suffers unprecedented and growing levels of illegitimacy. In light of this crisis, the reduction of out-of-wedlock births is an important government interest and the policy contained in provisions of this title address the crisis.

*Senate amendment*

Congress finds that marriage is the foundation of a successful society and an essential institution that promotes the interests of children. Promotion of responsible fatherhood and motherhood is integral to successful child-rearing and well-being of children. It is the sense of Congress that prevention of out-of-wedlock pregnancy and reduction in out-of-wedlock birth are very important government interests and that the policy contained in provisions of this title is intended to address the crisis.

*Conference agreement*

The conference agreement follows the Senate amendment.

4. REFERENCE TO SOCIAL SECURITY ACT (SECTION 102)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

Except as otherwise specifically provided, wherever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Social Security Act.

5. GRANTS TO STATES FOR NEEDY FAMILIES (SECTION 103)

A. Purpose

*Present law*

Title IV–A, which provides grants to States for aid and services to needy families with children (AFDC), is designed to encourage care of dependent children in their own homes by enabling States to provide cash aid and services, maintain and strengthen family life, and help parents attain maximum self-support consistent with maintaining parental care and protection.

*House bill*

Block grants for temporary assistance for needy families (Title IV–A) are established to increase the flexibility of States in operating a program designed to:

(1) provide assistance to needy families so that children may be cared for in their homes or in the homes of relatives;

(2) end the dependence of needy parents on government benefits by promoting work and marriage; and

(3) discourage out-of-wedlock births.

*Senate amendment*

Block grants for temporary assistance for needy families (Title IV–A) are established to increase the flexibility of States in operating a program designed to:

(1) provide assistance to needy families with minor children;

(2) provide job preparation and opportunities for such families; and

(3) prevent and reduce the incidence of out-of-wedlock pregnancies, with a special emphasis on teen pregnancies, and establish annual goals for preventing and reducing these pregnancies for fiscal years 1996 through 2000.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment to read as follows:

Block grants for temporary assistance for needy families (Title IV–A) are established to increase the flexibility of States in operating a program designed to:

(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

(4) encourage the formation and maintenance of two-parent families.

B. Eligible States; State Plan

*Present law*

A State must have an approved State plan for aid and services to needy families containing 43 provisions, ranging from single-agency administration to overpayment recovery rules. State plans explain the aid and services that are offered by the State. Aid is defined as money payments. For most parents without a child under age 3, States must provide education, work, or training under the JOBS program to help needy families with children avoid long-term welfare dependence. To receive Federal funds, States must share in program costs. The Federal share of costs (matching rate) varies among States and is inversely related to the square of State per capita income. For AFDC benefits and child care, the Medicaid matching rate is used. This rate now ranges from 50 percent to 79 percent among States and averages about 55 percent. For JOBS activities, the rate averages 60 percent; for administrative costs, 50 percent. In FY 1995, 20 percent of employable (nonexempt) adult recipients must participate in education, work, or training under JOBS, and at least one parent in 50 percent of unemployed-parent families must participate at least 16 hours weekly in an unpaid work experience or other work program. States must restrict disclosure of information to purposes directly connected to administration of the program and to any connected investigation, prosecution, legal proceeding or audit. Each State must offer family planning services to all ''appropriate'' cases, including minors considered sexually active. States may not require acceptance of these services. States must have in effect an approved child support program. States must also have an approved plan for foster care and adoption assistance. States must have an income and verification system (covering AFDC, Medicaid, unemployment compensation, food stamps, and—in outlying areas—adult cash aid) in accordance with Sec. 1137 of the Social Security Act.

*House bill*

An ''eligible State'' is a State that, during the 3-year period immediately preceding the fiscal year, had submitted a plan to the Secretary of HHS for approval. The plan must include:

(1) A written document describing how the State will:

a. conduct a program that provides cash benefits to needy families with children, and provides parents with help in preparing for and obtaining employment and becoming self-sufficient;

b. require at least one parent in a family that has received benefits for 24 months to engage in work activities defined by the State;

c. ensure that parents engage in work activities in accord with section 404;

d. treat interstate immigrants, if their benefits differ from State residents;

e. take such reasonable steps as State deems necessary to restrict use and disclosure of information about recipients;

f. take actions to reduce out-of-wedlock pregnancies, including helping unmarried mothers and fathers avoid subsequent pregnancies and provide care for their children; and

g. reduce teen pregnancy, including through the provision of education and counseling to male and female teens.

(2) Certification by the Governor that the State will operate a child support enforcement program.

(3) Certification by the Governor that the State will operate a child protection program, including a foster care and adoption program.

(4) The Secretary shall determine whether the State plan contains the material required.

*Senate amendment*

An ''eligible State'' is a State that annually submits to the Secretary: an outline of its program; a 3-year strategic plan; various

certifications on programs offered by the State; and an estimate of State and local expenditures. The detailed requirements of State plan submissions to the Secretary are:

(1) A written document outlining how the State intends to:

a. provide aid to needy families with at least one minor child (or any expectant family); and provide a parent or (other) caretaker in these families with work activities and support services to enable them to leave the program and become self-sufficient;

b. conduct a program designed to serve all political subdivisions;

c. provide a parent or caretaker in such families with work experience, assistance in finding employment, and other work preparation activities and support services that the State considers appropriate to enable such families to leave the program and become self-sufficient;

d. require a parent or caretaker to engage in work, as defined by the State, after 24 months of benefits, or, if earlier, when the State finds the person ready for work (see i. below for community service rule after 3 months of benefits;

e. satisfy the minimum participation rate specified in section 404;

f. treat families with minor children moving into the State; and noncitizens of the U.S.;

g. safeguard and restrict use and disclosure of information about recipients;

h. establish goals and take action to prevent and reduce out-of-wedlock pregnancies, with emphasis on teenage pregnancies; and

i. unless the State ops out by notice to the Secretary, require participation in community service (with hours and tasks set by the State), after 3 months of benefits, by a parent or caretaker not exempt from work requirements (effective 2 years after enactment).

(2) A strategic plan that shall include:

a. a description of the goals of the 3-year strategic plan, including outcome-related goals of, and benchmarks for, program activities;

b. a description of how the above goals and benchmarks will be achieved, or progress made toward them, in the current year;

c. a description of performance indicators to be used in measuring/assessing output service levels and outcomes of activities;

d. information on external factors that could significantly affect attainment of goals and benchmarks;

e. information on a mechanism for conducting program evaluation, for use in comparing results with goals and benchmarks;

f. information on how minimum participation rates specified in section 404 will be satisfied; and

g. an estimate of the total amount of State and local expenditures under the program for the current fiscal year.

(3) Certification that the State will operate a child support enforcement program.

(4) Certification that the State will operate child protection programs, including a foster care and adoption programs, under parts B and E.

(5) Certification by the Chief Executive Officer that the State will participate during the fiscal year in the income and eligibility verification system (IEVS) required by Section 1137 of Social Security Act.

(6) Certification by the Chief Executive Officer specifying which State agency or agencies will administer and supervise the program and ensuring that local governments and private sector organizations have been consulted about the plan and design of welfare services in the State.

(7) Certification by the Chief Executive Officer that the State shall provide the Secretary with required reports.

(8) Estimate of the total amount of State and local expenditures under the State program for the fiscal year.

(9) The Chief Executive Officer must certify that the State will provide Indians in each tribe that does not have a tribal family assistance plan with equitable access to assistance under the State block grant program.

(10) The State shall make available to the public a summary of the State plan and shall provide a copy to the ''approved entity'' conducting the audit of State expenditures from the block grant.

*Conference agreement*

An ''eligible State'' is a State that once every two years submits to the Secretary an outline of its program and various certifications on programs offered by the State. The detailed requirements of State plan submissions to the Secretary are:

(1) A written document describing how the State will:

a. conduct a program that provides assistance to needy families with children (or families that include a pregnant mother) and provides parents with job preparation, work and support services to enable them to leave the program and become self-sufficient;

b. conduct a program designed to serve all political subdivisions;

c. require a parent or caretaker to engage in work, as defined by the State, after 24 months of benefits, or, if earlier, when the State finds the person ready for work;

d. ensure that families engage in work activities in accord with section 407;

e. treat families moving into the State from another State, if such families are to be treated differently than other families;

f. take such reasonable steps as State deems necessary to safeguard and restrict the use and disclosure of information about recipients;

g. establish goals and take action to prevent and reduce out-of-wedlock pregnancies, with emphasis on teenage pregnancies; and

h. treat noncitizens, if the benefits for which they may be eligible will be different than those available to citizens.

(2) Certification by the chief executive officer that the State operate a child support enforcement program;

(3) Certification by the chief executive officer that the State will operate a child protection program and a foster care and adoption program under part B;

(4) Certification by the chief executive officer specifying which State agency or agencies will administer and supervise the program and ensuring that local governments and private sector organizations have had 60 days to submit comments about the plan and the design of welfare services in the State;

(5) Certification by the chief executive officer that the State will provide Indians in each tribe that does not have a tribal family assistance plan with equitable access to assistance under the program; and

(6) The State shall make available to the public a summary of the State plan.

For purposes of this section, the term ''Eligible State'' means, with respect to a fiscal year, a State that has submitted to the Secretary the plan described above within 3 months after the date of enactment.

C. Payments to States

(1) Entitlements

*Present law*

AFDC entitles States to Federal matching funds. Current law provides permanent authority for appropriations without limit for grants to States for AFDC benefits, administration, and AFDC-related child care. Over the years, because of court rulings, AFDC has evolved into an entitlement for individuals to receive cash benefits. In general, States must give AFDC to all persons whose income and resources are below State-set limits if they are in a class or category eligible under Federal rules.

There are no grants increased to reward states that reduce out-of-wedlock births (illegitimacy ratio).

There is no adjustment for population growth. Instead, current law provides unlimited matching funds. When AFDC enrollment climbs, Federal funding automatically rises.

There is no adjustment for emergency assistance (EA) plan amendments. Current law provides unlimited matching funds for EA expenditures.

There is no job placement performance bonus, performance bonus, or high performance bonus.

The law imposes an aggregate ceiling on matching funds for AFDC, adult cash welfare (aged, blind, disabled), and foster care and adoption assistance in Guam, Puerto Rico, the Virgin Islands, and American Samoa (AFDC, foster care, and adoption assistance only). (Sec. 1108(a) and (d) of the Social Security Act.) The Federal matching rate is 75 percent, except for adoption assistance and foster care maintenance payments, whose matching rate is 50 percent. (Note: American Samoa has not implemented AFDC). Separate funding ceilings apply to matching funds for AFDC family planning services (75 percent Federal) and for Medicaid (50 percent Federal) in each territory (sec. 1108(b) and (c) of the Social Security Act). The outlying areas listed above are entitled to JOBS matching funds (75 percent Federal), allocated on the same basis as States (by share of AFDC adult recipients). (Sec. 403(1)(1)(A) of the Social Security Act.)

Indian tribes and Alaska native organizations receive no special treatment regarding AFDC, and tribes and native organizations do not administer AFDC funds. Indian and Alaska families with children receive AFDC benefits on the same terms as other families in their States or from State or local AFDC agencies. More than 80 tribes and native organizations in 24 States are JOBS grantees, having applied to conduct JOBS within 6 months of enactment of the law establishing it. Their allocation of JOBS funds is based on the percentage of AFDC adult recipients within the State who are in the tribal service area. Their JOBS allocation is subtracted from that of their State. JOBS funds granted to Indians and Alaska natives are 100 percent Federal, requiring no matching. Further, their JOBS programs need not meet participation rules of the regular JOBS program. In FY 1995 the estimated allocation of JOBS funds for these groups totaled $8.9 million.

*House bill*

Each eligible State is entitled to receive a grant from the Secretary for each of 5 fiscal years (1996–2000) in the amount equal to the State family assistance grant for the fiscal year. There is no individual entitlement (implicit in bill). For each fiscal year beginning with 1998, a State's grant amount is increased by 5 percent if the State illegitimacy ratio is 1 percentage point lower in that year than its 1995 illegitimacy ratio; the State grant is increased 10 percent if the illegitimacy ratio is 2 or more percentage points lower than its 1995 illegitimacy ration. In 1997, 1998, 1999, and 2000, a State's grant amount is increased by the State's percentage share of national population growth among growing States multiplied by $100 million. States that have negative population growth are omitted from the calculation. The House bill entitles territories to a cash block grant for temporary assistance to needy families (on same basis as States). It

repeals AFDC and foster care/adoption assistance (and, accordingly, territorial ceilings for them and for AFDC family planning). (Sec. 104(e)(1) of H.R. 4.) It establishes new separate territorial ceilings for adult cash welfare. The bill retains territorial ceilings for Medicaid, but repeals ceilings for AFDC family planning (along with AFDC itself). As noted, the bill repeals JOBS. The basic cash block grant for outlying areas includes base-year level JOBS funds. Indian tribes and Alaska native organizations receive no special treatment regarding the cash block grant that will replace AFDC. Tribes and native organizations would not administer the new grants. The bill repeals JOBS (sec. 104(c)), and the basic cash block grant includes base-year level JOBS funds of each State (those funds include ones earmarked previously for administration by Indian tribes and Alaska native organizations). Tribes and native organizations would not administer the new grants.

*Senate amendment*

The Secretary is required to pay each eligible State for each of 5 fiscal years (1996–2000) a grant equal to the State family assistance grant for the fiscal year. The amendment states that no person is entitled to any assistance under Title IV–A. For fiscal years 1998, 1999 and 2000, a State's grant amount is increased if the State illegitimacy ratio is at least 1 percentage point lower than its 1995 illegitimacy ratio and the State rate of ''induced pregnancy terminations'' is no higher than in 1995. The bonus equals $25 times the number of children in the State in families with income below the poverty line, according to the most recently available Census data. The bonus is $50 per poor child if the illegitimacy ratio is at least 2 percentage points lower and the abortion rate no higher than in 1995. The bonus shall not be paid if the Secretary finds that the illegitimacy ratio declined, or the abortion rate held steady, because of a change in State reporting methods. The amendment authorizes to be appropriated, and appropriates, sums necessary for these grants. For each of fiscal years 1997, 1998, 1999, and 2000, qualifying States shall receive a supplemental grant amount equal to 2.5 percent of the block grant received in the preceding fiscal year. For this purpose, a qualifying State is one with an average level of State welfare spending per poor person in the preceding fiscal year below the national average and with an estimated rate of State population growth above the average growth rate for all States for the most recent fiscal year for which information is available. Additionally, States whose population rose more than 10 percent from April 1, 1990, to July 1, 1994, are deemed eligible, as are States with a FY 1996 level of State welfare spending per poor person that is less than 35 percent of the national average level. State welfare spending per poor person is defined as the State cash block grant divided by the number of persons in the State who had an income below the poverty line, according to the 1990 decennial census. For these grants, a total of $878 million is authorized to be appropriated, and is appropriated to be spent in 1997, 1998, 1999, and 2000. The Senate amendment makes available up to a total of $800 million for grants for years FY 1996 through FY 2000 equal to increased EA expenditures in fiscal year 1995 attributable to State EA plan amendments made during fiscal year 1994. If this amount is insufficient, State EA adjustment grants are to be reduced proportionately. For each of 2 years (FY 1998 and 1999) the Secretary shall pay a job placement performance bonus to eligible States. This bonus fund shall equal 3 percent of the national cash block grant for FY1998 and 4 percent for FY1999. The DHHS Secretary shall develop a formula for allocating funds to States on the basis of the number of families who, during the previous year, lost eligibility for continued aid from the cash block grant program because of obtaining unsubsidized employment. The formula must provide a larger bonus for families who remain employed for longer periods or who are at greater risk of long-term welfare enrollment and take into account each State or geographic area's unemployment condition. For FY 2000, the Secretary shall pay a performance bonus to each qualified State. To qualify for a performance bonus, a State must exceed overall average performance of all States in a measurement category (in the time period starting 6 months after enactment and ending on September 30, 1999) or improve its own performance in a category by at least 15 percent over that of FY1994. The 5 measurement categories are: reduction in average length of time families receive cash aid, increase in the percentage of recipient families that receive child support payments, increase in the number of families who lose eligibility for continued cash aid as a result of unsubsidized work, increase in earnings of recipient families, and reduction in percentage of families that become re-eligible for cash aid within 18 months after leaving the program. The bonus fund shall equal 5 percent of the national cash block grant and is to be deducted from that grant (by reducing each State's FY2000 grant by 5 percent). For FY 2000, in addition, ''high performance'' States shall be entitled to a share of a high performance bonus fund. Appropriated for the high performance bonus fund is an amount equal to penalties imposed on States (and ''collected'' by reductions in State grants) for FYs 1996–1999. High performance bonuses will be awarded for each of the 5 measurement categories to the 5 States with the highest percentage of improvement over their FY94 baseline in the category and to the 5 States with the highest overall average performance in the category. Retains but increases aggregate ceilings in each of the territories for cash aid to needy families, cash aid to needy aged, blind or disabled adults, and foster care/adoption assistance. Ends requirement that territories share cost of cash aid for needy families. Ceilings for Puerto Rico, Guam, and the Virgin Islands would rise by $19.521 million (representing a 12.5 percent increase in the old ceilings, plus $8.446 million for their FY1994 JOBS funds). Retains territorial ceilings for Medicaid, but repeals ceilings for AFDC family planning (along with AFDC itself). The Senate amendment repeals JOBS, but increases ceilings for the outlying areas to include their base-year level JOBS funds. The Senate amendment allows block grant funds to be directly administered by Indian tribes and Alaska native organizations. The amount is the total of Federal AFDC payments to the State for FY 1994 attributable to Indiana families. The Senate amendment requires the DHHS Secretary to continue to pay Indian tribes and Alaska native organizations that have been JOBS grantees an annual grant equal to the amount they received in FY95 for JOBS for each of fiscal years 1996, 1997, 1998, 1999 and 2000. For this purpose it appropriates $7,638,474 for each year. These funds are separate from, and in addition to, the national cash block grant.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment on grants for family assistance, so that each eligible State is entitled to receive a grant equal to the State family assistance grant from the Secretary for each of 5 fiscal years. The conference agreement follows the Senate amendment on the explicit statement that no person is entitled to any assistance under Title IV–A of the Social Security Act.

The conference agreement follows the House bill with respect to the amount of Grant Increases to Reward States that Reduce Out-of-Wedlock births (namely grant increases of 5 percent and 10 percent, based on reductions in illegitimacy). The conference agreement follows the Senate amendment with respect to the determination of how States may qualify for grant increases for this purpose, including the prohibition on a State's receiving a grant increase for this purpose if the State's rate of induced pregnancy terminations is higher than in 1995.

For purposes of this part, the Secretary is to disregard changes in rates of illegitimacy due to a change in State methods of reporting such data.

The conference agreement generally follows the Senate amendment with regard to the Adjustment for Population Growth, with the modification that $800 million is authorized and appropriated for this purpose.

The conference agreement follows the House bill regarding the adjustment for Emergency Assistance Plan Amendments (no provision).

The conference agreement follows the House bill regarding the Job Placement Performance Bonus (no provision).

The conference agreement follows the Senate amendment regarding the Performance Bonus, except that States that are most successful or most improved in moving families off welfare into work may reduce their 75 percent State maintenance of effort requirement by up to 8 percentage points.

The conference agreement follows the House bill regarding the High Performance Bonus (no provision).

The conference agreement generally follows the Senate amendment regarding the treatment of outlying areas, with increases to the aggregate ceilings on cash benefits for the specified territories.

The conference agreement on H.R. 4 would:

Increase the limits on Federal grants to the territories for adult assistance and benefits and services for families with children;

Replace AFDC, EA, and JOBS with the Temporary Assistance for Needy Families (TANF) block grant;

Replace the child welfare services and family preservation program with a child protection block grant;

Continue the existing programs of adult assistance; and

Provide explicit authority for the territories to transfer funds among adult assistance, temporary assistance for needy families with children, and child protection programs.

The conference agreement would require that the territories maintain their own funding effort under adult assistance, assistance for needy families with children, and child protection. For a territory to receive funds above the FY 1995 level, it would have to spend at least as much as the Federal Government counted toward their reimbursable FY 1995 spending for the replaced programs.

The chart below provides the mandatory caps and the authorization of discretionary funds for the territories agreed to by conferees. The final column of the chart shows the maximum potential payments to the territories for adult assistance, TANF, and child protection these figures represent the level of funds that each territory would receive if the territory reached its respective cap under the mandatory programs and if Congress appropriated the full authorization amount for the discretionary grant. Under P.L. 94–241, the Northern Mariana Islands are provided the same treatment as Guam under financial assistance programs.

CAPS ON MANDATORY PAYMENTS AND AUTHORIZATION OF DISCRETIONARY GRANTS TO THE TERRITORIES PROPOSED IN H.R. 4.

[In thousands of dollars]

| Territory | Cap on mandatory payments | Authorization of discretionary grant | Maximum potential payment to the territories |
|---|---|---|---|
| Puerto Rico | 105,538 | 7,951 | 113,489 |
| Guam | 4,902 | 345 | 5,247 |
| Virgin Islands | 3,742 | 275 | 4,017 |
| American Samoa | 1,122 | 190 | 1,312 |

The conference agreement generally follows the Senate amendment regarding the treatment of Indian tribes and Alaska native organizations, except that these groups will receive benefits through their State's block grant in FY1996 and will be eligible to receive direct funding to administer their own family assistance program in FY1997 and thereafter. In order to be eligible to receive direct funding, an Indian tribe or Alaska native organization must submit a three year plan to the Secretary of HHS outlining how they will administer their program. The tribal assistance plan is subject to the approval of the Secretary of HHS. Tribes and native organizations must meet minimum work participation rates established jointly by each tribe and native organization and the Secretary of HHS. Tribes and native organizations will be subject to the same penalties as States for misusing funds, failing to pay back Federal loan funds, and failing to meet established work participation rates. Tribes and native organizations will also be required to abide by the same data collection and reporting requirements as States. In addition, all tribes and native organizations that currently receive direct funding under the JOBS program will continue to receive an annual grant equal to the amount they received in FY1995.

(2) Definitions

*Present law*

AFDC law defines ''State'' to include the 50 States, the District of Columbia, Puerto Rico, Virgin Islands, Guam, and American Samoa. However, special funding ceilings apply to them.

*House bill*

The ''State family assistance grant'' is determined by the greater of (1) the average of Federal obligations to the State for selected programs (AFDC benefits and administration, Emergency Assistance, and JOBS) authorized by Title IV–A for FY 1992–1994; or (2) the amount of Federal obligations for FY 1994, multiplied by the total amount of State outlays for these programs for FY 1994, divided by the amount of Federal obligations for FY 1994. The selected programs are all those authorized under Title IV–A of current law except the day care programs (the at-risk program, AFDC/JOBS day care, and transitional day care). If the sum of all the State shares, as calculated here, exceeds (or falls short of) the national block grant amount below ((2)(b)), each State's share will be reduced (or increased) proportionately.

In each fiscal year between 1996 and 2000, the ''National Block Grant Amount'' available to all eligible States will be equal to $15,390,296,000.

The State's ''Illegitimacy Ratio'' for a fiscal year is the sum of the number of out-of-wedlock births that occurred in the State during the most recent fiscal year for which the data are available and the amount, if any, by which the number of abortions performed in the State during the most recent year for which information is available exceeds the number of abortions performed in the State during the fiscal year that immediately precedes such most recent fiscal year, divided by the number of births that occurred in the State for the most recent fiscal year.

The term ''State'' includes the 50 States, the District of Columbia, Puerto Rico, Virgin Islands Guam, and American Samoa.

*Senate amendment*

The State share of the block grant for each year equals the total Federal payments to the State under Title IV–A in Fiscal Year 1994 (for AFDC benefits and administration, Emergency Assistance, JOBS, and three child care programs—AFDC/JOBS child care, ''transitional'' child care, and ''at-risk child care''); reduced by any amount set aside for tribal family assistance programs in the State and (FY 2000 only) by 5 percent (for the performance bonus fund) and increased by the amount, if any, of increased FY95 Emergency Assistance spending attributable to FY94 amendments.

The block grant amount is $16,803,769,000.

(Note: A major reason for the difference between the House and Senate block grant amount is that the House removed mandatory child care funds currently authorized under Title IV–A and placed most of the money in a separate discretionary child care block grant, while the Senate kept IV–A child care funds in the cash block grant but earmarked them for child care.)

The term ''illegitimacy ratio'' means the number of out-of-wedlock births that occurred in the State during the most recent fiscal year for which the data are available, divided by the number of births that occurred in the State during the most recent fiscal year for which the data are available.

The term ''State'' is identical to the House bill. However, for supplemental grants for population increases, the term ''State'' applies only to the 50 States.

In general, the terms ''Indian,'' ''Indian tribe organization'' have the meaning given by section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b). The Senate amendment provides that only 12 specified regional non-profit corporations of Alaska natives can administer tribal family assistance grants.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment with regard to the State family assistance grant, except that the State share of the block grant is determined by the greater of (1) the average of Federal payments for FY 1992–94; (2) Federal payments in FY 1994; or (3) Federal payments in FY 1995. House conferees recede with regard to the proportionate reduction in State shares included in the House bill. For all programs except JOBS, Federal payments represent the Federal share of a State's total expenditures on these programs, as reported by the States. For JOBS, the payment represents the grant amount. Table 2 summarizes the annual State allocation under the basic TANF Block Grant.

*Table 2.—Estimated Annual State Allocations Under the Temporary Assistance for Needy Families Block Grant*

[In thousands of dollars]

| State: | *Amount* |
|---|---|
| Alabama | 93,006 |
| Alaska | 63,609 |
| Arizona | 222,420 |
| Arkansas | 56,733 |
| California | 3,733,818 |
| Colorado | 135,553 |
| Connecticut | 258,392 |
| Delaware | 32,291 |
| District of Columbia | 92,610 |
| Florida | 558,436 |
| Georgia | 330,742 |
| Hawaii | 98,905 |
| Idaho | 31,851 |
| Illinois | 585,057 |
| Indiana | 206,799 |
| Iowa | 130,088 |
| Kansas | 101,931 |
| Kentucky | 181,288 |
| Louisiana | 163,972 |
| Maine | 78,121 |
| Maryland | 229,098 |
| Massachusetts | 451,843 |
| Michigan | 775,353 |
| Minnesota | 265,203 |
| Mississippi | 86,768 |
| Missouri | 211,588 |
| Montana | 45,534 |
| Nebraska | 58,029 |
| Nevada | 43,977 |
| New Hampshire | 38,263 |
| New Jersey | 394,955 |
| New Mexico | 126,103 |
| New York | 2,359,975 |
| North Carolina | 302,240 |
| North Dakota | 24,684 |
| Ohio | 717,863 |
| Oklahoma | 148,014 |
| Oregon | 167,925 |
| Pennsylvania | 719,499 |
| Rhode Island | 95,022 |
| South Carolina | 99,968 |
| South Dakota | 21,352 |
| Tennessee | 183,236 |
| Texas | 486,257 |
| Utah | 74,952 |
| Vermont | 47,353 |
| Virginia | 158,285 |
| Washington | 399,637 |
| West Virginia | 110,176 |
| Wisconsin | 318,188 |
| Wyoming | 21,781 |
| Total | 16,338,743 |

Source.—Table prepared by the Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (DHHS). Allocations based on the sum of the Federal share of expenditures for Title IV–A programs (except child care) and the grant amount for the Job Opportunity and Basic Skills (JOBS) program. Title IV–A expenditure data are based on reports by the States to the DHHS. FY1992 to FY1994 data reflect information available from DHHS, April 1995. Preliminary FY1995 data are the first 3 quarters of FY 1995 data, as reported by the States to DHHS, divided by 0.75. JOBS grant amount includes adjustments to obligations made after the close of the fiscal year. FY1992 and FY1993 JOBS grants reflect information available from DHHS, January 1995. FY1994 JOBS grants reflect information available from DHHS, April 1995. FY1995 JOBS data represent grant awards for the 4 quarters of FY1995. FY1995 data reflect information available October 1995. Allocations include an adjustment for States that had EA plan amendments related to family preservation activities in FY 1994. Estimates are based on FY1995 EA data available in August 1995. They are also based on a list of 13 States with FY 1994 EA plan amendments related to family preservation obtained by CRS from DHHS. If more States amended their EA plans for family preservation in FY 1994, the allocations for some States would be different.

The conference agreement follows the Senate amendment regarding the definition of a State's Illegitimacy Ratio.

The conference agreement follows the House bill and Senate amendment regarding the definition of ''State'', but the House recedes to the Senate so that, for purposes of the supplemental grants for population increases only, the term ''State'' applies only to the 50 States and the District of Columbia.

The conference agreement follows the Senate amendment regarding the definition of ''Indian.''

For purposes of determining the Federal and State shares pursuant to section 457(a)(1) of the Social Security Act of amounts collected on behalf of families receiving assistance, it is the intent of the conferees that amounts collected on behalf of families receiving assistance do not include amounts distributed to the family by the State that would have been authorized as gap payments pursuant to Section 402(a)(28) of the Social Security Act as in effect on the day before enactment of the Personal Responsibility and Work Opportunity Act of 1995.

(3) Use of grant

*Present law*

AFDE and JOBS funds are to be used in conformity with State plans. A State may replace a caretaker relative with a protective payee or a guardian or legal representative.

Current law sets aside some JOBS funds (deducting them from State allocations) for Indian tribes and Native Alaska organizations. See (4)(C)(1)(f).

Regulations permit States to receive Federal reimbursement funds (50 percent administrative cost-sharing rate) for operation of electronic benefit systems. To do so, States must receive advance approval from DHHS and must comply with automatic data processing rule.

*House bill*

States may use funds in any manner reasonably calculated to accomplish the purpose of this part (except for prohibitions listed below under (4)(F)). No part of the grant may be used to provide medical services. Explicitly allowed are noncash aid to mothers under the age of 18 assistance to low-income households for heating and cooling costs.

The House bill has no set-aside provision.

In the case of families that have lived in a State for less than 12 months, States are authorized to provide them with the benefit level of the State from which they moved.

States may transfer up to 30 percent of the funds paid to the State under this section to any or all of the following: (1) child protection block grant; (2) social services block grant under the XX of the Social Security Act; (3) any food and nutrition block grant passed during the 104th Congress; and (4) the child care and development block grant program. Rules of the recipient program will apply to the transferred funds.

States are allowed to reserve some block grant funds received for any fiscal year for the purpose of providing emergency assistance under the block grant program.

States are encouraged to implement an electronic benefit transfer system for providing assistance under the State program funded under this part, and may use the grant for such purpose. In general, exempt State and local government electronic transfers of need-based benefits from certain rules issued by the Federal Reserve Board regarding electronic fund transfers, (i.e., Regulation E, which limits liability of cardholders).

*Senate amendment*

States may use funds in any manner reasonably calculated to accomplish the purpose of this part, provided that administrative costs not exceed 15 percent of the State's grant (except from prohibitions listed below, under section F).

The following rules apply to set-asides under the Senate amendment: (1) maintains current law set-asides for JOBS funding for Indian tribes and Alaska native organizations; (2) from the national cash block grant, the State Amendment earmarks for child care annually the amount paid with Federal funds in FY1994 for AFDC-related child care (about $980 million); and (3) for the Performance fund (FY2000 only), each State's share of the family assistance block grant shall be reduced by 5 percent. The set-aside funds are to finance FY2000 performance bonuses.

With regard to the treatment of ''interstate immigrants'', the Senate amendment includes a similar provision, with slight differences in wording, in relation to the House bill.

States may transfer up to 30 percent of block grant funds to the child care and development block grant program.

A State may reserve amounts paid to the State for any fiscal year for the purpose of providing assistance under this part. Reserve funds can be used in any fiscal year. Any funds set aside for child care, if reserved, must be used only for child care.

States may use a portion of the temporary assistance block grant to make payments (or provide job placement vouchers) to State-approved agencies that provide employment services to recipients of cash aid.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment with respect to the general uses of the grant, clarifying that the grant may be used in any manner reasonably calculated (including activities now authorized under titles IV-A and IV-F of the Social Security Act and providing low-income households with assistance in meeting home heating and cooling costs) to increase the flexibility of States in operating a program designed to:

(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

(4) encourage the formation and maintenance of two-parent families.

The conference agreement follows the Senate amendment's 15 percent cap on administrative spending. However, spending for information technology and computerization needed to implement the tracking and monitoring required by this title are excluded from this limitation.

The conference agreement follows the House bill with regard to set-asides for child care and the performance fund, and follows the Senate amendment with regard to the set-aside for Indians (no provision).

With regard to the treatment of ''interstate immigrants'', the conferees agree to follow the House bill and Senate amendment.

The conference agreement follows the House bill with regard to transfer of funds.

The conference agreement follows the Senate amendment on reservation of funds.

The conference agreement follows the House bill with regard to the Electronic Benefit Transfer System.

The conference agreement follows the Senate amendment on the authority of States to use funds to operate an employment placement program.

It is the intent of Congress that, after the date of enactment, neither the Federal nor State governments can be made liable for retroactive payments required to be made by States by court order to AFDC recipients under the current AFDC program.

(4) Cost-sharing (maintenance of effort)

*Present law*

Current law requires States to share program costs. For administrative costs the rate is 50 percent. For other costs it varies among States (and, within limits, is inversely related to the square of State per capita income, compared to the square of National per capita income). For AFDC benefits and AFDC-related child care, the Medicaid Federal matching rate is used; it now ranges among States from a floor of 50 percent to 79 percent. For JOBS activities, the law provides an ''enhanced'' rate, ranging from 60 percent to 79 percent.

*House bill*

No cost-sharing required.

*Senate amendment*

The Senate amendment requires State cost-sharing for the temporary assistance block grant for 4 years, starting in FY1997. To receive the full grant for one of these years, States must spend in the preceding year from their own funds under their temporary assistance program at least 80 percent of the amount they spent in FY1994 on the replaced programs—AFDC benefits, AFDC-related child care, Emergency Assistance, and JOBS. Grants are to be reduced one dollar for each dollar by which a State falls short of this requirement. Cost-sharing also is required for ''contingency'' funds and additional child care funds. To qualify for contingency funds, States must spend at least 100 percent of FY1994 expenditures on programs replaced by the cash block grant. For additional child care funds they must spend at least 100 percent of FY1994 expenditures on AFDC-related child care.

*Conference agreement*

The conference agreement follows the Senate amendment, with the modification that States must spend at least 75 percent of the amount they spent in FY1994.

(5) Timing of payments

*Present law*

The Secretary pays AFDC funds to the State on a quarterly basis.

*House bill*

The Secretary shall make each grant payable to a State in quarterly installments.

*Senate amendment*

Similar to the House provision.

*Conference agreement*

The conference agreement follows the House bill.

(6) Penalties

*Present law*

If the Secretary finds that a State has failed to comply with the State plan, she is to withhold all payments from the State (or limit payments to categories not affected by noncompliance).

There is no specific penalty for failure to submit a report, although the general noncompliance penalty could apply.

The Secretary is to reduce payments by 1 percent for failure to offer an provide family planning services to all appropriate AFDC recipients who request them.

Except as expressed provided, the Secretary may not regulate the conduct of the States or enforce any provisions of this paragraph.

The penalty against a State for noncompliance with child support enforcement rules—loss of AFDC matching funds—shall be suspended if a State submits and implements a corrective action plan.

*House bill*

The Secretary shall reduce the funds paid to a State by any amount found by audit to be in violation of this part, but the Secretary cannot reduce any quarterly payment by more than 25 percent. If necessary, funds will be withheld from the State's payments during the following year.

The Secretary must reduce by 3 percent the amount otherwise payable to a State for a fiscal year if the State has not submitted the annual report regarding the use of block grant funds within 6 months after the end of the immediately preceding fiscal year. The penalty is rescinded if the report has been submitted within 12 months.

The Secretary must reduce by 1 percent the amount of a State's annual grant if the State fails to participate in the IEVS designed to reduce welfare fraud.

With regard to failure to offer and provide family services, there is no penalty specified, but States are allowed to use block grant funds to pay for family planning services.

Except as expressly provided, the Secretary may not regulate the conduct of States under Part A of Title IV or enforce any provision of it.

There is no provision in the House bill regarding overdue repayments to the Federal rainy day loan fund, which is described below.

*Senate amendment*

For all penalties, the Secretary may not impose any of the penalties if she finds the State had reasonable cause for its failure to comply with the relevant provision. The State must spend on the block grant program a sum of its own funds to equal the amount of withheld Federal dollars. No quarterly payment may be reduced more than 25 percent. If necessary, penalty funds will be withheld from the State's payment for the next year. Except for the first item, all penalties take effect October 1, 1996.

The Secretary shall reduce funds paid to a State by any amount found by audit to be in violation of this part. If the State does not prove to the Secretary that the unlawful expenditure was not made intentionally, the Secretary shall impose an additional penalty of 5 percent of the basic block grant.

If a State fails to submit the annual report required by sec. 409 within 6 months after the end of a fiscal year, the Secretary shall reduce by 5 percent the amount otherwise payable to the State for the next year. However, the penalty shall be rescinded if the State submits the report before the end of the year in which the report was due.

The Secretary shall reduce by not more than 5 percent the annual grant of a State, if the State fails to participate in the IEVS designed to reduce welfare fraud.

If the Secretary determines that a State does not enforce penalties requested by the Title IV–D child support enforcement agency against receipts of cash aid who fail to cooperate in establishing paternity in accordance with Part D, the Secretary shall reduce the cash assistance block grant by not more than 5 percent.

Except as expressly provided, neither the DHHS Secretary nor the Treasury Secretary may regulate the conduct of States under Part A of Title IV nor enforce any provision of it.

If a State fails to pay any amount borrowed from the Federal Loan Fund for State Welfare Programs within the maturity period, plus any interest owed, the Secretary shall reduce the State's cash assistance block grant for the immediately succeeding fiscal year quarter by the outstanding loan amount, plus the interest owed on it. The Secretary may not forgive these overdue debts.

The Senate amendment requires the Federal government, before assessing a penalty against a State under any program established or modified by the act, to notify the State about the violation and allow it to enter into a corrective compliance plan within 60 days after notification. The Federal government shall have 60 days to accept or reject the plan; if it accepts the plan, and if the State corrects the violation, no penalty shall be assessed. If the State fails to make a timely correction, some or all of the penalty shall be assessed. An alternate corrective action section requires a State to correct the violation pursuant to its plan within 90 days after the Federal government accepts the plan.

*Conference agreement*

The conference agreement follows the Senate amendment on the general conditions for setting penalties; i.e., penalties may not be imposed if the Secretary finds the State has reasonable cause for its failure to comply; the State must spend on the block grant program a sum of its own funds to equal the amount of withheld Federal dollars; no quarterly payment may be reduced more than 25 percent; if necessary, penalty funds will be withheld from the State's payment for the next year; and that, except for the first item, all penalties take effect October 1, 1996.

The conference agreement follows the Senate amendment on penalties for use of the grant for unauthorized purposes. The conferees also agreed that if a State could not demonstrate to the Secretary that the State did not intend to use the amount in violation of this part, an additional penalty of 5 percent is imposed on the grant amount. The conference agreement follows the House bill and the Senate amendment regarding penalties for State failure to submit the required report, except that the penalty is to be a reduction of 4 percent in the block grant. The conference agreement follows the House bill and the Senate amendment regarding penalties for State failure to participate in the Income and Eligibility Verification System, except that the penalty is to be 2 percent.

The conference agreement follows the Senate amendment on penalties for State failure to cooperate on child support enforcement. The conference agreement follows the House bill and the Senate amendment regarding penalties for failure to offer and provide family planning services (no provision). The conference agreement includes penalties for failure to satisfy minimum work participation rates. The conference agreement follows the Senate amendment regarding the limitation of Federal authority.

The conference agreement follows the Senate amendment regarding the penalty for failure to timely repay the Federal loan fund for State welfare programs. The conference agreement follows the Senate amendment regarding the Corrective Action Plan.

(7) Federal rainy day loan fund

*Present law*

No provision. Instead, current law provides unlimited matching funds.

*House bill*

The Federal government will establish a fund of $1 billion modeled on the Federal Unemployment Account, which is part of the Unemployment Compensation system. The fund is to be administered by the Secretary of Health and Human Services, who must deposit into the fund any principal or interest payments received with respect to a loan made under this provision. Funds are to remain available without fiscal year limitation for the purpose of making loans and receiving payments of principal and interest. States must repay their loans, with interest, within 3 years. The rate of interest will equal the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan. At any given time, no State can borrow more from the fund than half its annual share of block grant funds or $100 million, whichever is less. States may borrow from the fund if their total unemployment rate for any given 3-month period is more than 6.5 percent and is at least 110 percent of the same measure in the corresponding quarter of the previous 2 years.

*Senate amendment*

Establishes a $1.7 billion revolving loan fund called the ''Federal Loan Fund for State Welfare Programs.'' The Secretary shall make loans, and the rate of interest will equal the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan. Ineligible are States that have been penalized for misspending block grant funds as determined by an audit. Loans are to mature in 3 years, at the latest, and the maximum amount loaned to a State cannot exceed 10 percent of its basic block grant, and States face penalties for failing to make timely payments on their loan.

*Conference agreement*

The conference agreement follows the Senate amendment.

(8) Contingency fund (for States with high unemployment)

*Present law*

No provision. Current law provides unlimited matching funds.

*House bill*

No provision.

*Senate amendment*

Establishes a ''Contingency Fund for State Welfare Programs'' and appropriates funds of up to $1 billion for a total period of 7 years (FY 1996–2002). The fund would provide matching grants (at the Medicaid matching rate) to States that have unemployment rates above specified levels, provided they first spend from their own funds a yearly sum a least equal to their FY 1994 expenditures on AFDC, AFDC-related child care, Emergency Assistance, and JOBS. The maximum contingency grant could not exceed 20 percent of a State's temporary assistance

block grant. Eligible would be States that met the maintenance of effort requirement and had an average rate of total unemployment, seasonally adjusted, of at least 6.5 percent during the most recent 3 months with published data and a rate at least 10 percent above that of either or both of the corresponding 3-month periods in the 2-preceding calendar years.

*Conference agreement*

The conference agreement follows the Senate amendment.

(9) Additional day care funds

*Present law*

No provision. Current law provides unlimited matching funds for AFDC/JOBS child care and transition child care (but a capped amount for ''at-risk'' care).

*House bill*

No provision.

*Senate amendment*

The Senate amendment authorizes to be appropriated, and appropriates, $3 billion in matching grants to States for the 5-year period beginning in FY1996 for child care assistance (in addition to Federal funds set aside for child care in the family assistance block grant). The funds, which are allocated among the States on the basis of their share of the nation's child population, are to be used to reimburse a State, at the Medicaid matching rate, for child care spending in a fiscal year that exceeds its share of child care set-aside funds (100 percent Federal) plus the amount it spent from its own funds in FY1994 for AFDC/JOBS child care, transitional child care, and at-risk child care. Funds are to be used only for child care assistance under Part IV–A. In the last quarter of the fiscal year, FY2000, if any portion of a State allotment is not used, the Secretary shall make it available to applicant States. Notwithstanding section 658T of the Child Care and Development Block Grant Act, the State agency administering the family assistance block grant shall determine eligibility for all child care assistance provided under Title IV–A. (For budget scoring, the Amendment states that the baseline shall assume that no grant will be made after FY2000.)

*Conference agreement*

See discussion in Title VIII of the conference agreement under Child Care and Development Block Grant. In general, conferees agree on a child care block grant that provides States with a total of $18 billion in funds for child care, $11 billion of which is entitlement funding.

D. Contracts/Client Agreements

(1) Terms

*Present law*

After assessing the needs and skills of recipients and developing an employability plan, States may require JOBS participants to negotiate and enter into an agreement that specifies their obligations.

*House law*

No provision.

*Senate amendment*

States must assess, through a case manager, the skills of each parent for use in developing and negotiating a personal responsibility contract (PRC). Each recipient family must enter into a contract developed by the State or into a limited benefit plan. The PRC means a binding contract outlining steps to be taken by the family and State to get the family ''off of welfare'' and specifying a negotiated time-limited period of eligibility for cash aid. An alternate provision requires the case manager to consult with the parent applicant (client) in developing a PRC, lists client activities that the PRC might require, specifies that clients must agree to accept a bona fide offer of an unsubsidized full-time job unless they have good cause not to, but does not require a time limit in the PRC nor make provision for a limited benefit plan. A State may exempt a battered person from entering into a PRC if it terms would endanger his/her well-being.

*Conference agreement*

The conference agreement follows the House bill (no provision).

(2) Penalties

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

The PRC is to provide that if a family fails to comply with its terms, the family automatically will enter into a limited benefit plan (with a reduced benefit and later termination of aid, in accordance with a schedule determined by the State). If the State agency violates the PRC, the contract shall be invalid. The State is to establish a procedure, including the opportunity for hearing, to resolve disputes concerning participation in the PRC. The alternate PRC language provides these penalties: for the first act of noncompliance with the PRC, 33 percent reduction in the family's benefit for one month; for the second act, 66 percent reduction for 3 months; for third and subsequent acts of noncompliance, loss of eligibility for 6 months. Job refusal without good cause is treated as a third violation. However, in no case shall the penalty period extend beyond the duration of noncompliance.

*Conference agreement*

The conference agreement follows the House bill (no provision).

E. Mandatory Work Requirements

(1) Work activities

*Present law*

JOBS programs must include specified educational activities (high school or equivalent education, basic and remedial education, and education for those with limited English proficiency); jobs skills training, job readiness activities, and job development and placement. In addition, States must offer at least two of these four items: group and individual job search; on-the-job training; work supplementation or community work experience program (CWEP) (or another work experience program approved by the DHHS Secretary). The State also may offer postsecondary education in ''appropriate'' cases.

*House bill*

''Work activities'' are defined as unsubsidized employment, subsidized employment, subsidized public sector employment or work experience, on-the-job training, job search, education and training directly related to employment, and jobs skills training directly related to employment. Satisfactory attendance at secondary school, at State option, may be included as a work activity for a parent under 20 who has not completed high school.

*Senate amendment*

Establishes this list of work activities: unsubsidized employment, subsidized employment, on-the-job training, community service programs, job search (first 4 weeks only) and vocational educational training (12 months maximum). For work participation requirements, the proportion of persons counted as engaged in ''work'' through participation in vocational educational training cannot exceed 25 percent. For each tribe receiving a family assistance block grant, the Secretary, with participation of Indians tribes, shall establish minimum work participation rules, appropriate time limits for benefits, and penalties, similar to the general family assistance rules but consistent with the economic conditions and resources of the tribe.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment, with the modification that, for the work participation requirements, the proportion of persons counted as engaged in work through participation in vocational education cannot exceed 20 percent.

(2) Participation requirements: all families

*Present law*

The following minimum percentage of nonexempt AFDC families must participate in JOBS:

| Fiscal year: | *Minimum Percentage* |
|---|---|
| 1995 (last year) | 20 |
| 1996 and thereafter (no requirement) | 0 |

Exempt from JOBS are parents whose youngest child is under 3 (1, at State option). Other exemptions include persons who are ill, incapacitated or needed at home because of illness or incapacity of another person. Also exempt are parents of a child under 6, unless the State guarantees child care and requires no more than 20 hours weekly of JOBS activity.

Participation rates are calculated for each month. A State's rate, expressed as a percentage, equals the number of actual JOBS participants divided by the number of AFDC recipients required to participate (non-exempt from JOBS).

In calculating a State's overall JOBS participation rate, a standard of 20 hours per week is used. The welfare agency is to count as participants the largest number of persons whose combined and averaged hours in JOBS activities during the month equal 20 per week.

The law requires States to guarantee child care when needed for JOBS participants and for other AFDC parents in approved education and training activities. Regulations require States to guarantee care for children under age 13 (older if incapable of self-care) to the extent that it is needed to permit the parent to work, train, or attend school. States must continue child care benefits for 1 year to ex-AFDC working families, but must charge them an income-related fee.

*House bill*

The following minimum percentages of all families receiving cash assistance must engage in work activities:

| Fiscal year: | *Minimum Percentage* |
|---|---|
| 1996 | 10 |
| 1997 | 15 |
| 1998 | 20 |
| 1999 | 25 |
| 2000 | 27 |
| 2001 | 29 |
| 2002 | 40 |
| 2003 or thereafter | 50 |

If States achieve net caseload reductions, they receive credit for the number of families by which the caseload is reduced for purposes of meeting the overall family participation requirements. The minimum participation rate shall be reduced by the percentage by which the number of recipient families during the fiscal year falls below the number of AFDC families in fiscal year 1995, except to the extent that the Secretary determines that the caseload reduction was required by terms of Federal law.

The fiscal year participation rates are the average of the rates for each month during the year. The monthly participation rates are measured by the number of recipient families in which an individual is engaged in work activities for the month, divided by the total number of recipient families that include a person who is 18 or older.

To be counted as engaged in work activities for a month, the recipient must be making progress in qualified activities for at least the minimum average number of hours per week shown in the table below. Of these hours, at least 20 hours must be spent in unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience, or on-the-job training. During the first 4 weeks of required work activity, hourly credit also is given for job search and job readiness assistance.

*Minimum average hours weekly*

| Fiscal year: | |
|---|---|
| 1996 | 20 |
| 1997 | 20 |
| 1998 | 20 |
| 1999 | 25 |
| 2000 | 30 |
| 2001 | 30 |
| 2002 | 35 |
| 2003 or thereafter | 35 |

Although a person must work at least 20 hours weekly in order for any hours of their training or education to count toward required participation, the bill does not prohibit a State from offering cash recipients an opportunity to participate in education or training before requiring them to work. In this case, however, participation does not count toward fulfillment of the State mandatory participation rate. Note: although the above table is in a paragraph entitled ''requirements applicable to all families receiving assistance,'' another paragraph establishes a higher hourly requirement (35 hours weekly) in all years for 2-parent families. See below.

*Senate amendment*

The following minimum percentages of all families receiving cash assistance (except those with a child under 1, if exempted by the State) must participate in work activities:)

*Minimum percentage*

| Fiscal year: | |
|---|---|
| 1996 | 25 |
| 1997 | 30 |
| 1998 | 35 |
| 1999 | 40 |
| 2000 or thereafter | 50 |

The Secretary is directed to prescribe regulations for reducing the minimum participation rate required for a State if its caseload under the new program is smaller than in the final year of AFDC, but not if the decrease was required by Federal law or results from changes in eligibility criteria adopted by the State. With these qualifications, the regulations are to reduce the participation rate by the number of percentage points, if any, by which the caseload in a fiscal year is smaller than in FY1995.

States may exempt a parent or caretaker relative of a child under one year old and may exclude them from the participation rate calculation. States may exempt a battered person if their well-being would be endangered by a work requirement.

As in the House bill, the fiscal year participation rate is the average of the rates for each month of the year. However, overall monthly rates are measured by adding (1) the number of recipient families with an adult engaged in work for the month, (2) the number subject to a work refusal penalty in the month (if not subject to the penalty for more than 3 months out of the preceding 12), and (3) the number who worked their way off the program in the previous 6 months and that include an adult who is working for the month, and then dividing this total by the number of families enrolled in the program during the month that include an adult recipient. States have the option to include in the calculation of monthly participation rates families who receive assistance under a tribal family assistance plan if the Indian or Alaska Native is participating in work under standards comparable to those of the State for being engaged in work.

To be counted as engaged in work for a month, an adult must be participating in work for at least the minimum average number of hours per week shown in the table below (of which not fewer than 20 hours per week are attributable to a work activity). See list of work activities above.

Exception to the table: In FY1999 and thereafter, when required weekly hours rise above 20, a State may count a single parent with a child under age 6 as engaged in work for a month if the parent works an average of 20 hours weekly. Also, community service participants may be treated as engaged in work if they provide child care services for another participant for the number of hours deemed appropriate by the State.

*Minimum average hours weekly*

| Fiscal year: | |
|---|---|
| 1996 | 20 |
| 1997 | 20 |
| 1998 | 20 |
| 1999 | 25 |
| 2000 | 30 |
| 2001 | 30 |
| 2002 | 35 |
| 2003 or thereafter | 35 |

Note: Although the above table is in a paragraph entitled ''all families,'' another paragraph establishes a higher hourly requirement (35 hours weekly) in all years for 2-parent families. See below.

The Senate amendment states that nothing in sec. 421 (amounts for child care) shall be construed to provide an entitlement to child care services to any child.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment as follows:

The following minimum percentages of all families receiving cash assistance (except those with a child under 1, if exempted by the State) must participate in work activities:

*Minimum percentage*

| Fiscal year: | |
|---|---|
| 1996 | 15 |
| 1997 | 20 |
| 1998 | 25 |
| 1999 | 30 |
| 2000 | 35 |
| 2001 | 40 |
| 2002 or thereafter | 50 |

The conference agreement generally follows the Senate amendment regarding reduction in the participation rate, including the requirement that regulations shall not take into account families diverted from the State program as a result of differences in eligibility criteria under the State program (in comparison with the AFDC program that operated prior to the date of enactment). The conferees agree to modify the Senate provision by requiring that regulations shall place the burden on the Secretary to prove that families were diverted as a direct result of differences in eligibility criteria.

The conference agreement follows the House bill regarding exemptions from the work requirement for battered individuals, and follows the Senate amendment regarding the State option to exempt families with a child under 1.

The conference agreement follows the House bill and the Senate amendment regarding the calculation of the fiscal year rate. The conference agreement generally follows the Senate amendment regarding the calculation of monthly rates, except that the Senate recedes on counting people who have worked their way off the rolls in the previous 6 months and including sanctioned individuals in the numerator; conferees agree that sanctioned persons are to be subtracted from the denominator in determining monthly rates.

The conference agreement follows the House bill with regard to the number counted as engaged in work, except that the phrase ''making progress in qualified activities'' is replaced with ''participating in qualified activities.''

The conference agreement follows the House bill and the Senate amendment regarding the minimum average hours of weekly work required. Conferees did not agree to the Senate provision that States have the option of allowing single parents with children under 6 to work only 20 hours per week and still count toward the participation standard.

(3) Participation requirements: Two-parent families

*Present law*

The following minimum percentages of two-parent families receiving cash assistance must participate in specified work activities:

*Minimum percentage*

| Fiscal year: | |
|---|---|
| 1995 | 50 |
| 1996 | 60 |
| 1997 | 75 |
| 1998 (last year) | 75 |
| 1999 and thereafter (no requirement) | 0 |

Participation rates for a month equal the number of parents who participate divided by the number of principal earners in AFDC–UP families (but excluding families who received aid for 2 months or less, if one parent engaged in intensive job search).

One parent in the 2-parent family must participate at least 16 hours weekly in on-the-job training, work supplementation, community work experience program, or a State-designated work program.

*House bill*

The following minimum percentages of two-parent families receiving cash assistance must engage in work activities:

*Minimum percentage*

| Fiscal year: | |
|---|---|
| 1996 | 50 |
| 1997 | 50 |
| 1998 (last year) | 90 |
| 1999 and thereafter | 90 |

Participation rates for a month are measured by the number of two-parent recipient families in which at least one adult is engaged in work activities for the month, divided by the total number of two-parent families that received cash aid during the month.

An adult in a 2-parent family is engaged in work activities when making progress in them for 35 hours per week, at least 30 of which are in unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience, or on-the-job training (or job search and job readiness assistance for the first 4 weeks only).

*Senate amendment*

The following minimum percentages of two-parent families receiving cash assistance must participate in work:

| | *Minimum percentage* |
|---|---|
| Fiscal year: | |
| 1996 | 60 |
| 1997 | 75 |
| 1998 | 75 |
| 1999 and thereafter | 90 |

Participation rates for 2-parent families are measured (like those for all families) by adding (1) the number of 2-parent recipient families with an adult engaged in work for the month; (2) the number of 2-parent families subject to a work refusal penalty in the month (if not subject to the penalty for more than 3 months out of the preceding 12); and (3) the number of 2-parent families who worked their way off the program in the previous 6 months and that include an adult who is working for the month, and then dividing this total by the number of 2-parent families enrolled in the program during the month that include an adult recipient.

An adult in a 2-parent family must participate in work for at least 35 hours per week during the month, and at least 30 hours weekly must be attributable to one or more of the 6 work activities listed above in ''4.E. Mandatory Work Requirements.''

*Conference agreement*

The conference agreement follows the House bill and Senate amendment so that the following minimum percentages of two-parent families receiving cash assistance must participate in specified work activities:

| | *Minimum percentage* |
|---|---|
| Fiscal year: | |
| 1996 | 50 |
| 1997 | 75 |
| 1998 | 75 |
| 1999 and thereafter | 90 |

With regard to participation rates for a month, the conference agreement for 2-parent families matches the agreement for all families described above, so that the rates equal the number of two-parent recipient families in which at least one adult is engaged in work activities for the month, divided by the total number of two-parent families that received cash assistance minus sanctioned persons.

The conference agreement follows the House bill and the Senate amendment regarding creditable activities, except the House and Senate compromise so that the percentage of the caseload able to be counted as engaged in a work activity through vocational education training cannot exceed 20 percent.

(4) Penalties

*Present law*

For failure to meet JOBS requirements without good cause, AFDC benefits are denied to the offending parent and payments for the children are made to a third party.

In a 2-parent family, failure of 1 parent to meet JOBS requirements without good cause results in denial of benefits for both parents (unless the other parent participates) and third-party payment on behalf of the children. Repeated failures to comply bring potentially longer penalty periods.

If a State fails to achieve the two required participation rates (overall and for 2-parent families), the Federal reimbursement rate for its JOBS spending (which ranges among States from 60 percent to 79 percent for most JOBS costs) is to be reduced to 50 percent.

*House bill*

If recipients refuse to participate in required work activities, their cash assistance is reduced by an amount to be determined by individual States, subject to good cause and other exceptions that the State may establish.

Recipients in two-parent families who fail to work the required number of hours receive the proportion of their monthly cash grant that equals the proportion of required work hours they actually worked during the month, or less at State option.

No officer or employee of the Federal government may regulate the conduct of States under this paragraph (about penalties against individuals) or enforce this paragraph against any State.

States not meeting the required participation rates have their overall grant (calculated without the bonus for reducing out-of-wedlock births and before other penalties listed in C(5) above) reduced by up to 5 percent the following fiscal year; penalties shall be based on the degree of noncompliance as determined by the Secretary.

*Senate amendment*

If an adult recipient refuses to engage in required work, the State shall reduce the amount of assistance to the family pro rata (or more, at State option) with respect to the period of work refusal, or shall discontinue aid, subject to good cause and other exceptions that the State may establish. A State may not penalize a single parent caring for a child under age 6 for refusal to work if the parent has a demonstrated inability to obtain needed child care. Penalties against individuals in 2-parent families follow those against individuals, except that the penalties may apply against parents of children under 6 who refuse to work due to an inability to obtain child care.

No specific provision about regulation of penalties against individuals. However, the amendment provides that neither the DHHS Secretary nor the Treasury Secretary may regulate the conduct of States under Title IV–A or enforce any of its provisions, except to the extent expressly provided in the Act.

If a State fails to meet minimum work participation rates, the Secretary is to reduce the family assistance block grant as follows: For the first year of failure, by 5 percent (applied in the next year); for subsequent years of failure, by an additional 5 percent (thus, by 5.25 percent). The Secretary shall impose reductions on the basis of the degree of noncompliance.

*Conference agreement*

The conference agreement follows the Senate amendment regarding penalties against individuals, with the modification that the burden of proof to demonstrate an inability to find needed child care rests on the parent of a child under age 6. The conference agreement follows the Senate amendment regarding penalties against individuals in two-parent families.

The conference agreement follows the House bill on penalties against States not meeting work requirements, except the House recedes to the Senate on the corrective action provision.

(5) Rule of interpretation (concerning education and training)

*Present law*

JOBS programs must include specified educational activities and job skills training.

*House bill*

This part does not prohibit a State from establishing a program for recipients that involves education and training.

*Senate amendment*

No provision. However, the amendment qualifies vocational educational training as a ''work activity,'' with a 12-month maximum and a limit on the proportion of vocational educational trainees who can be counted in calculating work participation rates.

*Conference agreement*

The House recedes (no provision). Vocational training, however, counts in the calculation of participation standards with the limitation described above.

(6) Research (about work programs)

*Present law*

Authorizes States to make ''initial'' evaluations (in FY 1991) of demographic characteristics of JOBS participants and requires the DHHS Secretary, in consultation with the Labor Secretary, to assist the States as needed.

*House bill*

The Secretary is to conduct research on the costs and benefits of mandatory work requirements in the Act, and to evaluate promising State approaches in employing welfare recipients. See also ''Research, Evaluations, and National Studies'' below.

*Senate amendment*

The Secretary is to conduct research on the costs, benefits, and effects of operating different State programs of temporary assistance to needy families, including their time limits. Research shall include studies of effects on employment rates. See also ''Research, Evaluations, and National Studies'' below.

*Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment.

(7) Evaluation of innovative approaches to employing recipients of assistance

*Present law*

No provision.

*House bill*

The Secretary shall evaluate innovative approaches by the States to employ recipients of assistance.

*Senate amendment*

The Secretary may assist States in developing, and shall evaluate innovative approaches for reducing welfare dependency and increasing the well-being of minor children, using random assignments in these evaluations ''to the maximum extent feasible.''

*Conference agreement*

The conference agreement follows the Senate amendment.

(8) Annual ranking of States and review of work programs

*Present law*

No provision.

*House bill*

The Secretary must annually rank the States in the order of their success in moving recipients into long-term private sector jobs, and review the 3 most and 3 least successful programs. HHS will develop these rankings based on data collected under the bill.

*Senate amendment*

Taking account of the number of poor children in the State and funds provided for them, the Secretary of HHS shall rank the States annually in the order of their success in placing recipients into long-term private sector jobs, reducing the overall caseload, and, when a practicable method for calculation becomes available, diverting persons from application and entry into the program. The Secretary shall review the 3 most and 3 least successful programs that provide work experience, help in finding jobs, and provide other support services to enable families to become independent of the program.

*Conference agreement*

The conference agreement follows the House bill.

(9) Annual ranking of States and review of out-of-wedlock births

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

The Secretary is to annually rank States in the order of their success in reducing out-of-wedlock births and to review the programs of the 5 ranked highest and 5 ranked lowest in decreasing their absolute out-of-wedlock birth ratios (defined as the total number of out-of-wedlock births in families receiving cash assistance, divided by the total number of births in recipient families).

*Conference agreement*

The conference agreement follows the Senate amendment.

(10) Sense of Congress on work priority for mothers without young children

*Present law*

No provision.

*House bill*

It is the sense of Congress that States should give highest priority to requiring families with older preschool children or school-aged children to engage in work activities.

*Senate amendment*

Adds to highest priority group ''adults in 2-parent families and adults in single-parent families with children that are older than preschool age.''

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

(11) Work/school requirements for noncustodial parents

*Present law*

The Secretary shall permit up to 5 States, on a voluntary or mandatory basis, to provide JOBS services to unemployed noncustodial parents unable to pay child support

*House bill*

States must adopt procedures to ensure that persons owing past-due support to a child (or to a child and parent) receiving Title IV–A either work or have a plan for payment of that support. States must seek a court order requiring the parent to make payment, in accordance with a court-approved plan to work (unless incapacitated). It is the sense of Congress that States should require non-custodial, non-supporting parents under age 18 to fulfill community work obligations and attend appropriate parenting or money management classes after school.

*Senate amendment*

States must seek a court order or administrative order requiring a person who owes support to a child receiving Title IV–D services to pay the support in accordance with a court-approved plan or to work (unless incapacitated).

*Conference agreement*

The conference agreement follows the House bill.

(12) Delivery of work activities

*Present law*

Current law permits States to carry out JOBS programs directly or through arrangement or under contracts with administrative entities under the Job Training Partnership Act (JTPA), with State and local educational agencies or with private organizations, including community-based organizations as defined in JTPA (Section 485(A) of Social Security Act).

*House bill*

No provision.

*Senate amendment*

Requires that work activities for recipients of the temporary family assistance program be delivered through the Statewide workforce development system that was earlier included in the Work Opportunity Act, unless a required activity is not available locally through the Statewide workforce development system. However, as passed, the amendment does not include the workforce development title.

*Conference agreement*

The conference agreement follows the House bill (no provision).

(13) Displacement of workers

*Present law*

Under JOBS law, no work assignment may displace any currently employer worker or position (including partial displacement such as a reduction in hours of non-overtime work, wages, or employment benefits). Nor may a JOBS participant fill a position vacant because of layoff or because the employer has reduced the workforce with the effect of creating a position to be subsidized.

*House bill*

No provision.

*Senate amendment*

Provides that no adult in a Title IV–A work activity shall be employed or assigned when another person is on layoff from the same or a substantially equivalent job, or when the employer has terminated the employment of a regular worker or otherwise caused an involuntary reduction of its workforce in order to fill the vacancy thus created with a subsidized worker. This provision does not preempt or supersede any State or local law providing greater protection from displacement.

*Conference agreement*

The conference agreement follows the Senate amendment.

F. Prohibitions

(1) Families without a minor child

*Present law*

Only families with dependent children (under age 18, or 19 at State option if the child is still in secondary school or in the equivalent level of vocational or technical training) can participate in the program.

*House bill*

Only families with minor children (under 18 years of age or under 19 years of age for full-time students in a secondary school or the equivalent) can participate in the program.

*Senate amendment*

Similar to House bill, but specifies that the minor children must live with their parent or other caretaker relative.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment, with the modification that a pregnant individual may receive assistance under the block grant.

(2) Assistance for aliens

*Present law*

Illegal aliens are ineligible, but legal aliens and others permanently residing under color of law are eligible for Federal means-tested benefit programs. States must operate a System for Verification of Eligibility (SAVE) for determination of immigration or citizenship status of applicants and must verify the immigration status of aliens with the Immigration and Naturalization Service.

*House bill*

Block grant funds may not be used to provide cash benefits to a non-citizen unless the individual is a refugee under section 207 of the Immigration and Nationality Act who has been in the U.S. for under 5 years, a legal permanent resident over age 75 who has lived in the U.S. at least 5 years, a veteran (or the spouse or unmarried dependent child of a veteran) honorably discharged from the U.S. Armed Forces, or a legal permanent resident unable because of disability or mental impairment to comply with certain naturalization requirements. In addition, legal permanent residents who are current beneficiaries retain eligibility for the first year after enactment.

*Senate amendment*

Aliens entering after enactment are barred from receiving benefits for 5 years, with exceptions similar to House bill. Separately, States have the option to deny non-citizens benefits using block grant funds. Eligibility may be affected by changes in the sponsor-to-alien deeming provisions. These changes may affect their eligibility even after aliens have attained citizenship.

*Conference agreement*

The conference agreement generally follows the Senate amendment so that noncitizens arriving after the date of enactment may not receive benefits from the block grant during their first 5 years in the U.S.; the conference agreement modifies the Senate amendment so that there is a State option to provide block grant assistance to noncitizens currently residing in the U.S., except that noncitizens receiving AFDC benefits on the date of enactment would continue to be eligible to receive block grant benefits until January 1, 1997. The conference agreement makes specific exceptions to these restrictions for refugees, asylees, veterans and active duty military, and aliens who have worked at least 40 calendar quarters as defined under title II of the Social Security Act. For further details see Title IV: Noncitizens.

(3) No cash assistance for out-of-wedlock births

*Present law*

No provision forbidding eligibility. Current law permits a State to provide AFDC to an unwed mother under 18 and her child only if they live with their parent or another adult relative or in another adult-supervised arrangement; exceptions are allowed (Sec. 402(A)).

AFDC law has no provision directly comparable for funding second-chance homes (see below).

AFDC law requires States, to the extent resources permit, to require mothers under age 20 who failed to complete high school to participate in an educational activity, even if they otherwise would be exempt because of having a child under age 3 (or, at State option, under age 1). However, States may exempt some school dropout mothers under 18 years old from this requirement.

*House bill*

Temporary Assistance for Needy Families Block Grant funds may not be used to provide cash benefits to a child born out-of-wedlock to a mother under age 18 or to the mother until the mother reaches age 18. States must exempt mothers to whom children are born as a result of rape or incest. Block grant funds can be used to provide non-cash (e.g. voucher) assistance to young mothers and their children.

*Senate amendment*

Explicitly permits States to decide whether or not to give assistance to a child born out-of-wedlock to a mother under 18 years old, and to the mother until she reaches 18. However, if a State elects to extend assistance to these families, the minor mother must live with a parent, legal guardian or other adult relative unless they have no such

appropriate relative or the State agency determines (1) that they had suffered, or might suffer, harm in the relative's home or (2) that the requirement should be waived for the sake of the child.

The State shall provide or assist a minor mother in finding a suitable home, a second chance home, maternity home, or other appropriate adult-supervised supportive living arrangement. The amendment authorizes to be appropriated, and appropriates funding for second-chance homes for unmarried teenage parents ($25 million yearly for FYs 1996 and 1997 and $20 million yearly for FYs 1998–2000).

Further, if a State aids these unwed minor mothers, it must require those who have not completed high school, or its equivalent, to attend school unless their child is under 12 weeks old. If the mother fails to attend high school or an approved alternative training program, the State must reduce her benefit or end it.

*Conference agreement*

The conference agreement follows the Senate amendment regarding the state option to deny cash assistance for out-of-wedlock births. The conference agreement follows the Senate amendment with regard to second chance homes, except that funding is authorized but not appropriated for this purpose. The conference agreement follows the Senate amendment regarding the school requirement for unwed minor mothers.

(4) No additional assistance for additional children

*Present law*

No provision.

*House bill*

Block grant funds may not be used to provide additional cash benefits for a child born to a recipient of cash welfare benefits, or an individual who received cash benefits at any time during the 10-month period ending with the birth of the child. Mothers to whom children are born as a result of rape or incest are exempted. Block grant funds can be used to provide non-cash (voucher) assistance to young mothers and their children.

*Senate amendment*

Explicitly permits States to deny aid to child born to a mother already receiving aid under the program or to one who received benefits from the program at any time during the 10 months ending with the baby's birth.

*Conference agreement*

The conference agreement represents a compromise between the House and Senate provisions. The compromise is that States must deny additional assistance to mothers already receiving assistance who have babies, but that States can exempt themselves from this requirement if they enact a law to the effect that the State wants to be excluded from this Federal requirement.

(5) No assistance for more than 5 years

*Present law*

No provision.

*House bill*

Block grant funds may not be used to provide cash benefits for the family of an individual who, after attaining 18 years of age, has received block grant funds for 60 months, whether or not successive; States are permitted to provide hardship exemptions from the 60-month time limit for up to 10 percent of their caseload.

*Senate amendment*

Block grant funds may not be used to provide cash benefits for the family of a person who has received block grant aid for 60 months (or less at State option), whether or not consecutive. States may give hardship exemptions to up to 20 percent of their caseload. (Exempted from the 60-month time limit is a person who received aid as a minor child and who later applied as the head of her own household with a minor child.)

*Conference agreement*

The conference agreement follows the Senate amendment, with the modification that no assistance may be provided beyond 5 years and that States may exempt up to 15 percent of their caseload from this limit. Battered individuals may qualify for this exemption, but States are not required to exempt such individuals.

(6) Reduction or elimination of assistance for noncooperation in child support

*Present law*

As a condition of eligibility, applicants or recipients must cooperate in establishing paternity of a child born out-of-wedlock, in obtaining support payments, and in identifying any third party who may be liable to pay for medical care and services for the child.

*House bill*

Block grant funds may not be used to provide cash benefits to persons who fail to cooperate with the State child support enforcement agency in establishing the paternity of any child of the individual; the child support agency defines cooperation.

*Senate amendment*

Maintains current law. In addition, see ''Payments To States'' for penalty against a State that fails to enforce penalty requested by the IV–D against a person who does not cooperate in establishing paternity.

*Conference agreement*

The conference agreement follows the Senate amendment with the modification that States must deny a parent's share of the family welfare benefit if the parent fails to cooperate; the State may deny benefits to the entire family for failure to cooperate.

(7) No assistance for families not assigning support rights to the State

*Present law*

As a condition of AFDC eligibility, applicants must assign child support and spousal support rights to the State.

*House bill*

Block grant funds may not be used to provide cash benefits to a family with an adult who has not assigned to the State rights to child support or spousal support.

*Senate amendment*

Gives States the option to require applicants for temporary family assistance (and recipients) to assign child support and spousal support rights to the State.

*Conference agreement*

The conference agreement follows the House bill.

(8) Withholding portion of aid for child whose paternity is not established

*Present law*

No provision.

*House bill*

If, at the time a family applies for assistance, the paternity of a child in the family has not been established, the State must impose a financial penalty ($50 or 15 percent of the monthly benefits of a family of that size, whichever the State chooses) until the paternity of the child is established. Once paternity is established, all the money withheld as a penalty must be remitted to the family if it is still eligible for aid. Mothers to whom children are born as a result of rape or incest are exempted from this penalty. Provision effective 1 year after enactment (2 years at State option).

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill with the modification that States may, but are not required to, impose a financial penalty if paternity is not established.

(9) Denial of benefits to persons who fraudulently received aid in two States

*Present law*

No provision.

*House bill*

Ineligible for block grant assistance for 10 years is any individual convicted of having fraudulently misrepresented residence (or found by a State to have made a fraudulent statement) in order to obtain benefits or services from two or more States from the block grant, Medicaid, Food Stamps, or Supplemental Security Income.

*Senate amendment*

Ineligible for block grant assistance for 10 years is any person convicted in Federal court or State court of having fraudulently misrepresented residence in order to obtain benefits or services from two or more States from the cash block grant, Medicaid, Food Stamps, or Supplemental Security Income.

*Conference agreement*

The conference agreement follows the Senate amendment.

(10) Denial of aid for fugitive felons, probation and parole violators

*Present law*

No provision.

*House bill*

No assistance may be provided to an individual who is fleeing to avoid prosecution, custody or confinement after conviction for a crime (or an attempt to commit a crime) that is a felony (or, in New Jersey, a high misdemeanor), or who violates probation or parole imposed under Federal or State law.

Any safeguards established by the State against use or disclosure of information about individual recipients shall not prevent the agency, under certain conditions, from providing the address of a recipient to a law enforcement officer who is pursuing a fugitive felon or parole or probation violator. This provision applies also to a recipient sought by an officer not because he is a fugitive but because he has information that the officer says is necessary for his official duties. In both cases the officer must notify the State that location or apprehension of the recipient is within his official duties.

*Senate amendment*

A State shall furnish law enforcement officers, upon their request, the address, social security number, and photograph (if available) of any recipient if the officers notify the agency that the recipient is a fugitive felon, or a violator of probation or parole, or that he has information needed by the officers to perform their duties, and that the location or apprehension of the recipient is within the officers' official duties.

*Conference agreement*

The conference agreement follows the House bill.

(11) No assistance for minor children who are absent, or relatives who fail to notify agency of child's absence

*Present law*

Regulations allow benefits to continue for children who are ''temporarily absent'' from home.

*House bill*

No assistance may be provided for a minor child who has been absent from the home for

45 consecutive days or, at State option, between 30 and 90 consecutive days. States may establish a good cause exemption as long as it is detailed in the State report to the Secretary. No assistance can be given to a parent or caretaker who fails to report a missing minor child within 5 days of the time it is clear that the child is absent.

*Senate amendment*

Similar provision to House bill, with different wording.

*Conference agreement*

The conference agreement follows the House bill.

G. Income/Resource Limits, Treatment of Earnings and Other Income

(1) Resource limits

*Present law*

$1,000 per family in counted resources (excluding home and some of the value of an auto, funeral arrangements, burial plots, real property that the family is attempting to sell, and—for two months—refunds of the Earned Income Tax Credit (EITC)).

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(2) Income limits

*Present law*

Gross family income limit: 185 percent of the State standard of need.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(3) Earnings

*Present law*

Mandatory disregard: during first 4 months of a job, $120 and one-third, plus child care costs up to a limit; next 8 months, $120 plus child care; after 12 months, $90 plus child care.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(4) Earned income tax credit

*Present law*

Mandatory disregard: advance EITC payments must be disregarded.

*House bill*

Repeals mandatory EITC disregard (a provision of AFDC law). States would set policy about treatment of EITC payments by block grant program.

*Senate amendment*

Provision is identical to House position.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

(5) Child support

*Present law*

Mandatory disregard: first $50 monthly in child support collections is passed through to the family. In some States, child support payments that fill some or all of the gap between payment and need standard must be ignored.

*House bill*

In determining a family's eligibility and payment amount under the block grant, a State may not disregard child support collected by the State and distributed to the family.

*Senate amendment*

States are given the option of disregarding child support. Repeals required disregard of the first $50 monthly in child support collections distributed to the family (a provision of AFDC law).

*Conference agreement*

The conference agreement follows the Senate amendment.

(6) Other cash aid

*Present law*

AFDC benefits may not be paid to a recipient of old-age assistance (predecessor to Supplemental Security Income (SSI) and now available only in Puerto Rico, Guam, and the U.S. Virgin Islands), SSI, or AFDC foster care payments.

*House bill*

If block grant funds are used to provide payments to a recipient of old-age assistance, SSI, or payments under the Child Protection Block grant, a State may not disregard these other payments in determining a family's eligibility for and payment amount from the block grant.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

H. Various Procedural and Policy Rules

(1) Statewide requirement

*Present law*

AFDC must be available in all political subdivisions, and, if administered by them, be mandatory upon them.

*House bill*

No provision.

*Senate amendment*

Under the State plan, a State must outline how it intends to conduct a family assistance program ''designed to serve all political subdivisions in the State.''

*Conference agreement*

The conference agreement follows the Senate amendment.

(2) Single State agency

*Present law*

Single agency must administer or supervise administration of the plan.

*House bill*

No provision.

*Senate amendment*

The State's Chief Executive Officer must certify which State agency or agencies are responsible for administration and supervision of the program for the fiscal year.

*Conference agreement*

The conference agreement follows the Senate amendment, with the modification that public and local agencies must have 60 days to submit comments.

(3) State cost sharing

*Present law*

State must share in program costs.

*House bill*

No provision.

*Senate amendment*

States must continue to spend at least 80 percent of what they expended in FY1994 on AFDC or face a dollar-for-dollar reduction in their basic block grant amount for FY1997–2000.

In order to qualify for additional funding under the contingency fund or additional child care funds, States must continue to spend at least 100 percent of what they expended in FY1994.

*Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment with the modification to require a 75 percent maintenance of effort for the basic family assistance block grant, but no maintenance of effort for child care funds under the CCDBG.

(4) Aid to all eligibles

*Present law*

State must furnish aid to eligible persons with reasonable promptness and give opportunity to make application to all wishing to do so.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(5) Fair hearing

*Present law*

State must give fair hearing opportunity to person whose claim is denied or not acted upon promptly.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(6) Administrative methods

*Present law*

State must adopt administrative methods found necessary by the Secretary.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(7) Zero benefit below $10, rounding benefits

*Present law*

State cannot pay AFDC below $10 monthly and must round down to the next lower dollar both the need standard and the benefit.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(8) Pre-eligibility fraud detection

*Present law*

State must have measures to detect fraudulent applications for AFDC before establishing of eligibility.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment (no provision).

(9) Correction of erroneous payments

*Present law*

State must promptly correct overpayments and underpayments.

*House bill*

No provision.

*Senate amendment*

Requires the Treasury Secretary, upon notification from a State that it has overpaid a former recipient of temporary cash assistance and has attempted unsuccessfully to collect the overpayment, to collect the sum from Federal tax refunds.

*Conference agreement*

The conference agreement follows the Senate amendment.

(10) Appeal procedure (for States)

*Present Law*

Current law (sec. 1116 of the Social Security Act) entitles a State to a reconsideration, which DHHS must grant upon request, of any disallowed reimbursement claim for an item of class of items. The section also provides for administrative and judicial review, upon petition of a State, of DHHS decisions about approval of State plans. At the option of a State, any plan amendment may be treated as the submission of a new plan.

*House bill*

Repeals reference to Title IV–A in section 1116.

*Senate amendment*

Requires the Secretary to notify the Governor of a State of any adverse decision or action under Title IV–A, including any decision about the State's plan or imposition of a penalty. Provides for administrative review by a Departmental Appeals Board within DHHS and requires a Board decision within 60 days after an appeal is filed. Provides for judicial review (by a United States district court) within 90 days after a final decision by the Board. The Amendment also repeals the reference to Title IV–A in section 1116.

*Conference agreement*

The conference agreement follows the Senate amendment.

I. Quality Control/Audits

*Present law*

The Secretary must operate a quality control system to determine the amount of Federal matching funds to be disallowed, if any, because of erroneous payments. The law also prescribes penalties for payment error rates above the national average. AFDC payments to States are subject to audits conducted under the Single Audit Act [Ch. 75, Title 31, U.S.C.]

*House bill*

Family assistance block grants are subject to the Single Audit Act. If an audit conducted under this Act finds that a State has used block grant funds in violation of the law, its grant for the next year is to be reduced by that amount (but no quarterly payment is to be reduced by more than one-fourth).

*Senate amendment*

Requires a State to offset loss of Federal funds with its own, maintaining the full block grant level. Also, the penalty shall not be imposed if the State proves to the Secretary that the violation was not intentional, and if the State implements an approved corrective action plan. Each State must audit its cash block grant expenditures annually and submit a copy to the State legislature, Treasury Secretary and DHHS Secretary. The audit must be conducted by an entity that is independent from any agency administering activities under title IV–A. Also subject to the Single Audit Act.

*Conference agreement*

The conference agreement follows the House bill regarding audits to review States' use of funds with the modification that the funds come directly from the Department of Treasury. (See also the Penalties section below on States misusing funds and States failing to meet work requirements.)

J. Data Collection and Reporting

(1) Reporting requirements

*Present law*

States are required to report the average monthly number of families in each JOBS activity, their types, amounts spent per family, length of JOBS participation and the number of families aided with AFDC/JOBS child care services, the kinds of child care services provided, and sliding fee schedules. States that disallow AFDC for minor mothers in their own living quarters are required to report the number living in their parent's home or in another supervised arrangement. States also must report data (including numbers aided, types of families, how long aided, payments made) for families who receive transitional Medicaid benefits. DHHS collects data about demographic characteristics and financial circumstances of AFDC families from its National Integrated Quality Control System (NIQCS) and publishes State and national information that represents average monthly amounts for a fiscal year. The NIQCS uses monthly samples of AFDC cases.

*House bill*

States are required, not later than 6 months after the end of each fiscal year, to transmit to the Secretary the following aggregate information on families receiving block grant benefits during the fiscal year:

(a) the number of adults receiving assistance;

(b) the number of children receiving assistance and the average age of children;

(c) the employment status and average earnings of employed adults;

(d) the number of one-parent families in which the sole parent is a widow or widower, is divorced, is separated, or is never married;

(e) the age, race, educational attainment, and employment status of parents;

(f) the average assistance provided to families;

(g) whether, at the time of application, the families or anyone in the families receive benefits from the following public programs:

(1) Housing

(2) Food Stamps

(3) Head Start

(4) Job Training;

(h) the number of months the families have been on welfare during their current spell;

(i) the total number of months for which benefits have been provided to the families;

(j) data necessary to indicate whether the State is in compliance with the State's plan;

(k) the components of any employment and training activities, and the average monthly number of adults in each component; and

(l) the number of part-time and full-time job placements made by the program, the number of cases with reduced assistance, and the number of cases closed due to employment.

*Senate amendment*

States are required to make quarterly reports based on sample case records providing disaggregated data for the quality assurance system, including:

(a) age of adults and children (including pregnant women) in each family;

(b) marital and familial status of each family member (including whether family includes 2 parents and whether child is living with an adult relative other than a parent);

(c) gender, educational level, work experience, and race of each family head;

(d) health status of each family member (including whether any is seriously ill, disabled, or incapacitated and is being care for by another family member);

(e) type and amount of any benefit or assistance received, including amount of and reason for any benefit reduction, and if help is ended, whether this is because of employment, sanction, or time limit;

(f) any benefit or assistance received by a family member with respect to housing, food stamps, job training, or Head Start;

(g) number of months since the family's most recent application for aid, and if application was denied, the reason;

(h) number of times a family applied for and received aid from the cash block grant program and the number of months were received in each ''spell'' of assistance;

(i) employment status of adults in family (including hours worked and amount earned);

(j) date on which an adult family member began to engage in work, hours worked, work actively performed, amount of child care assistance, if any;

(k) number of persons in each family receiving, and the number not receiving, assistance, and the relationship of each person to the youngest child in the family;

(l) citizenship status of each family member;

(m) housing arrangement of each family member;

(n) amount of unearned income, child support, assets and other financial factors relevant to eligibility;

(o) location in the State of each recipient family; and

(p) any other data determined by Secretary to be necessary for efficient and effective administration.

States are required to report the following aggregated monthly data about families who received temporary family assistance for each month in the calendar quarter preceding the one in which the data are submitted, families applying for assistance in the preceding quarter, and families that became ineligible for aid during that quarter:

(1) number of families,

(2) number of adults in each family,

(3) number of children in each family, and

(4) number of families whose assistance ended because of employment, sanctions, or time limits.

The Secretary shall determine appropriate subsets of the data listed above that a State is required to submit regarding applicant and no-longer eligible families.

*Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment, but with some modifications. Specifically, beginning July 1, 1996, each State must collect on a monthly basis, and report to the Secretary on a quarterly basis, the following information on individual families receiving assistance:

(1) the county of residence of the family;

(2) whether a child receiving assistance or an adult in the family is disabled;

(3) the ages of the members of such families;

(4) the number of individuals in the family, and the relationship of each family member to the youngest child in the family;

(5) the employment status and earnings of the employed adult in the family;

(6) the martial status of the adults in the family, including whether such adult are never married, widowed, or divorced;

(7) the race and education status of each adult in the family;

(8) the race and educational status of each child in the family;

(9) whether the family received subsidized housing, Medicaid, food stamps, or subsidized child care, and if the later two, the amount received;

(10) the number of months the family has received each type of assistance under the program;

(11) if the adults participated in, and the number of hours per week of participation in, the following activities;

(A) education;

(B) subsidized private sector employment;

(C) unsubsidized employment;

(D) public sector employment, work experience, or community service;

(E) job search;

(F) job skills training or on-the-job training; and

(G) vocational education;

(12) information necessary to calculate participation rates under section 407;

(13) the type and amount of assistance received under the program, including the amount of and reason for any reduction of assistance (including sanctions);

(14) from a sample of closed cases, whether the family left the program, and if so whether the family left due to

(A) employment;

(B) marriage;

(C) the prohibition set forth in section 408(a)(8);

(D) sanction; or

(E) State policy;

(15) any amount of unearned income received by any member of the family; and

(16) the citizenship of the members of the family.

(2) Authority of States to use estimates

*Present law*

The National Integrated Quality Control System (above) uses monthly samples of AFDC cases. JOBS regulations require States to submit a sample of monthly unaggregated case record data.

*House bill*

States may use scientifically acceptable sampling methods to estimate the data elements required for annual reports.

*Senate amendment*

The Secretary shall provide States with case sampling plans and data collection procedures deemed necessary for statistically valid estimates.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment and clarifies that sampling methods used by States must be approved by the Secretary.

(3) Other State reporting requirements

*Present law*

Regulations require each State to submit quarterly estimates of the total amount (and the Federal share) of expenditures for AFDC benefits and administration.

Required quarterly reports include estimates of the Federal share of child support collections made by the State; see above for transitional child care and Medicaid reporting requirements.

*House bill*

The report submitted by the State each fiscal year must also include:

(1) a statement of the percentage of the funds paid to the State that are used to cover administrative costs or overhead;

(2) a statement of the total amount expended by the State during the fiscal year on programs for needy families; and

(3) the number of noncustodial parents in the State who participated in work activities as defined in the bill during the fiscal year.

*Senate amendment*

The report required by a State for a fiscal year must include:

(1) a statement of the total amount and percentage of Federal funds paid to the State under Title IV–A that are used for administrative costs or overhead;

(2) a statement of the total amount of State funds expended on programs for the needy;

(3) the number of noncustodial parents who participated in work activities during the fiscal year;

(4) the total amount of child support collected by the State IV–D agency on behalf of a family in the cash assistance program;

(5) the total amount spent by the State for child care under Title IV–A, with a description of the types of care, including transitional care for families who no longer receive assistance because of work and ''at-risk'' care for persons who otherwise might become eligible for assistance; and

(6) the total amount spent by the State for providing transitional services to a family that no longer receive assistance because of employment, along with a description of those services.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment as follows:

(1) follow the House bill regarding administrative funds;

(2) follow the House bill regarding reports of State expenditures;

(3) follow the House bill regarding noncustodial parent participation;

(4) follow the House bill regarding child support (no provision; separate reporting requirement);

(5) follow the House bill regarding child care (no provision; separate reporting requirement); and

(6) follow the Senate amendment regarding reports on transitional services.

K. Reports Required by DHHS Secretary
(Sections 103, 106, and 107)

*Present law*

The law requires the DHHS Secretary to report promptly to Congress the results of State reevaluations of AFDC need standards and payment standards required at least every 3 years. The Secretary is to annually compile and submit to Congress annual State reports on at-risk child care. The Family Support Act required the Secretary to submit recommendations regarding JOBS performance standards by a deadline that was extended.

*House bill*

The DHHS Secretary must report to Congress within 6 months on the status of automatic data processing systems in the States and on what would be required to produce a system capable of tracking participants in public programs over time and checking case records across States to determine whether some individuals are participating in public programs in more than one State. The report should include a plan for building on the current automatic data processing system to produce a system capable of performing these functions as well as an estimate of the time required to put the system in place and the cost of the system.

The DHHS Secretary must, to the extent feasible, produce and publish for each State, county, and local unit of government for which data have been compiled in the most recent census of population, and for each school district, data about the incidence of poverty. Data shall include, for each school district, the number of children age 5 to 17 inclusive, in families below the poverty level, and, for each State and county for which data have been compiled by the Census Bureau, the number of persons aged 65 or older. Data shall be published for each State, county and local unit of government in 1996 and at least every second year thereafter; and for each school district, in 1998 and at least every second year thereafter. Data may be produced by means of sampling, estimation, or any other method that the Secretary determines will produce current, comprehensive, and reliable information. If reliable data could not be otherwise produced, the Secretary is given authority to aggregate school districts. The DHHS Secretary is to consult with the Secretary of Education in producing data about school districts. If unable to produce and publish the required data, the Secretary must submit a report to the President of the Senate and the Speaker of the House not later than 90 days before the start of the following year, enumerating each government or school district excluded and giving the reason for the exclusion.

*Senate amendment*

The Secretary must in cooperation with the States, study and analyze measures of program outcomes (as an alternative to minimum participation rates) for evaluating the success of State block grant programs in helping recipients leave welfare. The study must include a determination of whether outcomes measures should be applied on a State or national basis and a preliminary assessment of the job placement performance bonus established in the Act. The Secretary must report findings to the Committee on Finance and the Committee on Ways and Means not later than September 30, 1998.

The Secretary is to report by Dec. 31, 1997, to the Committee on Ways and Means and the Committee on Economic and Educational Opportunities of the House and the Committee on Finance, the Committee on Labor and Human Resources, and the Special Committee on Aging of the Senate setting forth findings of a study on the effects of welfare changes made by the Act on grandparents who are primary caregivers for their grandchildren. The study is to identify barriers to participation in public programs by grandparent caregivers, including inconsistent policies, standards, and definitions of programs providing medical aid, cash, child support enforcement, and foster care.

Not later than March 31, 1998, and each fiscal year thereafter, the Secretary shall send Congress a report describing:

(1) whether States are meeting minimum participation rates and whether they are meeting objectives of increasing employment and earnings of needy families, increasing child support collections, and decreasing out-of-wedlock pregnancies and child poverty;

(2) demographic and financial characteristics of applicant families, recipient families, and those no longer ineligible for temporary family assistance;

(3) characteristics of each State program of temporary family assistance; and

(4) trends in employment and earnings of needy families with minor children.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment as follows:

(1) follow the House bill with regard to the Secretary's report on data processing;

(2) follow the Senate amendment on the report on poverty (no provision);

(3) follow the Senate amendment with regard to the report on alternative outcome measures;

(4) follow the House bill on the report on grandparent caregivers (no provision); and

(5) follow the Senate amendment with regard to the annual report on State process.

L. Research, Evaluations, and National Studies

*Present law*

The law authorizes $5 million annually for cooperative research or demonstration projects, such as those relating to the prevention and reduction of dependency.

*House bill*

The Secretary may conduct research on the effects, costs, benefits, and caseloads of State programs funded under this part. The Secretary may assist the States in developing, and shall evaluate (using random assignment to experimental and control groups to the maximum extent feasible), innovative approaches to employing recipients of cash aid under this part. The Secretary may conduct studies of the welfare caseloads of States operating welfare reform programs. The Secretary shall develop innovative methods of disseminating information on research, evaluations, and studies.

*Senate amendment*

The Secretary may conduct research on the effects, benefits, and costs of operating different State programs of Temporary Assistance for Needy Families, including time limits for eligibility. The research shall include studies on the effects of different programs and the operation of the programs on welfare dependency, illegitimacy, teen pregnancy, employment rates, child well-being, and any other appropriate area. The Secretary may assist States in developing, and shall evaluate innovative approaches for reducing welfare dependency and increasing the well-being of minor children, using random assignments in these evaluations ''to the maximum extent feasible.''

The Secretary shall develop innovative methods of disseminating information on research, evaluations, and studies, including ways to facilitate sharing of information via computers and other technologies.

The Senate amendment makes a State eligible to receive funding to evaluate its family assistance program if it submits an evaluation design determined by the Secretary to be rigorous and likely to yield credible and useful information. The State must pay 10 percent of the study's cost, unless the Secretary waives this rule. For these State-initiated evaluation studies of the family assistance program (and for costs of operating and evaluating demonstration projects begun under the AFDC waiver process) the amendment authorizes to be appropriated, and appropriates, to total of $20 million annually for 5 years (FYs 1996–2000).

*Conference agreement*

The conference agreement follows the Senate amendment except that $15 million is appropriated annually for this purpose. Conferees agree that the Secretary can use funds appropriated for research to pay for evaluations conducted by both governmental and non-governmental organizations.

M. Waivers

*Present law*

The law authorizes the DHHS Secretary to waive specified requirements of State AFDC plans in order to enable a State to carry out any experimental, pilot, or demonstration project that the Secretary judges likely to assist in promoting the program's objective. (Sec. 1115 of Social Security Act) Some 34 States have received waivers from the Clinton Administration for welfare reforms of their own.

*House bill*

Repeals AFDC. Also, expressly repeals authority for waiver of specified provisions of AFDC law (Sec. 402, State plan requirements, and Sec. 403, terms of payment to States) for demonstration projects.

*Senate amendment*

Provides that terms of AFDC waivers in effect, or approved, as of October 1, 1995, will continue until their expiration, except that beginning with FY1996 a State operating under a waiver shall receive the block grant described under Section 403 in lieu of any other payment provided for in the waiver. The amendment gives States the option to terminate waivers before their expiration, but requires that early-ended projects be summarized in written reports. The amendment provides that a State that submits a request to end a waiver by January 1, 1996, or 90 days after adjournment of the first regular session of the State legislature that begins after the date of enactment, shall be held harmless for accrued cost neutrality liabilities incurred under the waiver.

The Secretary is directed to encourage any State now operating a waiver to continue the project and to evaluate its result or effect. The amendment allows a State to elect to continue one or more individual waivers.

*Conference agreement*

The conference agreement follows the Senate amendment.

N. Studies by the Census Bureau (Sections 103 and 105)

*Present law*

No provision.

*House bill*

The Census Bureau must expand the Survey of Income and Program Participation (SIPP) to evaluate the impact of welfare reforms made by this title on a random national sample of recipients and, as appropriate, other low-income families. The study should focus on the impact of welfare reform on children and families, and should pay particular attention to the issues of out-of-wedlock birth, welfare dependency, the beginning and end of welfare spells, and the causes of repeat welfare spells. $10 million per year for 7 years in entitlement funds are authorized for this study.

*Senate amendment*

Expansion of SIPP is identical to House provision.

In addition, the Secretary of Commerce shall expand the Census Bureau's question (for the decennial census and mid-decade census) concerning households with both grandparents and their grandchildren so as to distinguish between households in which a grandparent temporarily provides a home and those where the grandparent serves as primary caregiver.

*Conference agreement*

The conference agreement follows the House bill regarding the expansion of SIPP to evaluate welfare programs and follows the Senate amendment regarding census data on grandparents as caregivers.

O. Services From Charitable, Religious, or Private Organizations (Section 104)

*Present law*

The Child Care and Development Block Grant Act prohibits use of any financial assistance provided through any grant or contract for any sectarian purpose or activity. In general, it requires religious nondiscrimination, but it does allow a sectarian organization to require employees to adhere to its religious tenets and teachings.

*House bill*

No provision.

*Senate amendment*

Authorizes States to administer and provide family assistance services (and services under Supplemental Security Income and public housing) through contracts with charitable, religious, or private organizations. Authorizes States to pay recipients by means of certificates, vouchers, or other forms of disbursement that are redeemable with these private organizations. States that religious organizations are eligible, on the same basis as any other private organization, to provide assistance as contractors or to accept certificates and vouchers so long as their programs ''are implemented consistent with'' the Establishment Clause of the Constitution. Stipulates that any religious organization with a contract to provide welfare services shall retain independence from all units of government and that such a religious organization (or not that redeems welfare certificates) may require employees who render service related to the contract or certificates to adhere to the religious tenets and teaching of the organization and to its rules, if any, regarding use of drugs or alcohol. Provides that, except as otherwise allowed by law, a religious organization administering the program may not discriminate against beneficiaries on the basis of religious belief, or refusal to participate in a religious practice. Requires States to provide an alternative provider for a beneficiary who objects to the religious character of the designated organization. Provides that no funds provided directly to institutions or organizations to provide services and administer programs shall be spent for sectarian worship or instruction, but does not apply this limitation to financial assistance in the form of certificates or vouchers, if the beneficiary may choose where the aid is redeemed.

*Conference agreement*

This section (section 104) generally follows the Senate amendment. Subsection (j) states that no funds provided directly to institutions or organizations to provide services and administer programs under subsection (a)(1)(A) shall be expended for sectarian worship, instruction, or proselytization. Subsection (a)(1)(A) refers to contracts that States may have with charitable, religious, or private organizations. While Congress recognizes the need to ensure that money provided directly through contracts should not be expended for worship, instruction, or proselytization, Congress does not intend that the prohibition should apply when beneficiaries receive benefits in the form of certificates, vouchers, or other forms of disbursement redeemable with nongovernmental entities. Where the character of the aid goes directly to the ultimate beneficiary in the form of a voucher or certificate, the beneficiary exercises personal choice as to where to use the voucher or certificate, and may or may not choose to redeem it at a religious provider which incorporates worship or instruction in its provision of services. Congress has recognized and allowed such use of vouchers and certificates in the Child Care and Development Block Grant of 1990 (42 U.S.C. 9858 et seq.)

More importantly, a beneficiary's redemption of a government-provided voucher at a religious entity has been determined as nonviolative of the Establishment Clause by the Supreme Court provided that the beneficiary has genuine choice about where to redeem the voucher or certificate. The Court has consistently held that government may confer a benefit on individuals in a manner which allows them to exercise personal choice among similarly qualified institutions, whether public, private non-sectarian, or religious, even when the benefit can be said to indirectly advance religion. *Zobrest v. Catalina Foothills School Dist.*, 113 S. Ct. 2462 (1993) (providing special education services to Catholic student not prohibited by Establishment Clause); *Witters v. Washington Dep't of Services for the Blind*, 474 U.S. 481 (1986) (upholding a State vocational rehabilitation

grant to disabled student choosing to use grant for training as cleric); *Mueller v. Allen,* 463 U.S. 388 (1983) (upholding State income tax deduction for parents for educational expenses).

Subsection (k) states that nothing in this section shall be construed to preempt State constitutions or statutes which restrict the expenditure of State funds in or by religious organizations. In some States, provisions of the State constitution or a State statute prohibit the expenditure of public funds in or by sectarian institutions. It is the intent of Congress, however, to encourage States to involve religious organizations in the delivery of welfare services to the greatest extent possible. The conferees do not intend that this language be construed to require that funds provided by the Federal government referred to in subsection (a) be segregated and expended under rules different than funds provided by the State for the same purposes; however, States may revise such laws, or segregate State and Federal funds, as necessary to allow full participation in these programs by religious organizations.

In addition, the conference agreement revises Senate language on employment discrimination by religious organizations by stating that the exemption provided under section 702 of the Civil Rights Act of 1964 is not affected by participation in or receipt of funds from programs described in subsection (a).

6. TRANSFERS (SECTION 103)

A. Child Support Penalties

*Present law*

If a State's child support plan fails to comply substantially with Federal requirements, the Secretary is to reduce its AFDC matching funds by percentages that rise for successive violations (Sec. 403(h) of the Social Security Act).

*House bill*

The provision for child support review penalties—loss of Federal payments of up to 5 percent of the block grant amount—now found in 403(h) of part A of the Social Security Act is retained in the block grant.

*Senate amendment*

No provision. However, there is a penalty assessed against States for failure to enforce penalties requested by child support agency against recipients who do not cooperate in establishing paternity.

*Conference agreement*

The conference agreement follows the House bill.

B. Assistant Secretary for Family Support

*Present law*

An Assistant Secretary for Family Support, appointed by the President by and with consent of the Senate, is to administer AFDC, child support enforcement, and the Jobs Opportunities and Basic Skills (JOBS) program.

*House bill*

The provision for an Assistant Secretary for Family Support now found in section 417 of Part A of the Social Security Act is retained in the block grant (as sec. 409), but modified to remove the reference to JOBS (which the House bill repeals).

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

7. CONFORMING AMENDMENTS TO THE SOCIAL SECURITY ACT AND THE FOOD STAMP ACT (SECTIONS 108 AND 109)

*Present law*

No provision.

*House bill*

These sections make a series of technical amendments that conform the provisions of the House bill with various titles of the Social Security Act and the Food Stamp Act and provide for the repeal of Part F of Title IV (the JOBS program).

*Senate amendment*

This section makes a series of amendments that conform provisions of the Senate amendment with various titles of the Social Security Act and the Food Stamp Act.

*Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment, with changes made as appropriate.

8. CONFORMING AMENDMENTS TO OTHER LAWS (SECTION 110)

*Present law*

No provision.

*House bill*

This section makes a series of technical amendments to conform provisions of the House bill to the Internal Revenue Code, the Omnibus Reconciliation Act of 1987, the Housing and Urban-Rural Recovery Act of 1983, the Tax Equity and Fiscal Responsibility Act of 1982, and the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

*Senate amendment*

Section 107 makes a series of amendments that conform provisions of the Senate amendment to the Food Stamp Act, the Agriculture and Consumer Protection Act, the National School Lunch Act, and the Child Nutrition Act.

Section 108 makes a series of amendments that conform provisions of the Senate amendment to the Unemployment Compensation Amendments of 1976, the Omnibus Budget Reconciliation Act of 1987, the House and Urban-Rural Recovery Act of 1983, the Tax Equity and Fiscal Responsibility Act of 1982, the Social Security Amendments of 1967, the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, the Higher Education Act of 1965, the Carl D. Perkins Vocational and Applied Technology Education Act, the Elementary and Secondary Education Act of 1965, Public Law 99–88, the Internal Revenue Code of 1986, the Wagner-Peyser Act, the Job Training Partnership Act, the Low-Income Home Energy Assistance Act of 1981, the Family Support Act of 1988, the Balanced Budget and Emergency Deficit Control Act of 1985, the Immigration and Nationality Act, the Head Start Act, and the School-to-Work Opportunities Act of 1994.

*Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment, with changes made as appropriate.

9. CONTINUED APPLICATION OF CURRENT STANDARDS UNDER MEDICAID PROGRAM (SECTION 114)

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*Present law*

States must continue Medicaid (or pay premiums for employer-provided health insurance) for 6 months to a family that loses AFDC eligibility because of hours of, or income from, work of the caretaker relative, or because of loss of the earned income disregard after 4 months of work. States must offer an additional 6 months of medical assistance, for which it may require a premium payment if the family's income after child care expenses is not above the poverty guideline. For extended medical aid, families must submit specified reports. States must continue Medicaid for 4 months to those who lose AFDC because of increased child or spousal support.

*House bill*

Although AFDC would be repealed, its standards would continue to be used by the Medicaid program. States would have to give Medicaid to families who would have received AFDC if it still existed as in effect on March 7, 1995. The frozen AFDC rules would govern Medicaid eligibility for both recipients and non-recipients of the new block grant funds, including those categorically ineligible for cash benefits.

*Senate amendment*

Same as House provision except for date at which AFDC rules would be ''frozen'' (June 1, 1995, rather than March 7, 1995). If an AFDC waiver (as of June 1, 1995) affects Medicaid eligibility, the State has the option to continue to apply the waiver in regard to Medicaid after the date when the waiver otherwise would end.

*Conference agreement*

The conference agreement changes both the House bill and the Senate amendment because of pending changes in Medicaid legislation. In conforming with this legislation, conferees agree that States will determine Medicaid eligibility for recipients of block grant assistance.

10. EFFECTIVE DATES (SECTION 116)

*Present law*

No provision.

*House bill*

The amendments and repeals made by this title take effect on October 1, 1995. The authority to reduce assistance for certain families that include a child whose paternity is not established will begin 1 year after the effective date or, at the option of the State, 2 years after the effective date.

Amendments made by Title I (Block Grants for Temporary Assistance for Needy Families) shall not apply to powers, duties, functions, rights, claims, penalties, or obligations applicable to aid, or services provided (under AFDC) before the effective date of the Act. Nor shall amendments of the bill apply to administrative actions and proceedings commenced or authorized before the effective date of the bill.

*Senate amendment*

AFDC is repealed effective October 1, 1995. Family assistance block grant provisions also take effect October 1, 1995 (except for penalties, most of which are effective October 1, 1996), but expire on September 30, 2000. A State may continue to operate its AFDC program for 9 months, until June 30, 1996. If it does so, its FY 1996 cash block grant under the new program shall be reduced by the amount of Federal matching funds received for that year for AFDC expenditures.

*Conference agreement*

Conferees agree that States must begin their block grant program under this title by 1 October, 1996. However, States have the option of initiating their block grant program at any time after the date of enactment.

H. MISCELLANEOUS

A. County Authority for Demonstration Projects

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Requires the DHHS Secretary and the Agriculture Secretary jointly to enter into negotiations with all counties having a population greater than 500,000 that desire to conduct a demonstration project in which: (1) the county shall have the authority and duty to administer the operation of the family assistance program as if the county were considered a State; (2) the State shall pass

through directly to the county the portion of the block grant that the State determines is attributable to the residents of the county; and (3) the project shall last 5 years.

To be eligible: (1) a county already must be administering the Title IV–A program; (2) must represent less than 25 percent of the State's total welfare caseload; and (3) the State must have more than one county with a population of greater than 500,000.

Not later than 56 months after the end of a county demonstration project, the two Secretaries shall send a report to Congress that includes a description of the project, its rules, and innovations (if any).

*Conference agreement*

The conference agreement follows the House bill.

B. Collection of Overpayments from Federal Tax Refunds

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Requires the Treasury Secretary, upon notification from a State that it has overpaid a former recipient of temporary cash assistance and has attempted unsuccessfully to collect the overpayment, to collect the sum from Federal tax refunds.

*Conference agreement*

The conference agreement follows the Senate amendment.

C. Tamper-Proof Social Security Card (Section 111)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Requires the Commissioner of Social Security to develop a prototype of a counterfeit-resistant social security card. The card must be made of a durable, tamper-resistant material such as plastic or polyester, employ technologies that provide security features, and be developed so as to provide individuals with reliable proof of citizenship of legal resident alien status. The Commissioner is to report to Congress on the cost of issuing a tamper-proof card for all persons over a 3-, 5-, and 10-year period. Copies of the report, along with a facsimile of the prototype card, shall be submitted to the Committees on Ways and Means and Judiciary of the House and the Committees on Finance and Judiciary of the Senate within one year of enactment.

*Conference agreement*

The conference agreement follows the Senate amendment except that funding is not made through Title II of the Social Security Act.

D. Disclosure of Receipt of Federal Funds (Section 112)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Requires disclosure of specified public funds received by 501(c) organizations, which are non-profit and tax-exempt. When a 501(c) organization that accepts Federal funds under the Work Opportunity Act makes any communication that intends to promote public support or opposition to any governmental policy (Federal, State or local) through any broadcasting station, newspaper, magazine, outdoor advertising facility, direct mailing, or any other type of general public advertising, the communication must state: ''This was prepared and paid for by an organization that accepts taxpayer dollars''.

*Conference agreement*

The conference agreement follows the Senate amendment.

E. Projects to Expand Job Opportunities for Certain Low-Income Individuals (JOLI) (Section 113)

*Present law*

The Family Support Act of 1988 (Sec. 505) directed the Secretary to enter into agreement with between 5 and 10 nonprofit organizations to conduct demonstrations to create job opportunities for AFDC recipients and other low-income persons. For these projects, $6.5 million was authorized to be appropriated for each fiscal year, 1990–1992.

*House bill*

No provision.

*Senate amendment*

Strikes the word ''demonstration'' from the description of these projects and converts them to grant status. The provision requires the Secretary to enter into agreements with nonprofit organizations to conduct projects that create job opportunities for recipients of family assistance and other persons with income below the poverty guideline. The sum of $25 million annually is authorized for these projects.

*Conference agreement*

The conference agreement follows the Senate amendment.

F. Demonstration Projects To Expand Use of Schools

*Present law*

The 21st Century Community Learning Centers Act (established by P.L. 103–382) makes available funds directly to rural or inner-city schools, or consortia of them, to act as centers for providing education and human resources services. Services allowed include: literacy education, parenting skills education, employment counseling, training and placement. The Elementary and Secondary Education Act includes a program called ''Extend Time for Learning and Longer School Year,'' which support local educational agencies' efforts to lengthen learning time. Grantees may engage other community members in these efforts.

*House bill*

No provision.

*Senate amendment*

The Secretary of Education is required to make grants to not more than 5 States for demonstration grants to increase the number of hours when public school facilities are available for use. Schools selected must have a significant percentage of students receiving family assistance benefits. The longer hours are intended to enable volunteers and parents or professionals paid from other sources to teach, tutor, coach, organize, advise, or monitor students. Grants are intended also to make school facilities available for clubs, civic associations, Boy and Girl Scouts and other groups. The amendment authorizes $10 million annually (FYs 1996–2000) for grants plus $1 million annually for administration by the Secretary.

*Conference agreement*

The conference agreement follows the House bill (no provision).

G. Secretarial Submission of Legislative Proposal for Technical and Conforming Amendments (Section 115)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Not later than 90 days after enactment of this Act, the Secretary must submit to the appropriate committees of Congress a legislative proposal providing for technical and conforming amendments.

*Conference agreement*

The conference agreement follows the Senate amendment.

TITLE II. SUPPLEMENTAL SECURITY INCOME

SUBTITLE A—ELIGIBILITY RESTRICTIONS

1. DENIAL OF SUPPLEMENTAL SECURITY INCOME BENEFITS BY REASON OF DISABILITY TO DRUG ADDICTS AND ALCOHOLICS

A. In General

*Present law*

Individuals whose drug addiction or alcoholism is a contributing factor material to their disability are eligible to receive SSI cash benefits for up to three years if they meet SSI income and resource requirements. These recipients must have a representative payee, must participate in an approved treatment program when available and appropriate, and must allow their participation in a treatment program to be monitored. Medicaid benefits continue beyond the 3-year limit, as long as the individual remains disabled, unless the individual was expelled from SSI for failure to participate in a treatment program.

*House bill*

Under the House provision, an individual is not considered disabled if drug addiction or alcoholism is a contributing factor material to his or her disability. Individuals with drug addiction and/or alcoholism who cannot qualify based on another disabling condition will not be eligible for SSI benefits.

*Senate amendment*

Identical to House bill.

*Conference agreement*

This section was deleted from the conference agreement on H.R. 4 because it was included in H.R. 2684, The Senior Citizens' Right to Work Act.

B. Representative Payee Requirements

*Present law*

SSI law requires that the SSI payments of individuals whose drug addiction or alcoholism is a contributing factor material to their disability must be made to another individual, or an appropriate public or private organization (i.e., the individual's ''representative payee'') for the use and benefit of the individual or eligible spouse.

*House bill*

No provision.

*Senate amendment*

Under the Senate amendment, if a disabled person also has an alcoholism or drug addiction condition (as determined by the Commissioner of Social Security), their SSI checks must be sent to a representative payee.

*Conference agreement*

This section was deleted from the conference agreement on H.R. 4 because it was included in H.R. 2684, The Senior Citizens' Right to Work Act.

C. Treatment Referrals for Individuals With an Alcoholism or Drug Addiction Condition

*Present law*

Federal law requires SSI recipients whose drug addiction or alcoholism is a contributing factor material to their disability to undergo appropriate treatment, if it is available.

*House bill*

No provision.

*Senate amendment*

The Senate amendment requires the Commissioner of Social Security to refer to the appropriate State agency administering the State plan for substance abuse services any disabled SSI recipient who is identified as having an alcoholism or drug addiction condition. Any individual who refuses to accept the referred services without good cause is no longer eligible for SSI benefits.

*Conference agreement*

This section was deleted from the conference agreement on H.R. 4 because it was included in H.R. 2684, The Senior Citizens' Right to Work Act.

D. Conforming Amendments

E. Supplemental Funding for Alcohol and Substance Abuse Treatment Programs

*Present law*

SSI cash benefits are limited to 3 years for recipients whose drug addiction or alcoholism is a contributing factor material to their disability. These individuals must undergo ''appropriate substance abuse treatment.'' While the Social Security Administration currently contracts with agencies for referral, monitoring and reporting of compliance with treatment, it does not pay for treatment. Medicaid benefits are to continue beyond the 3-year limit, as long as the individual remains disabled, unless the individual was expelled from SSI for noncompliance with treatment.

*House bill*

For four years beginning with FY 1997, $100 million of the savings realized from denying cash SSI payments and Medicaid coverage to individuals whose drug addiction or alcoholism is a contributing factor material to their disability will be targeted to drug treatment and drug abuse research. Each year, $95 million will be expended through the Federal Capacity Expansion Program (CEP) to expand drug treatment availability and $5 million will be allocated to the National Institute on Drug Abuse to be expended solely on the medication development project to improve drug abuse and drug treatment research.

*Senate amendment*

For two years beginning with FY 1997, $50 million will be spent to fund additional drug (including alcohol) treatment programs and services through Substance Abuse Prevention and Treatment Block Grant.

*Conference agreement*

This section was deleted from the conference agreement on H.R. 4 because it was included in H.R. 2684, The Senior Citizens' Right to Work Act.

F. Effective Dates

*Present law*

Not applicable.

*House bill*

This section of the bill becomes effective on October 1, 1995, and applies with respect to months beginning on or after that date.

*Senate amendment*

Generally, changes apply to applicants for benefits for months beginning on or after the date of enactment. An individual receiving benefits on the date of enactment whose eligibility would end would continue to be eligible for benefits until January 1, 1997. The Commissioner of Social Security shall notify individuals losing eligibility within three months of the date of enactment.

In addition, in the case of an individual with an alcoholism or drug addiction condition who is receiving SSI benefits on the date of enactment, the representative payee requirement will apply on or after the first continuing disability review occurring after enactment. For recipients with an addiction who are over the age of 65, the Commissioner will determine appropriate representative payee requirements.

*Conference agreement*

This section was deleted from the conference agreement on H.R. 4 because it was included in H.R. 2684, The Senior Citizens' Right to Work Act.

*Reapplication*

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

Individuals receiving SSI benefits on the date of enactment who are notified of their termination of eligibility and who desire to reapply for benefits must do so within four months after the date of enactment. The Commissioner of Social Security will determine within one year after the date of enactment the eligibility of individuals who reapply.

*Conference agreement*

This section was deleted from the conference agreement on H.R. 4 because it was included in H.R. 2684, The Senior Citizens' Right to Work Act.

2. DENIAL OF SSI BENEFITS FOR 10 YEARS TO INDIVIDUALS FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN BENEFITS SIMULTANEOUSLY IN 2 OR MORE STATES (SECTION 201)

See description in section 103 of title 1 of the conference agreement.

SUBTITLE B—BENEFITS FOR DISABLED CHILDREN

1. DEFINITION AND ELIGIBILITY RULES (SECTION 211)

A. Definition of Childhood Disability

*Comparable severity repealed*

*Present law*

A needy individual under age 18 is determined eligible for SSI ''if he suffers from any medically determinable physical or mental impairment of comparable severity'' with that of an adult considered work disabled and otherwise eligible for SSI benefits.

*House bill*

The ''comparable severity'' test in statute for determining disability of children (defined as individuals under 18) is repealed.

*Senate amendment*

Similar to the House bill.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

*Disability definition*

*Present law*

There is no definition of childhood disability in the statute. Under current disability evaluation procedures, to be found disabled, a child must have a medically determinable physical or mental impairment that substantially reduces his or her ability to independently and effectively engage in age-appropriate activities. This impairment must be expected to result in death or to last for a continuous period of not less than 12 months.

*House bill*

Eligibility, as determined by the Commissioner of Social Security, for cash benefits or new medical or non-medical services described below will be based solely on: (1) meeting the non-disability-related requirement for eligibility; (2) meeting or equalling the current Listing of Impairments set forth in the Code of Federal Regulations (i.e., the Listing which is currently in regulations is to be codified in statute); and (3) being a disabled SSI recipient in the month prior to this provision's effective date or being in a hospital, skilled nursing facility, residential treatment facility, intermediate care facility for the mentally retarded, or otherwise would be placed in such a facility if the child were not receiving personal assistance necessitated by the impairment. Personal assistance refers to assistance with activities of daily living such as eating and toileting.

*Senate amendment*

Adds a new statutory definition of childhood disability. An individual under the age of 18 is considered disabled for the purposes of this section if the individual has a medically determinable physical or mental impairment, which results in marked and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

*Conference agreement*

The conference agreement follows the Senate amendment with technical modification and provides that the Commissioner of Social Security shall submit for review to the committees of jurisdiction in the Congress any final regulation with supporting documentation pertaining to the eligibility of individuals under age 18 for SSI benefits at least 45 days before the effective date of such regulation.

By this definition, the conferees intend that only needy children with severe disabilities be eligible for children's SSI and that the Listing and other disability determination regulations as modified by the conference agreement properly reflect the severity of disability contemplated by the statutory definition. In those areas of the Listing that involve domains of functioning, the conferees expect no less than market limitations in no fewer than two domains or extreme limitations in at least one domain as the standard for qualification. The conferees are also aware that the Social Security Administration uses the term ''severe'' to often mean ''other than minor'' in an initial screening procedure for disability determination and in other places. The conferees, however, use the term ''severe'' in its common sense meaning.

The conferees do not intend to suggest by this definition of childhood disability that every child need be especially evaluated for functional limitations, or that this definition creates a supposition for any such examination. Under current procedures for writing individual listings, level of functioning is an explicit consideration in deciding which impairment, with what medical or other findings, are of sufficient severity to be included in the Listing. Nonetheless, the conferees do not intend to limit the use of functional assessments and functional information, if reflecting sufficient severity and are otherwise appropriate.

B. Changes to Childhood SSI Regulations

*Reliance on ''Listing of Impairments''*

*Present law*

Under the disability determination process for children, individuals whose impairments do not meet or equal the ''Listing of Impairments'' in Federal regulations are subject to an ''individualized Functional Assessment (IFA)''. This assessment examines whether the child can engage in age-appropriate activities effectively. If the child cannot, he or she is determined disabled.

*House bill*

The Commissioner of Social Security must annually report to Congress on the Listings

and recommend any needed revisions. Individualized functional assessments are no longer grounds for determination of disability.

*Senate amendment*

The Commissioner of Social Security shall discontinue the individualized functional assessment for children set forth in the Code of Federal Regulations.

*Conference agreement*

The conference agreement follows the Senate amendment. The conferees agree that a significant amount of the growth of the children's SSI program resulted from regulations issued in 1991 by the Social Security Administration establishing the individualized functional assessment which liberalized program eligibility criteria beyond Congressional intent. Children with modest conditions or impairments were made eligible for SSI due to the individualized functional assessment, and therefore should not be eligible for SSI benefits.

*Multiple references to ''Maladaptive Behavior'' eliminated*

*Present law*

Under the disability determination process for children, the Social Security Administration first determines if a child meets or equals the Listings of Impairments. Under the Listings that relate to mental disorders, maladaptive behavior may be scored twice, in domains of social functioning and of personal/behavior functioning.

*House bill*

No provision.

*Senate amendment*

Requires the Commissioner of Social Security to eliminate references in the Listing to maladaptive behavior among medical criteria for evaluation of mental and emotional disorders in the domain of personal/behavioral function.

*Conference agreement*

The conference agreement follows the Senate amendment.

C. Medical Improvement Review Standard as it Applies to Individuals Under the Age of 18

This section in the legislative language contains technical modifications to the medical improvement review standard based on the new definition of childhood disability.

D. Amount of Benefits

*Present law*

A child who is determined to be disabled and who is eligible on the basis of his income and resources shall be paid benefits. If the child lives at home, the parents' financial resources are deemed available to the child. If the same child is institutionalized, after the first month away home only the child's own financial resources are deemed to be available for the child's care. The child may then qualify for a reduced (''personal needs allowance'') SSI benefit and for Medicare coverage. Because of these ''deeming'' rules, some children who could have been cared for at home might remain in institutions because, if they were to return home, they would lose Medicaid benefits. Medicaid ''waivers'' allow States to disregard the deeming rule, provide Medicaid coverage, and pay for support services to help families keep children at home.

*House bill*

Children may be eligible for cash SSI payments in one of three circumstances:

(1) if a child who is currently (defined as during the month prior to the first month for which this provision takes effect) receiving cash SSI payments by reason of disability will continue to be eligible for cash SSI benefits if the child has an impairment that meets or equals an impairment specified in the Listing of Impairments. Children receiving cash benefits under the grandfather provision whose financial eligibility is suspended would continue to receive cash benefits if financial eligibility is restored;

(2) for all other children, a child may only receive cash SSI payments if the child has an impairment which meets or equals an impairment specified in the Listings of Impairments cited above, and is either in a hospital, skilled nursing facility, residential treatment facility, intermediate care facility for the mentally retarded, or otherwise would be placed in such a facility if the child were not receiving personal assistance necessitated by the impairment. Personal assistance refers to assistance with activities of daily living such as eating and toiling; and

(3) if a child who is overseas as a dependent of a member of the U.S. Armed Forces and who is eligible for block grant services but not eligible for cash benefits under the new criteria shall be eligible for cash benefits. Cash benefits cease when the child returns to the United States.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows a modified version of the House bill. Once an eligible child is determined to meet the definition of disability, the amount of the individual's cash benefit will be based on whether the child meets the newly developed criteria for needing personal assistance enabling the child to remain with their family at home. This criteria is as follows:

For a child under age 6—such individual has a medical impairment that severely limits the individual's ability to function in a manner appropriate to individuals of the same age and who without special personal assistance would require specialized care outside the individual's home; or

For a child age 6 or over—such individual requires personal care assistance with: (a) at least two activities of daily living, (b) continual 24-hour supervision or monitoring to avoid causing injury or harm to self or others, or (c) the administration of medical treatment; and who without such assistance would require full-time or part-time specialized care outside the individual's home.

The conferees have provided a different definition of the eligibility for children under age 6 and over age 6 because of the differing expectations of age appropriate behavior for children above and below this age. As described below, the conferees have requested the Commissioner of Social Security to undertake a study on ways to improve these definitions and the disability determination process.

Children with disabilities meeting this criteria will receive 100 percent of the benefit amount provided by current law. Disabled children who do not meet this criteria will receive seventy-five percent of the benefit amount provided by current law. The conferees note that the SSI benefit under either tier is very generous. In 1995, the average SSI benefit for a child recipient is $5,040. Seventy-five percent of that benefit would be $3,780. Both the maximum children's SSI benefit or seventy-five percent of the maximum benefit is greater than the maximum 1995 AFDC benefit for a family of three in many States.

The conferees acknowledge that many families of disabled children incur expenses beyond those by families of nondisabled children. However, the conferees agree that the extra expenses related to a child's disability vary widely depending on the nature and degree of disability and the availability of Federal, State, and local health care and/or disability programs. In order to reduce the inequity of the current system which provides one benefit level to all families without regard to additional disability-related financial needs, the conferees agree to establish a two-tiered benefit system. The higher tier is intended for families of children with the most severe disabilities who require full or part-time personal assistance which would prevent a parent from working full-time or which would require the presence of a personal assistance provider.

The conferees also believe that Congress should investigate whether the unmet needs of families of disabled children could be better and more efficiently met through services, such as mental health treatment or purchase of items of assistive technology, rather than cash payments. In the twenty three years since the SSI program was created, substantial new Federal programs have been authorized to assist children with disabilities, including Federal, State and local funding of special education and expansion of Medicaid. The impact of these programs on cash needs of children with disabilities merits further investigation by Congress.

E. Effective Dates and Other Changes

*Present law*

Not applicable.

*House bill*

Changes apply to benefits for months beginning ninety or more days after enactment, without regard to whether regulations have been issued. Recipients of SSI cash benefits during the month of enactment who would lose eligibility under the House bill may continue to receive SSI benefits for up to 6 months.

*Senate amendment*

The Senate amendment changes apply to applicants for months beginning on or after the date of enactment, without regard to whether regulations have been issued. However, the Commissioner must issue necessary regulations within two months of enactment. For child SSI recipients who were eligible for SSI on the date of enactment but who would lose eligibility under the Senate amendment, the changes would not take effect until January 1, 1997. The Commissioner is to redetermine the eligibility of these persons within one year of enactment.

*Conference agreement*

The conference agreement follows the Senate amendment with modification that the effective date for the two-tiered benefit system is January 1, 1997, for current recipients and new applications. The conferees agreed to require the Commissioner to report to Congress within 180 days regarding the progress made in implementing the SSI children's provisions.

*Notice*

*Present law*

Not applicable.

*House bill*

Not later than one month after the date of enactment, the Commissioner must notify individuals whose eligibility for SSI benefits will terminate.

*Senate amendment*

Within three months of enactment, the Commissioner must notify individuals whose eligibility for SSI will terminate.

*Conference agreement*

The conference agreement follows the Senate amendment.

*New provision for administrative funds for the Social Security Administration*

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

No provision.

*Conference agreement*

The conferees recognize that implementation of the SSI provisions by the Social Security Administration is a big job and have provided $300 million to assist the agency meeting its obligations. The conferees are very mindful of the problems encountered by the Social Security Administration in the early 1980s in conducting a large number of redeterminations and continuing disability reviews, and strongly urge the Commissioner to conduct the redeterminations and continuing disability reviews required in this bill in an orderly and careful manner.

*Block grants to States for children with disabilities*

*Entitlement to grants*

*Present law*

Not applicable.

*House bill*

Each State that meets the requirements listed below for FY 1997 or later years shall be entitled to receive a grant equal to the State's allotment for that fiscal year. The Commissioner of Social Security will make block grants to States for the purpose of providing specified medical and non-medical benefits for children who have an impairment which meets or equals an impairment specified in the Listing of Impairments. Grants are an entitlement to eligible States on behalf of qualifying children, not an entitlement to any such child.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

*Requirements*

*Present law*

Not applicable.

*House bill*

Each State must establish a program to provide block grant services. The State will submit to the Commissioner an application for the grant. In the application, the State agrees it must spend grant funds to provide authorized services designed to meet the unique needs of qualifying children. The application must also contain information, agreements, and assurances required by the Commissioner. In providing authorized services, States will make every reasonable effort to obtain payment for the services from other Federal or State programs that provide such services. States will expend the grant only to the extent that payments from other programs are not available.

In order to receive a block grant under this section, the State must agree to maintain non-Federal spending for any purposes designed to meet the needs of qualifying children with physical or mental impairments. States have discretion to select the purposes for which the State expends non-Federal amounts, within the purpose of providing for the needs of qualifying children. The Consumer Price Index will be used to adjust for inflation in judging whether the State meets the maintenance of effort requirements in future years.

No child who has an impairment which meets or equals an impairment specified in the Listing of Impairments will be denied the opportunity to apply for services and to have his or her case assessed to determine the child's service needs.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

*Authority of State*

*Present law*

Not applicable.

*House bill*

The following decisions are in the discretion of a State:

(1) which authorized services to provide;

(2) who among qualifying children receives services; and

(3) the number of services provided a qualifying child and their duration.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

*Authorized services*

*Present law*

Not applicable.

*House bill*

The Commissioner shall issue regulations designating the purposes for which grants may be spent by States. The Commissioner must ensure that services on the list are designed to meet the unique needs of qualifying children that arise from their physical and mental impairments, that both medical and non-medical services are included, and that cash assistance is not available through the block grant.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

*General provisions*

*Present law*

Not applicable.

*House bill*

Necessary regulations are to be issued, but payments under the block grant must begin not later than January 1, 1997, regardless of whether final rules have been issued.

The value of the authorized services provided through the block grant cannot be taken into account in determining eligibility for, or the amount of, benefits or services under any Federal or Federally-assisted program. For the purposes of Medicaid, each qualifying child shall be considered to be a recipient of Supplemental Security Income benefits under this title.

States are encouraged to use an existing delivery system to administer block grant services.

States that do not participate in offering block grant services are not permitted to use social security numbers in the administration of any tax, public assistance, driver's license or motor vehicle registration law. (Because of the extreme duress this would impose on States, this is regarded as effectively a ''requirement.'')

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

*Definitions*

*Present law*

Not applicable.

*House bill*

A State's ''Allotment'' of block grant funds equals the product of 75 percent of the average cash SSI benefit in the State and the number of children in the State receiving non-cash SSI benefits under this section.

''Authorized Service'' means each service authorized by the Commissioner.

A ''Qualifying Child'' means an individual under 18 years of age who is eligible for cash benefits under this title by reason of disability; or an individual under 18 years of age who is eligible for SSI non-cash benefits as described above. The Commissioner will determine whether individuals meet the criteria to the eligible for block grant services.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

*Effective date*

*Present law*

Not applicable.

*House bill*

Block grants are available to eligible States beginning in FY 1997.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

2. Eligibility redeterminations and continuing disability reviews (section 212)

A. Continuing Disability Reviews Relating to Certain Children

*Present law*

Federal law requires that SSI recipients be subject to a Continuing Disability Review (CDR) at least once every 3 years, except for recipients whose impairments are judged to be permanent. The Commissioner is required to conduct periodic CDRs of at least 100,000 disabled SSI recipients per year for a period of 3 years (i.e., FY 1996–1998) and report to Congress on CDRs for disabled SSI recipients no later than October 1, 1998.

*House bill*

In addition to the provisions of current law, at least once every 3 years the Commissioner must conduct CDRs for SSI benefits of children receiving benefits. For children who are eligible for benefits and whose medical condition is not expected to improve, the requirement to perform such reviews does not apply

*Senate amendment*

Same as the House bill, with minor differences in wording. At the time of review the parent or guardian must present evidence demonstrating that the recipient is and has been receiving appropriate treatment for his or her disability.

*Conference agreement*

The conference agreement generally follows the Senate amendment with modification requiring evidence of needed treatment for continued representative payee status.

B. Disability Eligibility Redeterminations Required for SSI Recipients Who Attain 18 Years of Age

*Present law*

Current law also specifies that the Commissioner must reevaluate under adult disability criteria the eligibility of at least one-third of SSI children who turn age 18 in each of the fiscal years 1996, 1997, and 1998 (the CDR must be completed before these children reach age 19) and report to Congress no later than October 1, 1998, on CDRs for disabled children.

*House bill*

The eligibility for all children qualifying for SSI benefits must be redetermined using the adult criteria within one year after turning 18 years of age. The review will be considered a substitute for any other review required under the changes made in this section.

Not later than October 1, 1998, the Commissioner of Social Security must submit to the House Committee on Ways and Means and the Senate Committee on Finance a report on disability reviews for children enrolled in SSI.

The ''minimum number of reviews'' and the ''sunset'' provisions of section 207 of the Social Security Independence and Program Improvements Act of 1994 are eliminated.

*Senate amendment*

Same as the House bill with differences in wording. Like the House bill, the Senate amendment repeals section 207 of the Social Security Independence and Program Improvements Act of 1994.

*Conference agreement*

The conference agreement generally follows the House bill with modification that the Commissioner does not have to submit a report to Congress on disability reviews for SSI children.

C. Continuing Disability Review Required for Low Birth Weight Babies

*Present law*

Not applicable.

*House bill*

A review for continuing disability must be performed for all children qualifying for SSI due to low birth weight when the child has received benefits for 12 months.

*Senate amendment*

A review must be conducted 12 months after the birth of a child whose low birth weight is a contributing factor to the child's disability. At the time of review, the parent or guardian must present evidence demonstrating that the recipient is and has been receiving appropriate treatment for his or her disability.

*Conference agreement*

The conference agreement follows the Senate amendment with modification requiring evidence of needed treatment for continued representative payee status.

D. Effective Date

*Present law*

Not applicable.

*House bill*

This section applies to benefits for months beginning ninety or more days after enactment, regardless of whether regulations have been issued.

*Senate amendment*

Applies to benefits for months beginning on or after the date of enactment, regardless of whether regulations have been issued.

*Conference agreement*

The conference agreement follows the Senate amendment.

3. Additional accountability requirements (section 213)

A. Disposal Of Resources for Less Than Fair Market Value

*Present law*

No provision. There is a transfer of assets provision in Medicaid law that is similar to H.R. 4 provision (Sec. 1917(c) of the Social Security Act).

*House bill*

The House bill delays eligibility for any child applicant whose parents or guardians, in order to qualify a child for benefits, dispose of assets for less than fair market value within 36 months of the date of application. The provision stipulates that any assets in a trust in which the child (i.e., parent or representative payee) has control shall be considered assets of the child and subject to the 36-month ''look-back'' rule. The delay (in months) is equal to the amount of assets divided by the SSI standard benefit.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill with technical modifications.

B. Treatment of Assets Held in Trust

This section is included in the law as a result of technical changes submitted by the Social Security Administration.

C. Requirement to Establish Account

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

At the request of the representative payee (i.e., the parent), the Commissioner of Social Security may pay any lump sum payment for the benefit of a child into a dedicated savings account for the purpose of covering the costs of needs related to the child's disability and/or increasing the child's independence. The dedicated savings account could only be used to purchase education and job skills training, special equipment or housing modifications related to the child's disability, and appropriate therapy and rehabilitation. The funds in these accounts would not be counted as resources in determining SSI eligibility. This provision would take effect upon enactment.

*Conference agreement*

The conference agreement generally follows the Senate amendment with modification requiring the dedicated savings account (instead of it being optional at the request of the representative payee), expanding the list of allowable expenses, and requiring the Commissioner to establish a system for accountability monitoring.

*Conforming amendments*

*Present law*

Not applicable.

*House bill*

The House bill makes a number of conforming amendments, reflecting the addition of non-cash SSI benefits as described above.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate Amendment (i.e. no provision).

*Improvements to disability evaluations for children*

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Senate amendment directs the Commissioner of Social Security, within sixty days of enactment, to issue a request for comments in the Federal Register regarding improvements in the disability evaluation and determination procedures for children under age 18. The Commissioner must review the comments and issue regulations implementing changes within 18 months after enactment

*Conference agreement*

The conference agreement follows the House bill (i.e., no provision).

*Temporary eligibity for cash benefits for poor disabled children residing in States applying alternative income eligibility standards under medicaid*

*Present law*

States generally are required to provide Medicaid coverage for recipients of SSI. However, States may use more restrictive eligibility standards for Medicaid than those for SSI if they were using those standards on January 1, 1972 (before implementation of SSI). States that have chosen to apply at least one more restrictive standard are known as ''section 209(b)'' States, after the section of the Social Security Amendments of 1972 (P.L. 92–603) that established the option. These States may vary in their definition of disability, or in their standards related to income or resources. There are 12 section 209(b) States: Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, and Virginia.

*House bill*

The House bill provides for temporary eligibility for cash SSI benefits (through the end of FY 1996) for children who live in States that apply alternative income eligibility standards under Medicaid (also known as ''209(b)'' States).

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

4. REDUCTION OF CASH BENEFITS PAYABLE TO INSTITUTIONALIZED CHILDREN WHOSE MEDICAL COSTS ARE COVERED BY PRIVATE INSURANCE (SECTION 214)

*Present law*

Federal law stipulates that when an individual enters a hospital or other medical institution in which more than half of the bill is paid by the Medicaid program, his or her monthly SSI benefit standard is reduced to $30 per month. This personal needs allowance is intended to pay for small personal expenses, with the cost of maintenance and medical care provided by the Medicaid program.

*House bill*

Cash SSI payments to institutionalized children would be reduced for those whose medical costs are covered by private insurance.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

*Additional accountability requirements for parents or guardians*

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Senate amendment requires a disabled child's representative payee (usually the parent) to document expenditures. These expenditures would be subject to increased review by the Social Security Administration. Effective for benefits paid after enactment.

*Conference agreement*

The conference agreement follows the House bill (i.e., no provision).

5. REGULATIONS (SECTION 215)

*Present law*

Not applicable.

*House bill*

The Commissioner of Social Security and the Secretary of HHS will prescribe necessary regulations within three months after enactment of this Act.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

*Examination of mental listing used to determine eligibility of children for SSI benefits by reason of disability*

*Present law*

Section 202 of the Social Security Independence and Program Improvements Act of 1994 established a Childhood Disability Commission to study the desirability and methods of increasing the extent to which benefits are used in the effort to assist disabled children in achieving independence and engaging in substantial gainful activity. The Commission was also charged with examining the effects of the SSI program on disabled children and their families.

*House bill*

The Childhood Disability Commission must review the mental listing used by the Social Security Administration to determine child SSI eligibility. The Commission should conduct this investigation to ensure that the criteria in these listings are appropriate and that SSI eligibility is limited to children with serious disabilities for whom Federal assistance is necessary to improve the child's condition or quality of life.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision) due to the Childhood Disability Commission having completed their final report.

*Limitation on payments to Puerto Rico, the U.S. Virgin Islands and Guam under programs of aid to the aged, blind, or disabled*

See description in section 108 of title I of the conference agreement.

SUBTITLE C—STATE SUPPLEMENTATION PROGRAMS

1. REPEAL OF MAINTENANCE OF EFFORT REQUIREMENT APPLICABLE TO OPTIONAL STATE PROGRAMS FOR SUPPLEMENTATION OF SSI BENEFITS (SECTION 221)

*Present law*

Since the beginning of the SSI program, States have had the option to supplement (with State funds) the Federal SSI payment. The purpose of section 1618 was to encourage States to pass along to SSI recipients the amount of any Federal SSI benefit increase. Under section 1618, a State that is found to be not in compliance with the ''pass along/maintenance of effort provision'' is subject to loss of its Medicaid reimbursements. Section 1618 allows States to comply with the ''pass along/maintenance of effort'' provision by either maintaining their State supplementary payment levels at or above 1983 levels or by maintaining total annual expenditures for supplementary payments (including any Federal cost-of-living adjustment) at a level at least equal to their prior 12-month period, provided the State was in compliance for that period. In effect, section 1618 requires that once a State elects to provide supplementary payments it must continue to do so. [Sec. 1618 of the Social Security Act]

*House bill*

The House bill repeals the maintenance of effort requirements (Sec. 1618) applicable to optional State programs for supplementation of SSI benefits effective date of enactment.

*Senate amendment*

Similar to the House bill.

*Conference agreement*

The conference agreement follows the Senate amendment with modification that the effective date is the date of enactment.

*Limited Eligibility of Noncitizens for SSI Benefits*

See description in title IV of the conference agreement.

SUBTITLE D—STUDIES REGARDING SUPPLEMENTAL SECURITY INCOME PROGRAM

1. ANNUAL REPORT ON SSI (SECTION 231)

*Present law*

To date, the Department of Health and Human Services and now the Social Security Administration have collected, compiled, and published annual and monthly SSI data, but Federal law does not require an annual report on the SSI program.

*House bill*

No provision.

*Senate amendment*

The Senate amendment requires the Commissioner of Social Security to prepare and provide to the President and the Congress an annual report on the SSI program, which includes specified information and data. The report is due May 30 of each year.

*Conference agreement*

The conference agreement follows the Senate amendment.

2. STUDY OF DISABILITY DETERMINATION PROCESS (SECTION 232)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

Within 90 days of enactment, the Commissioner must contract with the National Academy of Sciences or another independent entity to conduct a comprehensive study of the disability determination process for SSI and SSDI. The study must examine the validity, reliability and consistency with current scientific standards of the Listings of Impairments cited above.

The study must also examine the appropriateness of the definitions of disability (and possible alternatives) used in connection with SSI and SSDI; and the operation of the disability determination process, including the appropriate method of performing comprehensive assessments of individuals under age 18 with physical or mental impairments.

The Commissioner must issue interim and final reports of the findings and recommendations of the study within 18 months and 24 months, respectively, from the date of contract for the study.

*Conference agreement*

The conference agreement follows the Senate amendment.

3. GENERAL ACCOUNTING OFFICE STUDY (SECTION 233)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Senate amendment requires the General Accounting Office to study and report on the impact of title II of the Senate amendment on the SSI program by January 1, 1998.

*Conference agreement*

The conference agreement follows the Senate amendment with modification that the study also include extra expenses incurred by families of children receiving SSI that are not covered by other Federal, State, or local programs.

SUBTITLE E—NATIONAL COMMISSION ON THE FUTURE OF DISABILITY

1. ESTABLISHMENT (SECTION 241)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission is established and expenses are to be paid from funds appropriated to the Social Security Administration.

*Conference Agreement*

The conference agreement follows the Senate amendment with modification that there are authorized to be appropriated such sums as are necessary to carry out the purpose of the Commission.

2. DUTIES (SECTION 242)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission must study all matters related to the nature, purpose and adequacy of all Federal programs for the disabled, and especially SSI and SSDI.

The Commission must examine: projected growth in the number of individuals with disabilities and the implications for program planning; possible performance standards for disability programs; the adequacy of Federal rehabilitation research and training; and the adequacy of policy research available to the Federal government and possible improvements.

The Commission must submit to the President and the proper Congressional committees recommendations and possible legislative proposals effecting needed program changes.

*Conference agreement*

The conference agreement follows the Senate amendment.

3. MEMBERSHIP (SECTION 243)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission is to be composed of 15 members, appointed by the President and Congressional leadership. Members are to be chosen based on their education, training or experience, with consideration for representing the diversity of individuals with disabilities in the U.S.

The Comptroller General must serve as an ex officio member of the Commission to advise on the methodology of the study. With the exception of the Comptroller General, no officer or employee of any government may serve on the Commission.

Members are to be appointed not later than 60 days after enactment. Members serve for the life of the Commission, which will be headquartered in D.C. and meet at least quarterly.

The Senate amendment includes a number of specific requirements on the Commission regarding quorums, the naming of chairpersons, member replacement, and benefits.

*Conference agreement*

The conference agreement follows the Senate amendment with modification deleting the Comptroller General as a ex officio member and deleting the prohibition against officer or employee of any government being appointed to serve on the Commission. The conferees added that the Commission membership will also reflect the general interest of the business and taxpaying community, both of which are often impacted by Federal disability policy.

4. STAFF AND SUPPORT SERVICES (SECTION 244)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission will have a director, appointed by the Chair, and appropriate staff, resources, and facilities.

*Conference agreement*

The conference agreement follows the Senate amendment.

5. POWERS (SECTION 245)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission may conduct public hearings and obtain information from Federal agencies necessary to perform its duties.

*Conference agreement*

The conference agreement follows the Senate amendment.

6. REPORTS (SECTION 246)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission must issue an interim report to Congress and the President not later than 1 year prior to terminating. A final public report must be submitted prior to termination.

*Conference agreement*

The conference agreement follows the Senate amendment.

7. TERMINATION (SECTION 247)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission will terminate 2 years after first having met and named a chair and vice chair.

*Conference agreement*

The conference agreement follows the Senate amendment.

SUBTITLE F—RETIREMENT AGE ELIGIBILITY

1. ELIGIBILITY FOR SSI BENEFITS BASED ON SOCIAL SECURITY RETIREMENT AGE (SECTION 251)

*Present law*

The SSI program guarantees a minimum level of cash income to all aged, blind, or disabled persons with limited resources. The SSI program defines ''aged'' as persons age 65 and older.

*House bill*

No provision.

*Senate amendment*

The Senate amendment deletes references to age 65 and instead defines as ''aged'' those persons who reach ''retirement age'' as defined by the Social Security program. The Social Security ''retirement age''—the age at which retired workers receive benefits that are not reduced for ''early retirement''—gradually will rise from 65 to 67. It will do so in two steps. First, the retirement age will increase by 2 months for each year that a person was born after 1937, until it reaches age 66 for those born in 1943 (i.e., those who attain age 66 in 2009). Second, it will again increase by 2 months for each year that a person was born after 1954 until it reaches age 67 for those born after 1959.

*Conference agreement*

The conference agreement follows the Senate amendment.

TITLE III. CHILD SUPPORT ENFORCEMENT

SUBTITLE A—ELIGIBILITY FOR SERVICES; DISTRIBUTION OF PAYMENTS

1. REFERENCES (SECTION 300)

*Present law*

No provision.

*House bill*

Any reference in this title expressed in terms of an amendment to or repeal of a section or other provision is made to the Social Security Act.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

2. STATE OBLIGATION TO PROVIDE CHILD SUPPORT ENFORCEMENT SERVICES (SECTION 301)

*Present law*

States are required to establish paternity for children born out of wedlock if they are recipients of AFDC or Medicaid, and to obtain child and spousal support payments from noncustodial parents of children receiving AFDC, Medicaid benefits, or foster care maintenance payments. States must provide child support collection or paternity determination services to persons not otherwise eligible if the person applies for services. Federal law requires States to cooperate with other States in establishing paternity (if necessary), locating absent parents, collecting child support payments, and carrying out other child support enforcement functions.

*House bill*

States must provide services, including paternity establishment and establishment, modification, or enforcement of support obligations, for children receiving benefits under part A (Temporary Assistance for Needy Families block grant–TANF), part B (child protection block grant), Medicaid, and any child of an individual who applies for services. States must enforce support obligations with respect to children in their caseload and the custodial parents of such children. States must also make child support enforcement services available to individuals not residing within the State on the same terms as to individuals residing within the State. The provision also makes minor technical amendments to SSA section 454.

*Senate amendment*

Similar to House provision with one exception: instead of reference to part B as in House bill, reference is to part E—foster care and adoption assistance.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment except the House recedes by agreeing that States be required to provide child support services only to children actually receiving foster care payments.

3. DISTRIBUTION OF CHILD SUPPORT COLLECTIONS (SECTIONS 302 AND 374)

A. Distribution of Collected Support

*Present law*

To receive AFDC benefits, a custodial parent must assign to the State any right to collect child support payments. This assignment covers current support and any arrearages, and lasts as long as the family receives AFDC. Federal law requires that child support collections be distributed as follows: First, up to the first $50 in current support is paid to the AFDC family (a ''disregard'' that does not affect the family's AFDC benefit or eligibility status). Second, the Federal and State governments are reimbursed for the AFDC benefit paid to the family in that month. Third, if there is money left, the family receives it up to the amount of the current month's child support obligation. Fourth, if there is still money left, the State keeps it to reimburse itself for any arrearages owed to it under the AFDC assignment (with appropriate reimbursement of the Federal share of the collection to the Federal government). If no arrearages are owed the State, the money is used to pay arrearages to the family; such moneys are considered income under the AFDC program and would reduce the family's AFDC benefit.

*House bill*

To receive funds from the Temporary Assistance for Needy Families (TANF) block grant, custodial parents must assign to the State their right to child support payments. The bill ends the $50 child support disregard to (TANF) families. Families receiving cash assistance—States are given the option of passing the entire child support payments through to families. If States elect this option, they must pay the Federal share of the collection to the Federal government. Families that formerly received cash assistance—Current child support payments go to the family. Payments on arrearages that accrued before or after the custodial parent received cash assistance are paid to the family first if the family leaves welfare. Only after all arrearages owed to the custodial parent and children have been repaid are arrearages owed to the State and Federal government repaid. Payments on arrearages that accrued while the family received assistance must be retained by the State. The State is required to keep the State share of the collected amount, and pay to the Federal government the Federal share of the amount collected (to the extent necessary to reimburse amounts paid to the family as cash assistance). As a general rule, States must pay to the Federal government the Federal share of child support collections for parents on the Temporary Family Assistance program. This share is calculated using the State's Medicaid match rate in effect in 1995 or in subsequent years, whichever is greater. Families that never received cash assistance—All child support payments go directly to the family.

*Senate amendment*

Any rights to child support that were assigned to the State before the effective date of the amendment are to remain so assigned. Gives States the option of requiring TANF applicants and recipients to assign to the State their rights to child support payments. The amendment eliminates references (in both the TANF block grant title of the amendment and the CSE title) to the $50 child support disregard, but does not explicitly eliminate the $50 child support disregard. Families receiving cash assistance—States are given the option of passing the entire child support payment through to families. If States elect this option, they must pay the Federal share of the collection to the Federal government. Families that formerly received cash assistance—Current child support payments go to the family. Payments on arrearages that accrued after the custodial parent left welfare are paid to the family. With respect to payments on arrearages that accrued before or while the family received assistance, the State may retain all or part of the State share, and if the State does so, it must retain and pay to the Federal Government the Federal share (to the extent the amount retained does not exceed the cash assistance paid to the family). The Federal share is calculated using the State's Medicaid match rate in effect in 1995 or in subsequent years, whichever is greater. Families that never received cash assistance—All child support payments go directly to the

family. In addition, in the case of a family receiving cash assistance from an Indian tribe, the child support collection is to be distributed according to the agreement specified in the State plan.

*Conference agreement*

The conference agreement modifies the House bill and Senate amendment as follows: (1) the $50 pass-through is ended; (2) beginning October 1, 1997, arrearages that accumulate during the period after the family leaves welfare are paid to the family prior to any payments to the State for assigned support; and (3) beginning October 1, 2000, arrearages that accumulated during the period before the custodial parent went on welfare are also paid to the family prior to any payments to the State for assigned support. (This includes pre-welfare arrearages that were assigned to the State on or after October 1, 1997 but that were not collected prior to October 1, 2000.) An exception is made for any collections through the tax refund intercept program, which are paid to the State first, up to the amount of the remaining assigned support, prior to any payments to the family.

When fully implemented in 2000, the new order of assignment and distribution of arrearage payments, according to whether collections are made via the tax intercept or through any other method, will be as follows:

Tax intercept: First, post-welfare arrearages to State; Second, pre-welfare arrearages to State; Third, post-welfare arrearages to family; and Fourth, pre-welfare arrearages to family.

Other methods: First, post-welfare arrearages to family; Second, pre-welfare arrearages to family; Third, post-welfare arrearages to State; and Fourth, pre-welfare arrearages to State.

Conferees also agreed that if the amount of pre-welfare arrearages paid to the family exceeded the amount saved by a given State by ending the $50 passthrough and by other methods of improving collections contained in this legislation, the Federal government will pay that State an amount equal to the difference between pre-welfare arrearage payments to family and State savings caused by this legislation.

To further improve child support collections, conferees agree to close a loophole in the bankruptcy code that allows courts to dismiss child support debts that accumulated before a child support order was legally established (see Section 374).

B. Continuation of Service for Families Ceasing to Receive Assistance

*Present law*

Federal law requires States to continue providing child support enforcement services to AFDC, Medicaid, and foster care families who no longer qualify for AFDC benefits on the same basis as in the case of those who receive benefits or services, except that no application or request for services is required.

*House bill*

When families leave the TANF program, States are required to continue providing child support enforcement services to them subject to the same conditions and on the same basis as in the case of individuals who receive assistance.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

C. Effective Date

*Present law*

No provision.

*House bill*

The effective date for provisions relating to distribution of support collected for families who formerly received cash assistance is October 1, 1995. For all others it is October 1, 1999.

*Senate amendment*

The effective date for distribution of support collected for families receiving cash assistance is October 1, 1999. The effective date for the clerical amendments and provisions relating to the distribution of child support collected for families who formerly received cash assistance or who never received cash assistance is October 1, 1995.

*Conference agreement*

The effective date for ending the $50 passthrough is October 1, 1996 or sooner at State option. The effective date for implementing the new distribution rules applying to post-welfare arrearages is October 1, 1997; for pre-welfare arrearages, the effective date is October 1, 2000.

4. PRIVACY SAFEGUARDS (SECTION 303)

*Present law*

Federal law limits the use or disclosure of information concerning recipients of Child Support Enforcement Services to purposes connected with administering specified Federal welfare programs.

*House bill*

States must implement safeguards against unauthorized use or disclosure of information related to proceedings or actions to establish paternity or to enforce child support. These safeguards must include prohibitions on release of information where there is a protective order or where the State has reason to believe a party is at risk of physical or emotional harm from the other party. This provision is effective October 1, 1997.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

5. RIGHTS TO NOTIFICATION AND HEARING (SECTION 304)

*Present law*

Most States have procedural due process requirements with respect to wage withholding. Federal law requires States to carry out withholding in full compliance with all procedural due process requirements of the State.

*House bill*

No provision.

*Senate amendment*

Parties to child support cases under Title IV–D must receive notice of proceedings in which child support is established or modified and must receive a copy of orders establishing or modifying child support within 14 days of issuance. Individuals served by the child support program must also have access to a fair hearing or other complaint procedures. These rules and procedures become effective on October 1, 1997.

*Conference agreement*

The conference agreement is a compromise between the Senate and House provisions. The House recedes on the Senate requirement that parties be informed of hearings; the Senate recedes on the requirement for hearings in certain cases.

SUBTITLE B—LOCATE AND CASE TRACKING

6. STATE CASE REGISTRY (SECTION 311)

A. Contents

*Present law*

No provision.

*House bill*

The automated State Case Registry must contain a record on each case in which services are being provided by the State agency, as well as each support order established or modified in the State on or after October 1, 1998.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

B. Linking of Local Registries

*Present law*

No provision.

*House bill*

The Registry may be established by linking local case registries of support orders through an automated information network.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

C. Use of Standardized Data Elements

*Present law*

No provision.

*House bill*

The registry record will contain data elements on both parents, such as names, Social Security numbers and other uniform identification numbers, dates of birth, case identification numbers, and any other data to be Secretary may require.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

D. Payment Records

*Present Law*

Federal law requires that wage withholding be administered by a public agency capable of documenting payments of support and tracking and monitoring such payments.

*House bill*

Each case record will contain the amount of support owed under the order and other amounts due or overdue, any amounts that have been collected and distributed, the birth date of any child for whom the order requires the provision of support, and the amount of any lien imposed by the State.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

E. Updating and Monitoring

*Present law*

Federal law requires that child support orders be reviewed and adjusted, as appropriate, at least once every 3 years.

*House bill*

The State agency operating the registry will promptly establish and maintain and regularly update case records in the registry with respect to which services are being provided under the State plan. Updating will be based on administrative actions and administrative and judicial proceedings and orders relating to paternity and support, as well as information obtained from comparisons with Federal, State, and local sources of information, information on support collections and distributions, and any other relevant information.

*Senate amendment*

Identical provision.

*Conference agreement.*

The conference agreement follows the House bill and the Senate amendment

F. Information Comparisons and Other Disclosures

*Present law*

No provision.

*House bill*

The State automated system will be used to extract data for purposes of sharing and matching with Federal and State data bases and locator services, including the Federal Case Registry of Child Support Orders, the Federal Parent Locator Service, Temporary Assistance for Needy Families and Medicaid agencies, and intra- and interstate information comparisons.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

7. COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS (SECTION 312)

A. State Disbursement Unit

*Present law*

No provision. But States may provide that, at the request of either parent, child support payments be made through the child support enforcement agency or the agency that administers the State's income withholding system regardless of whether there is an arrearage. States must charge the parent who requests child support services a fee equal to the cost incurred by the State for these services, up to a maximum of $25 per year.

*House bill*

By October 1, 1998, State child support agencies are required to operate a centralized, automated unit for collection and disbursement of payments on child support orders enforced by the child support agency. The specifics of how States will establish and operate their State Disbursement Unit must be outlined in the State plan.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

B. Operation

*Present law*

No provision.

*House bill*

The State Disbursement Unit must be operated directly by the State agency, by two or more State agencies under a regional cooperative agreement, or by a contractor responsible directly to the State agency.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

C. Linking of Local Disbursement Units

*Present law*

No provision.

*House bill*

The State Disbursement Unit may be established by linking local disbursement units through an automated information network. The Secretary must agree that the system will not cost more nor take more time to establish than a centralized system. In addition, employers shall be given one location per State to which income withholding is sent.

*Senate amendment*

Similar provision except that whereas the House requires only that the linked local system not cost more or take more time to establish than the single State system, the Senate adds the condition that the local system also cannot take more time to operate.

*Conference agreement*

The House recedes to the Senate provision allowing States to establish their State Disbursement Unit by linking local disbursement units only if linking units does not cost more money nor take more time to establish and to operate.

D. Required Procedures

*Present law*

No provision.

*House bill*

The Disbursement Unit will be used to collect and disburse support payments, to generate orders and notices of withholding to employers, to keep an accurate identification of payments, to promptly distribute money to custodial parents or other States, and to furnish parents with a record of the current status of support payments. The Unit shall use automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

E. Timing of Disbursements

*Present law*

No provision.

*House bill*

The Disbursement Unit must distribute all amounts payable within 2 business days after receiving money and identifying information from the employer or other source of periodic income, if sufficient information identifying the payee is provided.

*Senate amendment*

Similar to House provision, except permits the retention of arrearages in the case of appeals until they are resolved.

*Conference agreement*

The Conference agreement follows the House bill and the Senate amendment except that the House recedes to the Senate requirement that States be allowed to retain arrearages in the case of appeals until they are resolved.

F. Use of Automated System

*Present law*

No provision.

*House bill*

State must use their automated system to facilitate collection and disbursement including at least:

(1) transmission of orders and notices to employers within 2 days after receipt of the withholding notice;

(2) monitoring to identify missed payments of support; and

(3) automatic use of enforcement procedures when payments are missed.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

G. Effective Date

*Present law*

No provision.

*House bill*

This section of the bill will go into effect on October 1, 1998.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House and the Senate.

8. STATE DIRECTORY OF NEW HIRES (SECTION 313)

A. State Plan Requirement

*Present law*

No provision.

*House bill*

State plans must include the provision that by October 1, 1997 States will operate a Directory of New Hires (as outlined below).

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

B. Establishment

*Present law*

No provision.

*House bill*

States are required to establish a State Directory of New Hires to which employers and labor organizations in the State must furnish a report for each newly hired employee, unless reporting could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission as determined by the head of an agency.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment with the clarification that States that already have new hire reporting laws may continue to follow the provisions of their own law until October 1, 1997, at which time States must conform to Federal law.

C. Employer Information

*Present law*

No provision.

*House bill*

Employers must furnish to the State Directory of New Hires the name, address, and Social Security number of every new employee and the name and identification number of the employer. Multistate employers may report to the State in which they have the most employees.

*Senate amendment*

Similar to House provision, but allows multistate employers to report to the single State they designate. The employer must notify the DHHS Secretary as to the name of the designated State.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment except that the House receedes to the Senate provision allowing multistate employers to report to the State of their choice. Employers must notify the Secretary of the name of the designated State.

D. Timing of Report

*Present law*

No provision.

*House bill*

Employers must report new hire information within 15 days of the hire or on the date the employee first receives wages.

*Senate amendment*

Employer must report new hire information within 30 days of the hire or if the employer reports by magnetic or electronic means, the employer can report by the first business day of the week following the date on which the employee first receives wages.

*Conference agreement*

Conferees agree that employers must report new hire information within 20 days of the date of hire.

Employers that report new hires electronically or by magnetic tape must file twice per

month; reports must be separated by not less than 12 days and not more than 16 days.

E. Reporting Format and Method

*Present law*

No provision.

*House bill*

The report required in this section will be made on a W–4 form or the equivalent, and can be transmitted magnetically, or by first class mail.

*Senate amendment*

Similar to House provision, but only allows the report to be filed on a W–4 form, not the equivalent.

*Conference agreement*

The conferees agree to follow both the House and Senate provisions except that the Senate recedes to the House provision allowing employers, at their option, to use an equivalent form. The decision of which reporting method to use is entirely up to employers.

F. Civil Money Penalties on Noncomplying Employers

*Present law*

In general, no provision.

Section 1128 of the Social Security Act is an antifraud provision which excludes individuals and entities that have committed fraud from participation in medicare and State health care programs. Section 1128A pertains to civil monetary penalties and describes the appropriate procedures and proceedings for such penalties.

*House bill*

An employer failing to make a timely report is subject to a $25 fine for each unreported employee. There is also a $500 penalty on employers for every employee for whom they do not transmit a W–4 form if, under the laws of the State, there is shown to be a conspiracy between the employer and the employee to prevent the proper information from being filed.

The House bill makes several but not all provisions of section 1128 applicable to employers that violate reporting requirements.

*Senate amendment*

States have the option of setting a civil money penalty which shall be not less than $25 or $500 if, under State law, the failure is the result of a conspiracy between the employer and employee. The Senate amendment does not make any provisions of section 1128 applicable to employers.

*Conference agreement*

The conference agreement follows both the House and Senate provisions except that the House recedes to the Senate provision of making the penalties a State option. The application of penalties from section 1128 is dropped.

G. Entry of New Hire Information

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

New hire information must be entered in the State data base within five business days of receipt from employer.

*Conference agreement*

The House recedes to the Senate requirement of requiring States to enter New Hire information in their data base within five business days.

H. Information Comparisons

*Present law*

No provision.

*House bill*

By October 1, 1997, each State Directory of New Hires must conduct automated matches of the Social Security numbers of reported employees against the Social Security numbers of records in the State Case Registry being enforced by the State agency and report the name, Social Security number, and employer identification number on matches to the State child support agency.

*Senate amendment*

Similar to House provision, except requires comparisons to begin by October 1, 1998 rather than 1997.

*Conference agreement*

Conferees agreed to follow the House and Senate provisions but to compromise on the date by which comparisons must begin by adopting a May 1, 1998 effective date.

I. Transmission of Information

*Present law*

No provision.

*House bill*

Within two business days of the entry of data in the registry, the State must transmit a withholding order directing the employer to withhold wages in accord with the child support order. Within four days, the State Directory of New Hires must furnish employee information to the National Directory of New Hires for matching with the records of other State case registries. The State Directory of New Hires must also report quarterly to the National Directory of New Hires information on wages and unemployment compensation taken from the quarterly report to the Secretary of Labor now required by Title III of the Social Security Act.

*Senate amendment*

Similar to House provision, except requires State Directory to report to the National Directory within two, rather than four, days.

*Conference agreement*

The conference agreement is to follow the House and Senate provisions and to compromise on the reporting date by allowing States three days to report to the National Directory of New Hires.

J. Other Uses of New Hire Information

*Present law*

No provision.

*House bill*

The State child support agency must use the new hire information for purposes of establishing paternity as well as establishing, modifying, and enforcing child support obligations. New hire information (pursuant to section 1137 of the Social Security Act) must also be disclosed to the State agency administering the Temporary Assistance for Needy Families, Medicaid, Unemployment Compensation, Food Stamp, SSI, and territorial cash assistance programs for income eligibility verification, and to State agencies administering unemployment and workers' compensation programs to assist determinations of the allowability of claims.

*Senate amendment*

Similar to House provision, except requires State and local government agencies to be included in quarterly wage reporting unless the agency performs intelligence or counterintelligence functions and it is determined that wage reporting could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

*Conference agreement*

The conference agreement allows the House and Senate provisions except that the House recedes to the Senate provision allowing State and local government agencies to exempt employees doing intelligence or counterintelligence work whose safety might be compromised by the reporting.

9. AMENDMENTS CONCERNING INCOME WITHHOLDING (SECTION 314)

*Present law*

Since November 1, 1990, all new or modified child support orders that were being enforced by the State's child support enforcement agency have been subject to immediate income withholding. If the noncustodial parent's wages are not subject to income withholding (pursuant to the November 1, 1990 provision), such parent's wages would become subject to withholding on the date when support payments are 30 days past due. Since January 1, 1994, the law has required States to use immediate income withholding for all new support orders, regardless of whether a parent has applied for child support enforcement services. There are two circumstances in which income withholding does not apply: (1) one of the parents demonstrates and the court or administrative agency finds that there is good cause not to do so, or (2) a written agreement is reached between both parents which provides for an alternative arrangement. States must implement procedures under which income withholding for child support can occur without the need for any amendment to the support order or for any further action by the court or administrative entity that issued the order. States are also required to implement income withholding in full compliance with all procedural due process requirements of the State, and States must send advance notice to each nonresident parent to whom income withholding applies (with an exception for some State that had income withholding before enactment of this provision that met State due process requirements). States must extend their income withholding systems to include out-of-State support orders.

*House bill*

States must have laws providing that all child support orders issued or modified before October 1, 1996, which are not otherwise subject to income withholding, will become subject to income withholding immediately if arrearages occur, without the need for judicial or administrative hearing. State law must also allow the child support agency to execute a withholding order through electronic means and without advance notice to the obligor. Employers must remit to the State disbursement unit income withheld within two working days after the date such amount would have been paid or credited to the employee.

*Senate amendment*

Similar to House provision, but requires all child support orders which are not part of the State IV–D program to be processed through the State disbursement unit. In addition, States must notify noncustodial parents that income withholding has commenced and inform them of procedures for contesting income withholding.

*Conference agreement*

The conference agreement follows the House and the Senate provisions except that the House recedes to the Senate provision requiring all child support orders which are not part of the State IV–D program to be processed through the State disbursement unit. In addition, States must notify noncustodial parents that income withholding has commenced and inform them of procedures for contesting income withholdng.

10. LOCATOR INFORMATION FROM INTERSTATE NETWORKS (SECTION 315)

*Present law*

No provision.

*House bill*

All State and the Federal Child Support Enforcement agencies must have access to

the motor vehicle and law enforcement locator systems of all States.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

11. EXPANSION OF THE FEDERAL PARENT LOCATOR SERVICE (SECTION 316)

A. Expanded Authority to Locate Individuals and Assets

*Present law*

The law requires that the Federal Parent Locator Service (FPLS) be used to obtain and transmit information about the location of any absent parent when that information is to be used for the purpose of enforcing child support.

*House bill*

The purposes of the Federal Parent Locator Service are expanded. For the purposes of establishing parentage, establishing support orders or modifying them, or enforcing support orders, the Federal Parent Locator Service will provide information to locate individuals who owe child support or against whom an obligation is sought or to whom such an obligation is owed. Information in the FPLS includes Social Security number, address, name and address of employer, and wages and employee benefits (including information about health care coverage).

*Senate amendment*

Similar to House provision, except clarifies current law by stating that information from the Federal Parent Locator Service can be used to enforce visitation orders. Senate also allows FPLS to contain and provide information on assets and debts.

*Conference agreement*

The conference agreement is similar to both the House bill and the Senate amendment. The agreement clarifies the statute so that nonresident parents are given access to information from the FPLS if these requests are made through a court or through the State child support agency. In addition, States are required to treat requests for information from nonresident parents on the same basis and with the same priority as requests for information from the resident parent.

B. Reimbursements

*Present law*

Federal law requires that any department or agency of the United States must be reimbursed for costs incurred for providing requested information to the FPLS.

*House bill*

The Secretary is authorized to set reasonable rates for reimbursing Federal and State agencies for the cost of providing information to the FPLS and to set reimbursement rates that State and Federal agencies that use information from the FPLS must pay to the Secretary.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

C. New Components of FPLS

(1) Federal case registry of child support orders

*Present law*

No provision.

*House bill*

The House bill establishes within the FPLS an automated registry known as the Federal Case Registry of Child Support Orders. The Federal Case Registry contains abstracts of child support orders and other information specified by the Secretary (such as names, Social Security numbers or other uniform identification numbers, State case identification numbers, wages or other income, and rights to health care coverage) to identify individuals who owe or are owed support, or for or against whom support is sought to be established, and the State which has the case. States must begin reporting this information in accord with regulations issued by the Secretary by October 1, 1998.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

(2) National directory of new hires

*Present law*

No provision.

*House bill*

The bill establishes within the FPLS a National Directory of New Hires containing information supplied by State Directories of New Hires, beginning October 1, 1996. When fully implemented, the Federal Directory of New Hires will contain identifying information on virtually every person who is hired in the United States. In addition, the FPLS will contain quarterly data supplied by the State Directory of New Hires on wages and Unemployment Compensation paid. The Secretary of the Treasury must have access to information in the Federal Directory of New Hires for the purpose of administering section 32 of the Internal Revenue Code and the Earned Income Credit.

*Senate amendment*

The Senate provision is similar to the House provision with two exceptions:

(1) the Senate amendment includes the requirement that the information for the National Directory of New Hires must be entered within 2 days of receipt; and

(2) the Senate amendment requires the DHHS Secretary to maintain within the National Directory of New Hires a list of multistate employers that choose a State to send their report to and the name of the State so designated.

*Conference agreement*

Conferees agree to follow both the House bill and Senate amendment except that the House recedes on the points of difference. Thus, the National Directory must enter new information within 2 days and the Secretary must maintain a list of the States to which multistate employers send their new hire information.

D. Information Comparisons and Other Disclosures

*Present law*

Upon request, the Secretary must provide to an ''authorized person'' (i.e., an employee or attorney of a child support, a court with jurisdiction over the parties involved, the custodial parent, legal guardian, or attorney of the child) the most recent address and place of employment of any nonresident parent if the information is contained in the records of the Department of Health and Human Services, or can be obtained from any other department or agency of the United States or of any State. The FPLS also can be used in connection with the enforcement or determination of child custody, visitation, and parental kidnapping. Federal law requires the Secretary of Labor and the Secretary of Health and Human Services to enter into an agreement to give the FPLS prompt access to wage and unemployment compensation claims information useful in locating a noncustodial parent or his employer.

*House bill*

The Secretary must verify the accuracy of the name, Social Security number, birth date, and employer identification number of individuals in the Federal Parent Locator Service with the Social Security Administration. The Secretary is required to match data in the National Directory of New Hires against the child support order abstracts in the Federal Case Registry at least every 2 working days and to report information obtained from matches to the State child support agency responsible for the case within 2 days. The information is to be used for purposes of locating individuals to establish paternity, and to establish, modify, or enforce child support orders. The Secretary may also compare information across all components of the FPLS to the extent and with the frequency that the Secretary determines will be effective. The Secretary will share information from the FPLS with several potential users including State agencies administering the Temporary Assistance for Needy Families program, the Commissioner of Social Security (to determine the accuracy of Social Security and Supplemental Security Income), and researchers under some circumstances.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

E. Fees

*Present law*

''Authorized persons'' who request information from FPLS must be charged a fee.

*House bill*

The Secretary must reimburse the Commissioner of Social Security for costs incurred in performing verification of Social Security information and to States for submitting information on New Hires. States or Federal agencies that use information from FPLS must pay fees established by the Secretary.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

F. Restriction on Disclosure and Use

*Present law*

Federal law stipulates that no information shall be disclosed if the disclosure would contravene the national policy or security interests of the United States or the confidentiality of Census data.

*House bill*

Information from the FPLS cannot be used for purposes other than those provided in this section, subject to section 6103 of the Internal Revenue Code.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

G. Information Integrity and Security

*Present law*

No provision.

*House bill*

The Secretary must establish and use safeguards to ensure the accuracy and completeness of information from the FPLS and restrict access to confidential information in the FPLS to authorized persons and purposes.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

H. Quarterly Wage Reporting

*Present law*

Requires the Secretary of Labor to provide prompt access for the DHHS Secretary to wage and unemployment compensation claims information and data maintained by the Labor Department or State employment security agencies.

*House bill*

No provision.

*Senate amendment*

Each department in the U.S. shall submit the name, Social Security number, and wages paid the employee, on a quarterly basis to the FPLS. Quarterly wage reporting shall not be filed for a Federal or State employee performing intelligence or counter-intelligence functions if it is determined that filing such a report could endanger the employee or compromise an ongoing investigation.

*Conference agreement*

The conference agreement follows the Senate amendment.

I. Conforming Amendments

*Present law*

No provision.

*House bill*

This section makes several conforming amendments to Titles III and IV of the Social Security Act and the Federal Unemployment Tax Act.

*Senate amendment*

Similar to House provision, except amends section 303(h) to require State unemployment insurance agencies to report quarterly wage information to the Secretary of HHS or suffer financial penalties, while the House bill amends section 303(a) and simply requires quarterly reports to the Secretary of HHS.

*Conference agreement*

Conferees agreed to follow both the House and Senate provisions but to follow the Senate amendment by requiring State unemployment insurance agencies to file quarterly wage reports with the Secretary or pay penalties.

J. Authorized Person for Information Regarding Visitation Rights

*Present law*

FPLS can be used to provide information to authorized individuals and agencies making or entering a child custody order (see Sec. 463 of Social Security Act).

*House bill*

No provision.

*Senate amendment*

Expands functions of FPLS by requiring that information be made available to nonresident parents for purposes of seeking or enforcing child visitation orders.

*Conference agreement*

The House recedes to the Senate amendment on this provision but with the agreement that nonresident parents cannot obtain information directly from the FPLS. Rather, they must present their request through the courts or through the State child support agency. In addition, the agreement requires State child support agencies to treat requests for information from nonresident parents on the same basis and with the same priority as requests from resident parents.

Conferees also agree to add a provision to section 6103(l) of the Internal Revenue Code to allow State child support agencies to share information on the address, social security number, and tax intercept results with private agents working under contract with the State agency.

12. COLLECTION AND USE OF SOCIAL SECURITY NUMBERS FOR USE IN CHILD SUPPORT ENFORCEMENT (SECTION 317)

*Present law*

Federal law requires that in the administration of any law involving the issuance of a birth certificate, States must require each parent to furnish their Social Security number for the birth records. The State is required to make such numbers available to child support agencies in accordance with Federal or State law. States may not place Social Security numbers directly on birth certificates.

*House bill*

States must have laws requiring that Social Security numbers be placed on applications for professional licenses, commercial drivers licenses, and occupational licenses, marriage licenses, and in the records for divorce decrees, child support orders, and paternity determination or acknowledgment orders. Individuals who die will have their Social Security number placed in the records relating to the death and recorded on the death certificate. There are several conforming amendments.

*Senate amendment*

Similar to House provision, except gives States the option of not including Social Security numbers on applications for licenses and bars the placement of Social Security numbers on marriage licenses.

*Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment except that the House recedes to the Senate requirements that States have the option of not including Social Security numbers on applications and that States be barred from placing Social Security numbers on marriage licenses.

SUBTITLE C—STREAMLINING AND UNIFORMITY OF PROCEDURES

13. ADOPTION OF UNIFORM STATE LAWS (SECTION 321)

*Present law*

States have several options available for pursuing interstate child support cases including direct income withholding, interstate income withholding, and long-arm statutes which require the use of the court system in the State of the custodial parent. In addition, States use the Uniform Reciprocal Enforcement of Support Act (URESA) and the Revised Uniform Reciprocal Enforcement of Support Act (RURESA) to conduct interstate cases. Moreover, Federal law imposes a Federal criminal penalty for the willful failure to pay past-due child support to a child who resides in a State other than the State of the obligor. In 1992, the National Conference of Commissioners on State Uniform Laws approved a new model State law for handling interstate child support cases. The new Uniform Interstate Family Support Act (UIFSA) is designed to deal with desertion and nonsupport by instituting uniform laws in all 50 States that limit control of a child support case to a single State. This approach ensures that only one child support order from one court or child support agency will be in effect at any given time. It also helps to eliminate jurisdictional disputes between States that are impediments to locating parents and enforcing child support orders across State lines. As of March, 1995, 23 States had enacted UIFSA, 15 verbatim and 8 with minor changes.

*House bill*

By January 1, 1997, all States must have enacted the Uniform Interstate Family Support Act (UIFSA) and have the procedures required for its implementation in effect. States are required to apply UIFSA to any case involving an order established or modified in one State that is sought to be modified in another State. States must also have a new provision on long-arm statutes and petitioning for modifications of orders, and are required to recognize as valid any method of service of process used in another State that is valid in that State.

*Senate amendment*

Similar to the House provision, except permits but does not require States to apply UIFSA to all interstate cases.

*Conference agreement*

The conference agreement is that States must adopt UIFSA by January 1, 1998. The House recedes to the Senate, however, by allowing States flexibility in deciding which specific interstate cases are pursued by using UIFSA and which cases are pursued using other methods of interstate enforcement.

14. IMPROVEMENTS TO FULL FAITH AND CREDIT FOR CHILD SUPPORT ORDERS (SECTION 322)

*Present law*

Federal law requires States to treat past-due support obligations as final judgments that are entitled to full faith and credit in every State. This means that a person who has a support order in one State does not have to obtain a second order in another State to obtain support due should the debtor parent move from the issuing court's jurisdiction. P.L. 103–383 restricts a State court's ability to modify a support order issued by another State unless the child and the custodial parent have moved to the State where the modification is sought or have agreed to the modification.

*House bill*

The provision clarifies the definition of a child's home State, makes several revisions to ensure that full faith and credit laws can be applied consistently with UIFSA, and clarifies the rules regarding which child support orders States must honor when there is more than one order.

*Senate amendment*

Similar to House provision

*Conference agreement*

The conference agreement follows both the House and Senate provisions but the House recedes on ''more than one court.''

15. ADMINISTRATIVE ENFORCEMENT IN INTERSTATE CASES (SECTION 323)

*Present law*

No provision.

*House bill*

States are required to have laws that permit them to send orders to and receive orders from other States without registering the underlying order unless the enforcement action is contested by the obligor on the grounds of mistake of fact or invalid order. The transmission of the order itself serves as certification to the responding State of the arrears amount and of the fact that the initiating State met all procedural due process requirements. No court action is required or permitted by the responding State. In addition, each responding State must, without requiring the case to be transferred to their State, match the case against its data bases, take appropriate action if a match occurs, and send the collections, if any, to the initiating State. States must keep records of the number of requests they receive, the number of cases that result in a collection, and the amount collected. States must respond to interstate requests within five days.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

16. USE OF FORMS IN INTERSTATE ENFORCEMENT (SECTION 324)

*Present law*

No provision.

*House bill*

The Secretary must issue forms that States must use for income withholding, for imposing liens, and for issuing administrative subpoenas in interstate cases. The forms must be issued by June 30, 1996 and States must be using the forms by October 1, 1996.

*Senate amendment*

Requires the DHHS Secretary to establish an advisory committee which must include State child support directors, and not later than June 30, 1996, after consultation with the advisory committee, to issue forms that States must use for income withholding, for imposing liens, and for issuing administrative subpoenas in interstate cases. States must be using the forms by October 1, 1996.

*Conference agreement*

Conferees agree to follow both the House and Senate provisions with a compromise on requiring the Secretary to consult with States. Rather than forming an advisory committee, the conference agreement requires the Secretary to consult with States before issuing the interstate forms. It is the intention of conferees to facilitate timely issuance of the forms but also to mandate that the Secretary work closely with State child support directors in developing the forms.

17. STATE LAWS PROVIDING EXPEDITED PROCEDURES (SECTION 325)

A. Administrative Action by State Agency

*Present law*

States must have procedures under which expedited processes are in effect under the State judicial system or under State administrative processes for obtaining and enforcing support orders and for establishing paternity.

*House bill*

States must adopt a series of procedures to expedite both the establishment of paternity and the establishment, enforcement, and modification of support. These procedures provide for:

(1) ordering genetic testing in appropriate cases;

(2) entering a default order upon a showing of service of process and any other showing required by State law to establish paternity if the putative father refuses to submit to genetic testing and to establish or modify a support order when a parent fails to appear for a hearing;

(3) issuing subpoenas to obtain information necessary to establish, modify or enforce an order, with appropriate sanctions for failure to respond to the subpoena;

(4) obtaining access to records including: records of other State and local government agencies, law enforcement records, and corrections records, including automated access to records maintained in automated data bases;

(5) directing the parties to pay support to the appropriate government entity;

(6) ordering income withholding;

(7) securing assets to satisfy arrearages by intercepting or seizing periodic or lump sum payments from States or local agencies; these payments include Unemployment Compensation, workers' compensation, judgements, settlements, lottery winnings, assets held by financial institutions, and public and private retirement funds; and

(8) increasing automatically the monthly support due to include amounts to offset arrears.

*Senate amendment*

Similar to House provision, except requires States to include the following additional procedures:

(1) requiring all entities in the State (including for-profit, nonprofit, and governmental employers) to provide information on employment, compensation and benefits of any employee or contractor in response to a request from the State IV–D agency;

(2) obtaining access to a variety of public and private records including: vital statistics, State and local tax records, real and personal property, occupational and professional licenses and records concerning ownership and control of corporations, partnerships and other business entities, employment security records, public assistance records, motor vehicle records, corrections records, customer records of public utilities and cable TV companies, and records of financial institutions;

(3) imposing liens to force the sale of property and distribution of proceeds;

(4) requiring financial institutions (subject to the limitation on liabilities arising from affording such access) to provide information held by them on individuals who owe or are owed child support (or against or with respect to whom a support obligation is sought) to State child support agencies; and

(5) requiring that due process safeguards be follows.

The amendment does not include the House provision regarding default orders in paternity cases upon a showing of service of process.

*Conference agreement*

The House recedes to the Senate by including the five additional expedited procedures in the list of State requirements. The conference agreement also includes the House provision regarding default orders in paternity cases upon a showing of service of process.

B. Substantive and Procedural Rules

*Present law*

Federal regulations provide a number of safeguards, such as requiring that the due process rights of the parties involved be protected.

*House bill*

States must follow a series of procedural rules that apply to all of the expedited procedures outlined in the preceding section:

(1) Locator Information and Notice—requires parties in paternity and child support actions to file and update information about identity, address, and employer with the tribunal and with the State Case Registry upon entry of the order. The tribunal can deem due process requirements for notice and service of process to be met in any subsequent action upon delivery of written notice to the most recent residential or employer address filed with the tribunal.

(2) Statewide Jurisdiction—grants the child support agency and any administrative or judicial tribunal with authority to hear child support and paternity cases, to exert Statewide jurisdiction over the parties, and to grant orders that have Statewide effect; also permits transfer of cases between administrative areas without additional filing or service of process.

*Senate amendment*

Similar provision with a minor difference in wording.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment except the House recedes to the Senate language by replacing the term ''administrative areas'' with the term ''local jurisdictions'' in the section of Statewide jurisdiction.

C. Automation of State Agency Functions

*Present law*

No provision.

*House bill*

The automated systems being developed by States are to be used, to the maximum extent possible, to implement the expedited procedures.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

SUBTITLE D—PATERNITY ESTABLISHMENT

18. STATE LAW CONCERNING PATERNITY ESTABLISHMENT (SECTION 331)

A. Establishment Process Available From Birth Until Age 18

*Present law*

Federal law requires States to strengthen their paternity establishment laws by requiring that paternity may be established until the child reaches at 18. As of August 16, 1984, these procedures would apply to a child for whom paternity has not been established or for whom a paternity action was brought but dismissed because of statute of limitations of less than 18 years was then in effect in the State.

*House bill*

Same as current law.

*Senate amendment*

Similar to House provision, except requires that paternity may be established until age 21 rather than 18.

*Conference agreement*

The Senate recedes so that States are required to have laws that permit paternity establishment until at least age 18 (or a higher limit at State option).

B. Procedures Concerning Genetic Testing

*Present law*

Federal law requires States to implement laws under which the child and all other parties must undergo genetic testing upon the request of a party in contested cases.

*House bill*

The child and all other parties must undergo genetic testing upon the request of a party, where the request is supported by a sworn statement establishing a reasonable possibility of parentage or nonparentage. When the tests are ordered by the State agency, States must pay for the costs, subject to recoupment at State option from the farther if paternity is established.

*Senate amendment*

Similar provision. House mandates genetic tests in certain cases while Senate allows States with laws against genetic testing in some cases to follow State law.

*Conference agreement*

The conference agreement follows both House and Senate provisions but the House recedes on the provision allowing States to exempt certain cases from the requirement for mandatory genetic testing. No State exemption, however, can permit a putative father to avoid paternity establishment procedures.

C. Voluntary Paternity Acknowledgment

*Present law*

Federal law requires States to implement procedures for a simple civil process for voluntary paternity acknowledgment, including hospital-based programs.

*House bill*

(1) Simple Civil Process. States must have procedures that create a simple civil process for voluntary acknowledging paternity under which benefits, rights and responsibilities of acknowledgement are explained to unwed parents;

(2) Hospital Program. States must have procedures that establish a paternity acknowledgement program through hospitals and birth record agencies (and other agencies as designated by the Secretary).

(3) Paternity Services. States must have procedures that require the agency responsible for maintaining birth records to offer voluntary paternity establishment services. The Secretary must issue regulations, including regulations on other State agencies that may offer voluntary paternity acknowledgment services and the conditions such agencies must meet.

(4) Affidavit. States must have procedures that require agencies to use a uniform affidavit developed by the Secretary that is entitled to full faith and credit in any other State.

*Senate amendment*

(1) Simple Civil Process. Similar to House provision; Senate does not include language requiring that the explanation of alternatives, legal consequences, and rights and responsibilities be ''in a language that each can understand''.

(2) Hospital Program. Similar to House provision, except States must also establish good cause exceptions for not trying to establish paternity.

(3) Paternity Services. Identical to House provision.

(4) Affidavit. Similar provision but Senate amendment allows States to develop their own voluntary paternity acknowledgment form as long as they follow all the basic elements of a form developed by the Secretary.

*Conference agreement*

(1) Simple Civil Process. The conference agreement follows the House and Senate provisions except the House agrees to drop its requirement that the explanation be ''in a language that each [parent] can understand''.

(2) Hospital Program. Conferees agree to follow the House and Senate provisions but with a modification of the Senate language on ''good cause'' exceptions so that such exceptions become a State option.

(3) Paternity Services. The conference agreement follows the House bill and the Senate amendment.

(4) Affidavit. The House recedes to allow States to develop their own voluntary acknowledgement form as long as the form contains all the basic elements of a form developed by the Secretary.

D. Status of Signed Paternity Acknowledgment

*Present law*

Federal laws requires States to implement procedures under which the voluntary acknowledgment of paternity creates a rebuttal presumption, or at State option, a conclusive presumption of paternity.

*House bill*

(1) Legal Finding. States must have procedures under which a signed acknowledgement of paternity is considered a legal finding of paternity unless rescinded within 60 days.

(2) Contest. States must have procedures under which a paternity acknowledgment can be challenged in court only on the basis of fraud, duress, or material mistake of fact.

(3) Rescission. States must have procedures under which minors who sign a voluntary paternity acknowledgement are allowed to rescind it until age 18 or the date of the first proceeding to establish a support order, visitation, or custody rights.

*Senate amendment*

(1) Legal Finding. Adds the requirement that the name of the father appear in the birth records only if there is a paternity acknowledgement signed by both parents or paternity has been established by court order;

(2) Contest. Identical to House provision.

(3) Rescission. No provision.

*Conference agreement*

(1) Legal Finding. The House recedes to the Senate requirement that the father's name appear in the birth records only if certain conditions are met;

(2) Contest. The conference agreement follows the House bill and the Senate amendment.

(3) Rescission. The House agrees to drop the rescission requirement, thereby leaving this decision up to States.

E. Bar on Acknowledgment Ratification Proceedings

*Present law*

Federal law requires States to implement procedures under which voluntary acknowledgment is admissible as evidence of paternity and the voluntary acknowledgment of paternity must be recognized as a basis for seeking a support order without requiring any further proceedings to establish paternity.

*House bill*

No judicial or administrative proceedings are required or permitted to ratify a paternity acknowledgement which is not challenged by the parents.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

F. Admissibility of Genetic Testing Results

*Present law*

Federal law requires States to implement procedures which provide that any objection to genetic testing results must be made in writing within a specified number of days before any hearing at which such results may be introduced into evidence. If no objection is made, the test results must be admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy.

*House bill*

States must have procedures for admitting into evidence accredited genetic tests, unless any objection is made within a specified number of days, and if no objection is made, clarifying that test results are admissible without the need for foundation or other testimony.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

G. Presumption of Paternity in Certain Cases

*Present law*

Federal law requires States to implement procedures which create a rebuttable or, at State option, conclusive presumption of paternity based on genetic testing results indicating a threshold probability that the alleged father is the father of the child.

*House bill*

States must have laws that create a rebuttable or, at State option, conclusive presumption of paternity when results from genetic testing indicate a threshold probability that the alleged father is the father of the child.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

H. Default Orders

*Present law*

Federal law requires States to implement procedures that require a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by State law.

*House bill*

A default order must be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by the State law.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

I. No Right to Jury Trial

*Present law*

No provision.

*House bill*

State laws must state that parties in a contested paternity action are not entitled to a jury trial.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

J. Temporary Support Based on Probable Paternity

*Present law*

No provision.

*House bill*

Upon motion of a party, State law must require issuance of a temporary support order pending an administrative or judicial determination of percentage if paternity is indicated by genetic testing or other clear and convincing evidence.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

K. Proof of Certain Support and Paternity Establishment Costs

*Present law*

No provision.

*House bill*

Bills for pregnancy, childbirth, and genetic testing must be admissible in judicial proceedings without foundation testimony.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

L. Standing of Putative Fathers

*Present law*

No provision.

*House bill*

Putative fathers must have a reasonable opportunity to initiate paternity action.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

M. Filing of Acknowledgments and Adjudications in State Registry

*Present law*

No provision.

*House bill*

Both voluntary acknowledgements and adjudications of paternity must be filed with the State registry of birth records for data matches with the central Case Registry of Child Support Orders established by the State.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

N. National Paternity Acknowledgment Affidavit

*Present law*

No provision.

*House bill*

The Secretary is required to develop an affidavit to be used for voluntary acknowledgement of paternity which includes the Social Security number of each parent.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House and Senate provisions but includes a clarification that the Secretary, after consulting with the State child support directors, should list the common elements that States must include on their forms.

19. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT (SECTION 332)

*Present law*

States are required to regularly and frequently publicize, through public service announcements, the availability of child support enforcement services.

*House bill*

States must publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

20. COOPERATION BY APPLICANTS FOR AND RECIPIENTS OF TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (SECTION 333)

*Present law*

AFDC applicants and recipients are required to cooperate with the State in establishing the paternity of a child and in obtaining child support payments unless the applicant or recipient is found to have good cause for refusing to cooperate. Under the ''good cause'' regulations, the child support agency may determine that it is against the best interests of the child to seek to establish paternity in cases involving incest, rape, or pending procedures for adoption. Moreover, the agency may determine that it is against the best interest of the child to require the mother to cooperate if it is anticipated that such cooperation will result in the physical or emotional harm of the child, parent, or caretaker relative.

*House bill*

Individuals who apply for or receive public assistance under the Temporary Assistance for Needy Families program must cooperate with child support enforcement efforts (establishing paternity, establishing, modifying or enforcing a support order) by providing specific identifying information about the other parent, unless the applicant or recipient is found to have good cause for refusing to cooperate. ''Good cause'' is defined by States. States may also require the applicant and child to submit to genetic testing. (See also Prohibitions in Title 1, Section 101 of the House bill.)

*Senate amendment*

The Senate provision is similar to the House provision except the Senate amendment places additional specific requirements on State procedures. These include requiring the custodial parent to appear at interviews, hearings, and legal proceedings; requiring the State child support agency to notify the custodial parent and the IV–A and Medicaid agencies of whether she is cooperating and if not what she must do to cooperate; and requiring that when determining the custodial parent's cooperation States take into account the best interests of the child. The Senate amendment also requires the individual and the child to submit to genetic tests pursuant to a judicial or administrative order. Responsibility for determining failure to cooperate is shifted from the agency that administers the Temporary Assistance program to the agency that administers the child support program.

*Conference agreement*

The House recedes to the Senate's additional requirements for cooperation by adults for or receiving IV–A benefits. In addition, conferees agree to let States decide which agency should make the determination of whether the parent is cooperating.

SUBTITLE E—PROGRAM ADMINISTRATION AND FUNDING

21. FEDERAL MATCHING PAYMENTS

*Present law*

The Federal Government currently reimburses each State at the rate of 66 percent for the cost of administering its child support enforcement program. The Federal Government also reimburses States 90 percent of the laboratory costs of establishing paternity, and through FY 1995, 90 percent of the costs of developing comprehensive Statewide automated systems. (There is no maintenance of effort provision in current law.)

*House bill*

The Federal matching payment for child support activities is maintained at 66 percent. The bill also adds a maintenance of effort requirement that the non-Federal share of IV–D funding for FY 1997 and succeeding years not be less than such funding for FY 1996.

*Senate amendment*

No provision. Maintains present law with respect to the Federal match rate of 66 percent.

*Conference agreement*

The conference agreement follows the Senate amendment.

22. PERFORMANCE-BASED INCENTIVES AND PENALTIES (SECTION 341)

A. Incentive Adjustments to Federal Matching Rate

*Present law*

The Federal government reimburses approved administrative expenditures of States at a rate of 66 percent. In addition, the Federal government pays States an incentive amount ranging from 6 percent to 10 percent of both AFDC and non-AFDC collections.

*House bill*

Beginning in 1999, a new incentive system will reward good State performance by increasing the State's basic matching rate by up to 12 percentage points for outstanding performance in establishing paternity and by up to an additional 12 percentage points for overall performance (as measured by the percentage of cases that have support orders, the percentage of cases in which support is being paid, the ratio of child support collected to child support due, and cost-effectiveness). The Secretary will design the specific features of the system. In doing so, she will maintain overall Federal reimbursement of State programs through the combined matching rate and incentives at the level projected for the current combined matching and incentive payments to States. The effect of this provision is to change Federal financing so that relatively more Federal dollars will be awarded to States for good performance. The State must spend the money from incentive payments on their child support enforcement program.

*Senate amendment*

As under current law, the Senate amendment provides for an incentive payment to States, the funds for which come from the reimbursement of cash welfare payments to the Federal Government that is the Federal share of child support collections paid on behalf of families. Not later than 60 days after enactment, the DHHS Secretary is required to establish a committee, which must include State child support directors, which must develop for the Secretary's approval a formula for the distribution of incentive payments to the States. The State's incentive payment is based on its comparative performance as measured by five criteria and seven factors that are stipulated in the amendment.

*Conference agreement*

The conferees agree to retain the present financing system of 66 percent Federal matching payments and an incentive system that enables States to increase their Federal payments by up to 10 percent of AFDC and non-AFDC collections. However, the conferees also require the Secretary, in consultation with State child support directors, to develop a new incentive system that provides additional payments to States (i.e., above the base matching rate of 66 percent) based on their performance and to report details of the new system to the Committees on Ways and Means and Finance by June 1, 1996. The Secretary's new system must be revenue neutral. The two committees intend to study the Secretary's recommendations, as well as recommendations by other individuals and organizations, and to design and perhaps enact a new incentive system that is revenue neutral in the near future.

B. Conforming Amendments

*Present law*

No provision.

*House bill*

Two conforming amendments are made in Section 454 of the Social Security Act.

*Senate amendment*

No provision.

*Conference agreement*

The Senate recedes to the two conforming amendments in the House bill.

C. Calculation of IV–D Paternity Establishment Percentage

*Present law*

States are required to meet Federal standards for the establishment of paternity. The standard relates to the percentage obtained by dividing the number of children in the State who are born out of wedlock, are receiving AFDC or child support enforcement services, and for whom paternity has been established by the number of children who

are born out of wedlock and are receiving AFDC or child support enforcement services. To meet Federal requirements, this percentage in a State must be at least 75 percent or meet the following standards of improvement from the preceding year: (1) if the State paternity establishment ratio is between 50 and 75 percent, the State ratio must increase by 3 or more percentage points from the ratio of the preceding year; (2) if the State ratio is between 45 and 50, the ratio must increase at least 4 percentage points; (3) if the State ratio is between 40 and 45 percent, it must increase at least 5 percentage points; and (4) if the State ratio is below 40 percent, it must increase at least 6 percentage points. If an audit finds that the State's child support enforcement program has not substantially complied with the requirements of its State plan, the State is subject to a penalty. In accord with this penalty, the Secretary must reduce a State's AFDC benefit payment by not less than 1 percent nor more than 2 percent for the first failure to comply; by not less than 2 percent nor more than 3 percent for the second consecutive failure to comply; and by not less than 3 percent nor more than 5 percent for third or subsequent consecutive failure to comply.

*House bill*

The IV–D paternity establishment percentage for a fiscal year is equal to: (1) the total number of children in the State who were born out-of-wedlock, who have not reached age 1 and for whom paternity is acknowledged or established during the fiscal year, divided by (2) the total number of children born out-of-wedlock in the State during the fiscal year. The requirements for meeting the standard are the same as current law except the 75 percent rule is increased to 90 percent. The noncompliance provisions of the child support program are modified so that the Secretary must take overall program performance into account and the minimum paternity establishment percentage is raised from 75 to 90.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment. States have the option of calculating the paternity establishment rate by either counting only unwed births in the State IV–D caseload or by counting all unwed births in the State.

D. Effective Dates

*Present law*

No provision.

*House bill*

The new incentive payments go into effect on October 1, 1997, but procedures for computing the State incentive payments are not actually based on the new system until fiscal year 1999; the changes in penalty procedure become effective upon enactment.

*Senate amendment*

Effective upon enactment, except present law applies for purposes of incentive payments for fiscal years before FY 2000.

*Conference agreement*

Effective upon enactment.

23. FEDERAL AND STATE REVIEWS AND AUDITS (SECTION 342)

A. State Agency Activities

*Present law*

States are required to maintain a full record of child support collections and disbursements and to maintain an adequate reporting system.

*House bill*

States are required to annually review and report to the Secretary, using data from their automatic data processing system, both information adequate to determine the State's compliance with Federal requirements for expedited procedures and timely case processing as well as the information necessary to calculate their levels of accomplishment and rates of improvement on the performance indicators in the bill.

*Senate amendment*

Similar to House provision, except the Senate does not include the requirement that States submit information on State compliance with Federal mandates on timely case processing.

*Conference agreement*

The conference agreement follows both the House and Senate provisions but the House recedes by dropping its requirement that States submit information on timely case processing.

B. Federal Activities

*Present law*

The Secretary must collect and maintain, on a fiscal year basis, up-to-date State-by-State statistics on each of the services provided under the child support enforcement program. The Secretary is also required to evaluate the implementation of State child support enforcement programs and conduct audits of these programs as necessary, but not less often than once every three years (or annually if a State has been found to be out of compliance with program rules).

*House bill*

The Secretary is required to determine the amount (if any) of incentives or penalties. The Secretary must also review State reports on compliance with Federal requirements and provide States with recommendations for corrective action. Audits must be conducted at least once every 3 years, or more often in the case of States that fail to meet Federal requirements. The purpose of the audits is to assess the completeness, reliability, accuracy, and security of data reported for use in calculating the performance indicators and to assess the adequacy of financial management of the State program.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

C. Effective Date

*Present law*

No provision.

*House bill*

These provisions take effect beginning with the calendar quarter that begins 12 months after enactment.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

24. REQUIRED REPORTING PROCEDURES (SECTION 343)

*Present law*

The Secretary is required to assist States in establishing adequate reporting procedures and must maintain records of child support enforcement operations and of amounts collected and disbursed, including costs incurred in collecting support payments.

*House bill*

The Secretary is required to establish procedures and uniform definitions for State collection and reporting of information necessary to measure State compliance with expedited processes and timely case processing.

*Senate amendment*

Smilar to House provision, except does not mention timely case processing.

*Confrence agreement*

The conference agreement follow both the House and Senate provisions except, as in the State Agency Activities provision (see #23A above), the House recedes by dropping State reports on timely case processing.

25. AUTOMATED DATA PROCESSING REQUIREMENTS (SECTION 344)

A. In General

*Present Law*

Federal law (P.L. 104–35) requires that by October 1, 1997, States have an operational automated data processing and information retrieval system designed to control, account for, and monitor all factors in the support enforcement and paternity determination process, the collection and distribution of support payments, and the costs of all services rendered.

*House bill*

States are required to have a single Statewide automated data processing and information retrieval system which has the capacity to perform the necessary functions, as described in this section.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

B. Program Management

*Present law*

Federal law requires the that automated data processing system be capable of providing management information on all IV–D cases from intital referral or application through collection and enforcement.

*House bill*

The State data system must be used to perform functions the Secretary specifies, including controlling and accounting for the use of Federal, State, and local funds and maintaining the data necessary to meet Federal reporting requirements in carrying out the program.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

C. Calculation of Performance Indicators

*Present law*

No provision.

*House bill*

The automated system must maintain the requisite data for Federal reporting, calculate the State's performance for purposes of the incentive and penalty provisions, and have in place systems controls to ensure the completeness, reliability, and accuracy of the data.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

D. Information Integrity and Security

*Present law*

Federal law requires that the automated data processing system be capable of providing security against unauthorized access to, or use of, the data in such system.

*House bill*

The State agency must have safeguards to protect the integrity, accuracy, and completeness of, and access to, data in the automated systems (including restricting access

to passwords, monitoring of access to and use of the system, training, and imposing penalties).

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

E. Regulations

*Present law*

No provision.

*House bill*

The Secretary shall prescribe final regulations for implementation of this section no later than 2 years after the date of the enactment of this Act.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment.

F. Implementation Timetable

*Present law*

No provision.

*House bill*

The statutory provisions for State implementation of Federal automatic data processing requirements are revised to provide that, first, all requirements enacted on or before the date of enactment of the Family support Act of 1988 are to be met by October 1, 1995. The requirements enacted on or before the date of enactment of this bill must be met by October 1, 1999. The October 1, 1999 deadline will be extended by one day for each day by which the Secretary fails to meet the 2-year deadline for regulations.

*Senate amendment*

Similar to House provision, except allows States to meet requirements of the Family Support Act by October 1, 1997 rather than 1995.

*Conference agreement*

The conference agreement follows both House and Senate provisions but the completion date for data requirements imposed on States by the Family Support Act follows the Senate provision of October 1, 1997.

G. Special Federal Matching Rate for Development Costs of Automated Systems

*Present law*

The Federal Government, through FY 1995, reimburses States at a 90 percent matching rate for the costs of developing comprehensive Statewide automated systems.

*House bill*

The Federal government will provide 90 percent matching funds for fiscal year 1996 that will be applied to all State activities related to developing a comprehensive Statewide automated system. For fiscal years 1997 through 2001, the matching rate for the provisions of this bill and other authorized provisions will be the higher of 80 percent or the matching rate generally applicable to the State IV–D program, including incentive payments (which could be as high as 90 percent).

*Senate amendment*

Similar to House provision except continues the 90 percent matching rate for 1996 and 1997 in the case of provisions outlined in advanced planning documents submitted before May 1, 1995.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment but the House recedes on the provision to continue 90 percent reimbursement of data processing activities that were included in any advanced planning document approved by the Secretary before May 1, 1995. The 90 percent funding, which continues through October 1, 1997, includes approved expenditures by States that were made between October 1, 1995 and the date of passage of this legislation.

H. Temporary Limitation on Payments Under Special Federal Matching Rate

*Present law*

No provision.

*House bill*

The Secretary must create procedures to cap these payments at $260,000,000 over 5 years (FY 1996–2000) to be distributed among States by a formula set in regulations which takes into account the relative size of State caseloads and the level of automation needed to meet applicable automatic data processing requirements.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and Senate amendment, except the limitation on payments is increased from $260,000,000 to $400,000,000. This increase was made necessary by general agreement by analysts at HHS and the Congressional Budget Office that the numerous data processing requirements imposed by this Act would cost the States $400 million to implement.

26. TECHNICAL ASSISTANCE (SECTION 345)

*Present law*

Annual appropriations are made to cover the expenses of the Administration for Children and Families, which includes the Federal Office of Child Support Enforcement (OCSE). Among OCSE's administrative expenses are the costs of providing technical assistance to the States.

*House bill*

The Secretary can use 1 percent of the Federal share of child support collections on behalf of families in the Temporary Assistance for Needy Families program the preceding year to provide technical assistance to the States. Technical assistance can include training of State and Federal staff, research and demonstration programs, and special projects of regional or national significance. The Secretary must use up to 2 percent of the Federal share of collections for operation of the Federal Parent Locator Service to the extent that costs of the Parent Locator Service are not recovered by user fees.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

27. REPORTS AND DATA COLLECTION BY THE SECRETARY (SECTION 346)

*Present law*

The Secretary is required to submit to Congress, not later than 3 months after the end of the fiscal year, a complete report on all child support enforcement activities.

*House bill*

In addition to current reporting requirements, the Secretary is required to report the following data to Congress in her annual report each fiscal year:

(1) the total amount of child support payments collected;

(2) the cost to the State and Federal governments of furnishing child support services;

(3) the number of cases involving families that became ineligible for aid under part A with respect to whom a child support payment was received;

(4) the total amount of current support collected and distributed;

(5) the total amount of past due support collected and distributed as arrearages; and

(6) the total amount of support due and unpaid for all fiscal years.

These requirements apply to fiscal year 1996 and succeeding fiscal years.

*Senate amendment*

Similar to House provision, except requires the Secretary to include information on the degree to which States met Federal statutory time limits in responding to interstate requests and in distributing child support collections.

*Conference agreement*

Conferees agree to follow the provisions in both bills except that the House recedes on the additional requirements the Senate included in the Secretary's report to Congress.

SUBTITLE F—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

28. NATIONAL CHILD SUPPORT GUIDELINES COMMISSION

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Establishes a National Child Support Guidelines Commission that is responsible for deciding whether it is appropriate to develop national child support guidelines for consideration by the Congress or for adoption by individual States and the benefits and deficiencies of such models. Several matters the Commission must consider, such as the feasibility of adapting uniform terms in all child support orders, are outlined. The Commission is to be comprised of 12 individuals, 2 each appointed by the Chairman of Finance and Ways and Means, 1 each by the ranking member of Finance and Ways and Means, and 6 by the Secretary. The Commission report must be issued within 2 years.

*Conference agreement*

The Senate recedes to the House provision of no National Guidelines Commission.

29. SIMPLIFIED PROCESS FOR REVIEW AND ADJUSTMENT OF CHILD SUPPORT ORDERS (SECTION 351)

*Present law*

A child support order legally obligates noncustodial parents to provide financial support for their child and stipulates the amount of the obligation and how it is to be paid. In 1984, P.L. 98–378 required States to establish guidelines for establishing child support orders. In 1988, P.L. 100–485 made the guidelines binding on judges and other officials who had authority to establish support orders. P.L. 100–485 also required States to review and adjust individual child support orders once every 3 years under some circumstances. States are required to notify both resident and nonresident parents of their right to a review.

*House bill*

States must review and, as appropriate, adjust the support order every 3 years. States may adjust child support orders by either applying the State guidelines and updating the reward amount or by applying a cost of living increase to the order. Both parties must be given 30 days after notice of adjustment to contest the results. States may use automated methods to identify orders eligible for review, conduct the review, identify orders eligible for adjustment, and apply the appropriate adjustment to the orders based on the threshold established by the State. States must also review and, upon a showing of a change in circumstances, adjust orders pursuant to the child support guidelines upon

request of a party. States are required to give parties one notice of their right to request review and adjustment, which may be included in the order establishing the support amount.

*Senate amendment*

Similar to House provision except adds that review and adjustment must be done ''upon the request of either parent or the State.'' If neither parent requests a review, States have the option of avoiding the 3-year requirement.

*Conference agreement*

Conferees agree to follow the House and Senate provisions with one exception. The House recedes to the Senate provision that States are not required to conduct reviews unless requested by either parent but with the additional requirement that States inform mothers at least once every 3 years in writing of their right to a review.

30. FURNISHING CONSUMER REPORTS FOR CERTAIN PURPOSES RELATING TO CHILD SUPPORT (SECTION 352)

*Present law*

P.L. 102–537 amends the Fair Credit Act to require consumer reporting agencies to include in any consumer report information on child support delinquencies provided by or verified by a child support enforcement agency, which antedates the report by 7 years.

*House bill*

This section amends the Fair Credit Reporting Act. In response to a request by the head of a State or local child support agency (or a State or local government official authorized by the head of such an agency), consumer credit agencies must release information if the person making the request: certifies that the consumer report is needed to establish an individual's capacity to make child support payments or determine the level of payments; gives the consumer credit agency 10 days notice that the report is being requested; and provides assurances that the consumer report will be kept confidential, will be used solely for child support purposes, and will not be used in connection with any other civil, administrative, or criminal proceeding or for any other purpose. Consumer reporting agencies must also give reports to a child support agency for use to set an initial or modified award.

*Senate amendment*

Similar to House provision, except requires that the consumer must have been shown to be the father (i.e., paternity must be established).

*Conference agreement*

The conference agreement follows both the House and Senate provisions except that the House recedes to the Senate requirement that the consumer must have been shown to be the father.

31. NONLIABILITY FOR DEPOSITORY INSTITUTIONS PROVIDING FINANCIAL RECORDS (SECTION 353)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Depository institutions are not liable for information provided to child support agencies. Child support agencies can disclose information obtained from depository institutions only for child support purposes. Individuals who knowingly disclose information from financial records can have civil actions brought against them in Federal district court; the maximum penalty is $1,000 for each disclosure or actual damages plus, in the case of ''willful disclosure'' resulting from ''gross negligence'' punitive damages, plus the costs of the action.

*Conference agreement*

The House recedes to the Senate requirement that States have laws protecting depository institutions when information is provided to child support agencies.

SUBTITLE G–ENFORCEMENT OF SUPPORT ORDERS

32. FEDERAL INCOME TAX REFUND OFFSET

A. Changed Order of Refund Distribution Under Internal Revenue Code

*Present law*

Since 1981 in AFDC cases, and 1984 in non-AFDC cases, Federal law has required States to implement procedures under which child support agencies can collect child support arrearages through the inception of Federal income tax refunds.

Child support arrearages obtained through Federal income tax refunds are distributed to the State and are retained by the State for arrearages owed to it under the AFDC assignment. States must reimburse the Federal government for their share of these arrearage payments. If no arrearages are owed the State, the money is used to pay arrearages to the family.

*House bill*

The Internal Revenue Code is amended so that offsets of child support arrears owed to individuals take priority over most debts owed Federal agencies. Proceeds from tax intercepts will be distributed as follows:

(1) for Federal education debts and debts to the Department of Health and Human Services;

(2) for child support owed to individuals;

(3) for child support arrearages owed to State governments; and

(4) for other Federal debts.

The provision also amends the Internal Revenue Code so that the order of priority for distribution of tax offsets follows the distribution rules for child support payments specified in subtitle A of this bill.

*Senate amendment*

No provision.

*Conference agreement*

The House recedes to the Senate so that the order of payments from the intercepts remains unchanged.

B. Elimination of Disparities in Treatment of Assigned and Non-Assigned Arrearages

*Present law*

Federal rules set different criteria for AFDC and non-AFDC cases. For example, in AFDC cases arrearages may be collected through the income tax offset program regardless of the child's age. In non-AFDC cases, the tax offset program can be used only if the postminor child is disabled (pursuant to the meaning of disability under titles II or XVI of the SSA). Moreover, the arrearage in AFDC cases must be only $150 or more, whereas the arrearage in non-AFDC cases must be at least $500.

*House bill*

The bill eliminates disparate treatment of families not receiving public assistance by repealing provisions applicable only to support arrears not assigned to the State. The Secretary of the Treasury is given access to information in the National Directory of new Hires for tax purposes.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate bill (no provision).

33. INTERNAL REVENUE SERVICE COLLECTION OF ARREARAGES (SECTION 361)

*Present law*

If the amount of overdue child support is at least $750, the Internal Revenue Service can enforce the child support obligation through its regular collection process, which may include seizure of property, freezing accounts, or use of other procedures if the child support enforcement agencies requests assistance according to prescribed rules (e.g., certifying that the delinquency is at least $750, etc.)

*House bill*

No provision.

*Senate amendment*

Amends the Internal Revenue Code so that no additional fees can be assessed for adjustment to previously certified amounts for the same obligor, effective October 1, 1997.

*Conference agreement*

The House recedes to the Senate requirement that IRS cannot charge additional fees in the case of a previously certified amount for the same obligor.

34. AUTHORITY TO COLLECT SUPPORT FROM FEDERAL EMPLOYEES (SECTION 362)

A. Consolidation and Streamlining of Authorities

*Present law*

Federal law allows the wages of Federal employees to be garnished to enforce legal obligations for child support or alimony. Federal law provides that moneys payable by the United States to any individual are subject to being garnished in order to meet an individual's legal obligation to provide child support or make alimony payments. An executive order issued 2/27/95 establishes the Federal government as a model employer in promoting and facilitating the establishment and enforcement of child support.

By Executive Order on 2/27/95, all Federal agencies, including the Uniformed Services, are required to cooperate fully in efforts to establish paternity and child support and to enforce the collection of child and medical support. All Federal agencies are to review their wage withhholding procedures to ensure that they are in full compliance.

Beginning no later than July 1, 1995, the Director of the Office of Personal Management must publish annually in the Federal Register the list of agents (and their addresses) designated to receive service of withholding notices for Federal employees.

Federal law states that neither the United States nor any disbursing officer or government entity shall be liable with respect to any payment made from moneys due or payable from the United States pursuant to the legal process.

Federal law provides that money that may be garnished includes compensation for personal services, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes but is not limited to, severance pay, sick pay, incentive payments, and periodic payments.

Includes definitions of ''United States'', ''child support'', ''alimony'', ''private person'', and ''legal process''.

*House bill*

Federal Employees are subject to wage withholding and other actions taken against them by State Child Support Enforcement Agencies.

Federal agencies are responsible for wage withholding and other child support actions taken by the State as if they were a private employer.

The head of each Federal agency must designate an agent and place the agent's name, title, address, and telephone number in the

Federal Register annually. The agent must, upon receipt of process, send written notice to the individual involved as soon as possible, but no later than 15 days, and to comply with any notice of wage withholding or respond to other process within 30 days.

Amends existing law governing allocation of moneys owed by a Federal employee to give priority to child support, to require allocation of available funds, up to the amount owed, among child support claimants, and to allocate remaining funds to other claimants on a first-come, first-served basis.

A government entity served with notice of process for enforcement of child support is not required to change its normal pay and disbursement cycle to comply with the legal process.

Similar to current law, the U.S., the government of the District of Columbia, and disbursing officers are not liable for child support payments made in accord with this section; nor is any Federal employee subject to disciplinary action or civil or criminal liability for disclosing information while carrying out the provisions of this section.

The President has the authority to promulgate regulations to implement this section as it applies to Federal employees of the Administrative branch of government; the President Pro Tempore of the Senate and Speaker of the House can issue regulations governing their employees; and the Chief Justice can issue regulations applicable to the Judicial branch.

This section broadens the definition of income to include funds such as insurance benefits, retirement and pension pay, survivor's benefits, compensation for death and black lung disease, veteran's benefits, and workers' compensation; but to exclude from income funds paid to defray expenses incurred in carrying out job duties, owed to the U.S., used to pay Federal employment taxes and fines and forfeitures ordered by court martial, withheld for tax purposes, used for health insurance or life insurance premiums, normal retirement contributions, or life insurance premiums.

This section includes definitions of ''United States'', ''child support'', ''alimony'', ''private person'', and ''legal process''.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

B. Conforming Amendments

*Present law*

No provision.

*House bill*

This section includes conforming amendments to Title IV of the Social Security Act and Title 5 of the United States Code.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

C. Military Retired and Retainer Pay

*Present law*

No provision.

*House bill*

This section expands the definition of court to include an administrative or judicial tribunal which includes the child support enforcement agency.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

D. Effective Date

*Present law*

No provision.

*House bill*

This section goes into effect 6 months after the date of enactment.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

35. ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS OF MEMBERS OF THE ARMED FORCES (SECTION 363)

A. Availability of Locator Information

*Present law*

The Executive Order issued February 27, 1995 requires a study which would include recommendations related to how to improve service of process for civilian employees and members of the Uniformed Services stationed outside of the United States.

*House bill*

The Secretary of Defense must establish a central personnel locator service that contains residential or, in specified instances, duty addresses of every member of the Armed Services (including retirees, the National Guard, and the Reserves). The locator service must be updated within 30 days of the time an individual establishes a new address. Information from the locator service must be made available to the Federal Parent Locator Service.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

B. Facilitating Granting of Leave for Attendance at Hearings

*Present law*

No provision.

*House bill*

The Secretary of Defense must issue regulations to facilitate granting of leave for members of the Armed Services to attend hearings to establish paternity or to establish child support orders.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

C. Payment of Military Retired Pay in Compliance With Child Support Orders

*Present law*

Federal law requires allotments from the pay and allowances of any member of the uniformed service when the member fails to pay child (or child and spousal) support payments.

*House bill*

The Secretary of each branch of the Armed Forces (including retirees, the Coast Guard, the National Guard, and the Reserves) is required to make child support payments directly to any State to which a custodial parent has assigned support rights as a condition of receiving public assistance. The Secretary of Defense must also ensure that payments to satisfy current support or child support arrears are made from disposable retirement pay. Payroll deductions must begin within 30 days or the first pay period after 30 days of receiving a wage withholding order.

*Senate amendment*

Identical provision

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

36. VOIDING OF FRAUDULENT TRANSFERS (SECTION 364)

*Present law*

No provision.

*House bill*

States must have in effect the Uniform Fraudulent Conveyance Act of 1981, the Uniform Fraudulent Transfer Act of 1984, or an equivalent law providing for voiding transfers of income or property in order to avoid payment of child support.

*Senate amendment*

Identical provision.

*Conference agreement*

The Conference agreement follows the House bill and the Senate amendment.

37. SENSE OF THE CONGRESS THAT STATES SHOULD SUSPEND DRIVERS', BUSINESS, AND OCCUPATIONAL LICENSES OF PERSONS OWING PAST-DUE CHILD SUPPORT

*Present law*

No provision.

*House bill*

It is the sense of Congress that each State should suspend any driver's license, business license, or occupational license issued to any person who owes past-due child support.

*Senate amendment*

No provision.

*Conference agreement*

House recedes (no provision).

38. WORK REQUIREMENT FOR PERSONS OWING PAST-DUE CHILD SUPPORT (SECTION 365)

*Present law*

P.L. 100–485 required the Secretary to grant waivers to up to 5 States allowing them to provide JOBS services on a voluntary or mandatory basis to noncustodial parents who are unemployed and unable to meet their child support obligations. (In their report the conferees noted that the demonstrations would not grant any new powers to the States to require participation by noncustodial parents. The demonstrations were to be evaluated.)

*House bill*

States must have laws that direct courts to order individuals owing past-due child support for a child receiving assistance under the Temporary Family Assistance program either to pay the support due or to participate in work activities. ''Past-due support'' is defined.

*Senate amendment*

Similar to House provision, except refers to ''support'' rather than ''past-due support.''

*Conference agreement*

Conferees agree to follow the House and Senate provisions except that the Senate recedes to the House provision that work apply only to nonresident parents owing past-due support.

39. DEFINITION OF SUPPORT ORDER (SECTION 366)

*Present law*

No provision.

*House bill*

A support order is defined as an order issued by a court or an administrative process established under State law that requires support of a child or of a child and the parent with whom the child lives.

*Senate amendment*

A support order is defined as a judgement, decree, or order (whether temporary, final, or subject to modification) issued by a court or an administrative agency for the support (monetary support, health care, arrearages, or reimbursement) of a child (including a

child who has reached the age of majority under State law) or of a child and the parent with whom the child lives.

*Conference agreement*

The House recedes to the Senate definition of a support order.

40. REPORTING ARREARAGE TO CREDIT BUREAUS (SECTION 367)

*Present law*

Federal law requires States to implement procedures which require them to periodically report to consumer reporting agencies the name of debtor parents owing at least 2 months of overdue child support and the amount of child support overdue. However, if the amount overdue is less than $1,000, information regarding it shall be made available only at the option of the State. Moreover, any information may only be made available after the noncustodial parent has been notified of the proposed action and has been given reasonable opportunity to contest the accuracy of the information. States are permitted to charge consumer reporting agencies that request child support arrearage information for a fee, not to exceed the actual cost.

*House bill*

No provision.

*Senate amendment*

States are required to have procedures to periodically report to consumer credit reporting agencies the name of any noncustodial parent who is delinquent in the payment of support and the amount of overdue support owed by the parent.

*Conference agreement*

The House recedes to the Senate requirement that States periodically report to consumer credit reporting agencies.

41. LIENS (SECTION 368)

*Present law*

Federal law requires State to implement procedures under which liens are imposed against real and personal property for amounts of overdue support owed by a noncustodial parent who resides or owns property in the State.

*House bill*

States are required to have procedures to accord full faith and credit and to enforce in accordance with State law a lien from another State. The lien must be accompanied by a certification from the State issuing the lien of the amount of overdue support and a certification that due process requirements have been met. The second State is not required to register the underlying order, unless contested on the grounds of mistake of fact.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

42. STATE LAW AUTHORIZING SUSPENSION OF LICENSES (SECTION 369)

*Present law*

No provision.

*House bill*

States have the authority to withhold, suspend, or restrict the use of drivers' licenses, professionals and occupational licenses, and recreational licenses of individuals owing past-due support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

43. DENIAL OF PASSPORTS FOR NONPAYMENT OF CHILD SUPPORT (SECTION 370)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

If an individual owes arrearages in excess of $5,000 of child support, the Secretary of HHS must request that the State Department deny, revoke, or limit the individual's passport. State child support agencies must have procedures for certifying arrearages in excess of $5,000 and for notifying individuals who are in arrears.

*Conference agreement*

The House recedes to the Senate provision of revoking passports for individuals owing more than $5,000 in delinquent child support.

44. INTERNATIONAL CHILD SUPPORT ENFORCEMENT (SECTION 371)

*Present law*

The United States has not signed any of the major treaties regarding international support enforcement. Pursuant to the Uniform Reciprocal Enforcement of Support Act (URESA), most States have reciprocal agreements with at least one foreign country regarding reciprocal enforcement of support orders. State do not have the power to enter into treaties.

*House bill*

No provision.

*Senate amendment*

The Secretary of State is authorized to negotiate reciprocal agreements with foreign nations on behalf of the States, territories, and possessions of the United States regarding the international enforcement of child support obligations.

*Conference agreement*

The conference agreement follows the Senate amendment with substantial modification. The Secretary of State, with concurrence of the Secretary of HHS, is authorized to declare reciprocity with foreign countries having requisite procedures for establishing and enforcing support orders. The Secretary may revoke reciprocity if she determines that the enforcement procedures do not continue to meet the requisite criteria.

The requirements for reciprocity include procedures in the foreign country for U.S. residents—available at no cost—to establish parentage, to establish and enforce support orders for children and custodial parents, and to distribute payments.

The Secretary of HHS is required to facilitate enforcement services in international cases involving residents of the U.S. and of foreign reciprocating countries, including developing uniform forms and procedures, and providing information from the FPLS on the State of residence of the obligor.

Where there is no Federal reciprocity agreement, States are permitted to enter into reciprocal agreements with foreign countries.

The State plan must provide that request for services in international cases be treated the same as interstate cases, except that no application will be required and no costs will be assessed against the foreign country or the obligee (costs may be assessed at State option against the obligor).

45. DENIAL OF MEANS-TESTED FEDERAL BENEFITS TO NONCUSTODIAL PARENTS WHO ARE DELINQUENT IN PAYING CHILD SUPPORT

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Noncustodial parents who are more than 2 months delinquent in paying child support are not eligible to receive means-tested Federal benefits.

*Conference agreement*

Senate recede (no provision).

46. CHILD SUPPORT ENFORCEMENT FOR INDIAN TRIBES

*Present law*

There are about 340 Federally recognized Indian tribes in the 48 contiguous States. Among these tribes there are approximately 130 tribal courts and 17 Courts of Indian Offenses. Most tribal codes authorize their courts to hear parentage and child support matters that involve at least one member of the tribe or person living on the reservation. This jurisdiction may be exclusive or concurrent with State court jurisdiction, depending on specified circumstances.

*House bill*

No provision.

*Senate amendment*

Requires States to make reasonable efforts to enter into cooperative agreements with an Indian tribe or organization if the tribe or organization has an established tribal court system to establish paternity, establish and enforce support orders, and enter support orders in accordance with guidelines established by the tribe or organization. Such agreements shall provide for the cooperative delivery of child support enforcement services in Indian country and for the forwarding of all funds collected by the tribe or organization to the State agency, or conversely, by the State agency to the tribe or organization, which shall distribute the funds according to the agreement. The DHHS Secretary in appropriate cases is authorized to send Federal funds directly to the tribe or organization.

*Conference agreement*

Senate recede (no provision).

47. FINANCIAL INSTITUTION DATA MATCHES (SECTION 372)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

States are required to implement procedures under which the State child support agency shall enter into agreements with financial institutions doing business within the State to develop and operate a data match system, using automated data exchanges to the maximum extent feasible, in which such financial institutions are required to provide for each calendar quarter the name, address, Social Security number, and other identifying information for each noncustodial parent identified by the State who has an account at the institution and, in response to a notice of lien or levy, to encumber or surrender assets held by the institution on behalf of the noncustodial parent who is subject to the child support lien. Includes definition of the term ''financial institution.''

*Conference agreement*

Conferees agree that the House recede to the Senate requirement that States perform data matches on information supplied by financial institutions in the case of parents who owe past-due child support and have liens against them.

48. ENFORCEMENT OF ORDERS AGAINST PATERNAL GRANDPARENTS IN CASES OF MINOR PARENTS (SECTION 373)

*Present law*

No provision. However, Wisconsin and Hawaii have State laws that make grandparents financially responsible for their minor children's dependents.

*House bill*

No provision.

*Senate amendment*

States would be required to implement procedures under which any child support order enforced by a child support enforcement agency would be enforceable against the paternal grandparents of a minor father if the child's minor mother were receiving benefits from the Temporary Assistance for Needy Families block grant program.

*Conference agreement*

The House recedes to the Senate requirement that paternal grandparents be held accountable for paying child support in the case of minor mothers with children being supported by benefits from the Temporary Assistance for Needy Families block grant, or that the maternal grandparents be held accountable for paying child support in the case of a minor father raising children who receive benefits from the Temporary Assistance for Needy Families block grant.

SUBTITLE H—MEDICAL SUPPORT

49. TECHNICAL CORRECTION TO ERISA DEFINITION OF MEDICAL CHILD SUPPORT ORDER (SECTION 376)

*Present law*

P.L. 103–66 requires States to adopt laws to require health insurers and employers to enforce orders for medical and child support and forbids health insurers from denying coverage to children who are not living with the covered individual or who were born outside of marriage. Under P.L. 103–66, group health plans are required to honor ''qualified medical child support orders.

*House bill*

This provision expands the definition of medical child support order in ERISA to clarify that any judgment, decree, or order that is issued by a court of competent jurisdiction or by an administrative adjudication has the force and effect of law.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

50. ENFORCEMENT OF ORDERS FOR HEALTH CARE COVERAGE (SECTION 377)

*Present law*

Federal law requires the Secretary to require IV–D agencies to petition for the inclusion of medical support as part of child support whenever health care coverage is available to the noncustodial parent at reasonable cost.

*House bill*

No provision.

*Senate amendment*

All orders enforced under this part must include a provision for health care coverage. If the noncustodial parent changes jobs and the new employer provides health coverage, the State must send notice of coverage, which shall operate to enroll the child in the health plan, to the new employer.

*Conference agreement*

The House recedes to the Senate provision on medical care coverage provided to children by nonresident parents changing jobs.

SUBTITLE I—ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NON-RESIDENTIAL PARENTS

51. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS (SECTION 381)

A. In General

*Present law*

In 1988, Congress authorized the Secretary to fund for FY 1990 and FY 1991 demonstration projects by States to help divorcing or never-married parents cooperate with each other, especially in arranging for visits between the child and the nonresident parent.

*House bill*

The bill authorizes grants to States for access and visitation programs including mediation, counseling, education, development of parenting plans, and visitation enforcement. Visitation enforcement can include monitoring, supervision, neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody agreements. States are required to monitor and evaluate their programs and are given the authority to subcontract the program to courts, local public agencies, or private non-profit agencies. Programs operating under the grant do not have to be Statewide. Funding is authorized as capped spending under section IV–D of the Social Security Act. Projects are required to supplement rather than supplant State funds.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

B. Amount of Grant

*Present law*

No provision.

*House bill*

The amount of the grant to a State is equal to either 90 percent of the State expenditures during the year for access and visitation programs or the allotment for the State for the fiscal year.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

C. Allotment to States

*Present law*

No provision.

*House bill*

The allotment to the State bears the same ratio to the amount appropriated for the fiscal year as the number of children living in the State with one biological parent divided by the national number of children living with one biological parent. The Administration for Children and Families must adjust allotments to ensure that no State is allotted less than $50,000 for fiscal years 1996 or 1997 or less than $100,000 for any year after 1997.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

D. State Administration

*Present law*

No provision.

*House bill*

States may use the money to create their own programs or to fund grant programs with courts, local public agencies, or nonprofit organizations. The programs do not need to be Statewide. States must monitor, evaluate, and report on their programs in accord with the regulations issued by the Secretary.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

SUBTITLE J—EFFECT OF ENACTMENT

52. EFFECTIVE DATES (SECTION 391)

*Present law*

No provision.

*House bill*

Except as noted in the text of the bill for specific provisions, the general effective date for provisions in the bill is October 1, 1996. However, given that many of the changes required by this bill must be approved by State Legislatures, the bill contains a grace period tied to the meeting schedule of State Legislatures. In any given State, the bill becomes effective either on October 1, 1996 or on the first day of the first calendar quarter after the close of the first regular session of the State Legislature that begins after the date of enactment of the bill. In the case of States that require a constitutional amendment to comply with the requirements of the bill, the grace period is extended either 1 year after the effective date of the necessary State constitutional amendment or 5 years after the date of enactment of the bill.

*Senate amendment*

Identical provision.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

*Senate amendment*

The Senate amendment directs the Commissioner of Social Security, within sixty days of enactment, to issue a request for comments in the Federal Register regarding improvements in the disability evaluation and determination procedures for children under age 18. The Commissioner must review the comments and issue regulations implementing changes within 18 months after enactment.

*Conference agreement*

The conference agreement follows the House bill (i.e., no provision).

*Temporary eligibility for cash benefits for poor disabled children residing in States applying alternative income eligibility standards under Medicaid*

*Present law*

States generally are required to provide Medicaid coverage for recipients of SSI. However, States may use more restrictive eligibility standards for Medicaid than those for SSI if they were using those standards on January 1, 1972 (before implementation of SSI). States that have chosen to apply at least one more restrictive standard are known as ''section 209(b)'' States, after the section of the Social Security Amendments of 1972 (P.L. 92–603) that established the option. These States may vary in their definition of disability, or in their standards related to income or resources. There are 12 section 209(b) States: Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, and Virginia.

*House bill*

The House bill provides for temporary eligibility for cash SSI benefits (through the end of FY 1996) for children who live in States that apply alternative income eligibility standards under Medicaid (also known as ''209(b)'' States).

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision).

4. REDUCTION OF CASH BENEFITS PAYABLE TO INSTITUTIONALIZED CHILDREN WHOSE MEDICAL COSTS ARE COVERED BY PRIVATE INSURANCE (SECTION 214)

*Present law*

Federal law stipulates that when an individual enters a hospital or other medical institution in which more than half of the bill is paid by the Medicaid program, his or her monthly SSI benefit standard is reduced to $30 per month. This personal needs allowance is intended to pay for small personal expenses, with the cost of maintenance and medical care provided by the Medicaid program.

*House bill*

Cash SSI payments to institutionalized children would be reduced for those whose medical costs are covered by private insurance.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

*Additional accountability requirements for parents or guardians*

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Senate amendment requires a disabled child's representative payee (usually the parent) to document expenditures. These expenditures would be subject to increased review by the Social Security Administration. Effective for benefits paid after enactment.

*Conference agreement*

The conference agreement follow the House bill (i.e., no provision).

5. REGULATIONS (SECTION 215)

*Present law*

Not applicable.

*House bill*

The Commissioner of Social Security and the Secretary of HHS will prescribe necessary regulations within three months after enactment of this Act.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

*Examination of mental listings used to determine eligibility of children for SSI benefits by reason of disability*

*Present law*

Section 202 of the Social Security Independence and Program Improvements Act of 1994 established a Childhood Disability Commission to study the desirability and methods of increasing the extent to which benefits are used in the effort to assist disabled children in achieving independence and engaging in substantial gainful activity. The Commission was also charged with examining the effects of the SSI program on disabled children and their families.

*House bill*

The Childhood Disability Commission must review the mental listings used by the Social Security administration to determine child SSI eligibility. The Commission should conduct this investigation to ensure that the criteria in these listings are appropriate and that SSI eligibility is limited to children with serious disabilities for whom Federal assistance is necessary to improve the child's condition or quality of life.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment (i.e., no provision) due to the Childhood Disability Commission having completed their final report.

*Limitation on payments to Puerto Rico, the U.S. Virgin Islands and Guam under programs of aid to the aged, blind, or disabled*

See description in section 108 of title I of the conference agreement.

SUBTITLE C—STATE SUPPLEMENTATION PROGRAMS

1. REPEAL OF MAINTENANCE OF EFFORT REQUIREMENT APPLICABLE TO OPTIONAL STATE PROGRAMS FOR SUPPLEMENTATION OF SSI BENEFITS (SECTION 221)

*Present law*

Since the beginning of the SSI program, States have had the option to supplement (with State funds) the Federal SSI payment. The purpose of section 1618 was to encourage States to pass along to SSI recipients the amount of any Federal SSI benefit increase. Under section 1618, a State that is found to be not in compliance with the ''pass along/maintenance of effort provision'' is subject to loss of its Medicaid reimbursements. Section 1618 allows States to comply with the ''pass along/maintenance of effort'' provision by either maintaining their State supplementary payment levels at or above 1983 levels or by maintaining total annual expenditures for supplementary payments (including any Federal cost-of-living adjustment) at a level at least equal to the prior 12-month period, provided the State was in compliance for that period. In effect, section 1618 requires that once a State elects to provide supplementary payments it must continue to do so. [Sec. 1618 of the Social Security Act]

*House bill*

The House bill repeals the maintenance of effort requirements (Sec. 1618) applicable to optional State programs for supplementation of SSI benefits effective date of enactment.

*Senate amendment*

Similar to the House bill.

*Conference agreement*

The conference agreement follows the Senate amendment with modification that the effective date is the date of enactment.

*Limited eligibility of noncitizens for SSI benefits*

See description in title IV of the conference agreement.

SUBTITLE D—STUDIES REGARDING SUPPLEMENTAL SECURITY INCOME PROGRAM

1. ANNUAL REPORT ON SSI (SECTION 231)

*Present law*

To date, the Department of Health and Human Services and now the Social Security Administration have collected, compiled, and published annual and monthly SSI data, but Federal law does not require an annual report on the SSI program.

*House bill*

No provision.

*Senate amendment*

The Senate amendment requires the Commissioner of Social Security to prepare and provide to the President and the Congress an annual report on the SSI program, which includes specified information and data. The report is due May 30 of each year.

*Conference agreement*

The conference agreement follows the Senate amendment.

2. STUDY OF DISABILITY DETERMINATION PROCESS (SECTION 232)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

Within 90 days of enactment, the Commissioner must contract with the National Academy of Sciences or another independent entity to conduct a comprehensive study of the disability determination process for SSI and SSDI. The study must examine the validity, reliability and consistency with current scientific standards of the Listings of Impairments cited above.

The study must also examine the appropriateness of the definitions of disability (and possible alternatives) used in connection with SSI and SSDI; and the operation of the disability determination process, including the appropriate method of performing comprehensive assessments of individuals under age 18 with physical or metal impairments.

The Commissioner must issue interim and final reports of the findings and recommendations of the study within 18 months and 24 months, respectively, from the date of contract for the study.

*Conference agreement*

The conference agreement follows the Senate amendment.

3. GENERAL ACCOUNTING OFFICE STUDY (SECTION 233)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Senate amendment requires the General Accounting Office to study and report on the impact of title II of the Senate amendment on the SSI program by January 1, 1998.

*Conference agreement*

The conference agreement follows the Senate amendment with modification that the study also include extra expenses incurred by families of children receiving SSI that are not covered by other Federal, State, or local programs.

SUBTITLE E—NATIONAL COMMISSION ON THE FUTURE OF DISABILITY

1. ESTABLISHMENT (SECTION 241)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission is established and expenses are to be paid from funds appropriated to the Social Security Administration.

*Conference agreement*

The conference agreement follows the Senate amendment with modification that there are authorized to be appropriated such sums as necessary to carry out the purpose of the Commission.

2. DUTIES (SECTION 242)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission must study all matters related in the nature, purpose and adequacy of all Federal programs for the disabled, and especially SSI and SSDI.

The Commission must examine: projected growth in the number of individuals with disabilities and the implications for program planning; possible performance standards for disability programs; the adequacy of Federal rehabilitation research and training; and the adequacy of policy research available to the Federal government and possible improvements.

The Commission must submit to the President and the proper Congressional committees recommendations and possible legislative proposals effecting needed program changes.

*Conference agreement*

The conference agreement follows the Senate amendment.

3. MEMBERSHIP (SECTION 243)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission is to be composed of 15 members, appointed by the President and Congressional leadership. Members are to be chosen based on their education, training or experience, with consideration for representing the diversity of individuals with disabilities in the U.S.

The Comptroller General must serve as an ex officio member of the Commission to advise on the methodology of the study. With the exception of the Comptroller General, no officer or employee of any government may serve on the Commission.

Members are to be appointed not later than 60 days after enactment. Members serve for the life of the Commission, which will be headquartered in D.C. and meet at least quarterly.

The Senate amendment includes a number of specific requirements on the Commission regarding quorums, the naming of chairpersons, member replacement, and benefits.

*Conference agreement*

The conference agreement follows the Senate amendment with modification deleting the Comptroller General as a ex officio member and deleting the prohibition against officer or employee of any government being appointed to serve on the Commission. The conferees added that the Commission membership will also reflect the general interests of the business and taxpaying community, both of which are often impacted by Federal disability policy.

4. STAFF AND SUPPORT SERVICES (SECTION 244)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission will have a director, appointed by the Chair, and appropriate staff, resources, and facilities.

*Conference agreement*

The conference agreement follows the Senate amendment.

5. POWERS (SECTION 245)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission may conduct public hearings and obtain information from Federal agencies necessary to perform its duties.

*Conference agreement*

The conference agreement follows the Senate amendment.

6. REPORTS (SECTION 246)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission must issue an interim report to Congress and the President not later than 1 year prior to terminating. A final public report must be submitted prior to termination.

*Conference agreement*

The conference agreement follows the Senate amendment.

7. TERMINATION (SECTION 247)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

The Commission will terminate 2 years after first having met and named a chair and vice chair.

*Conference agreement*

The conference agreement follows the Senate amendment.

SUBTITLE F—RETIREMENT AGE ELIGIBILITY

1. ELIGIBILITY FOR SSI BENEFITS BASED ON SOCIAL SECURITY RETIREMENT AGE (SECTION 251)

*Present law*

The SSI program guarantees a minimum level of cash income to all aged, blind, or disabled persons with limited resources. The SSI program defines ''aged'' as persons age 65 and older.

*House bill*

No provision.

*Senate amendment*

The Senate amendment deletes references to age 65 and instead defines as ''aged'' those persons who reach ''retirement age'' as defined by the Social Security program. The Social Security ''retirement age''—the age at which retired workers receive benefits that are not reduced for ''early retirement''—gradually will rise from 65 to 67. It will do so in two steps. First, the retirement age will increase by 2 months for each year that a person was born after 1937, until it reaches age 66 for those born in 1943 (i.e., those who attain age 66 in 2009). Second, it will again increase by 2 months for each year that a person was born after 1954 until it reaches age 67 for those born after 1959.

*Conference agreement*

The conference agreement follows the Senate amendment.

TITLE IV. RESTRICTING WELFARE AND PUBLIC BENEFITS FOR ALIENS

1. STATEMENTS OF NATIONAL POLICY CONCERNING WELFARE AND IMMIGRATION (SECTION 400)

**person was born after 1954 until it reaches age 67 for those born after 1959.**

*Present law*

No provision.

*House bill*

The Congress makes the following statements concerning national policy with respect to welfare and immigration:

(i) Self-sufficiency has been a basic principle of U.S. immigration law since this country's earliest immigration statutes;

(ii) It continues to be the immigration policy of the U.S. that aliens within the nation's borders depend not on public resources, but rely on their own capabilities and the resources of their families and sponsors and that the availability of public benefits not constitute an incentive for immigration;

(iii) Aliens have been applying for and receiving public benefits at increasing rates;

(iv) Current eligibility rules and unenforceable financial support agreements have proved incapable of assuring that individual aliens not burden the public benefits system;

(v) It is a compelling government interest to enact new rules for eligibility and sponsorship agreements to assure that aliens become self-reliant; and

(vi) It is a compelling government interest to remove the incentive for illegal immigration provided by the availability of public benefits.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill, with a modification regarding a State's option to choose to follow Federal classifications regarding eligibility.

SUBTITLE A—ELIGIBILITY FOR FEDERAL BENEFITS PROGRAMS

2. INELIGIBILITY OF ILLEGAL ALIENS FOR CERTAIN FEDERAL BENEFITS PROGRAMS (SECTION 401)

*Present law*

Current law limits alien eligibility for most major Federal assistance programs, including restrictions on, among other programs, Supplemental Security Income, Aid to Families with Dependent Children, housing assistance, and Food Stamps Programs. Current law is silent on alienage under, among other programs, school lunch and nutrition, Special Supplemental Food Program for Women, Infants, and Children (WIC), Head Start, migrant health centers, and the earned income tax credit.

Under the programs with restrictions, benefits are generally allowed for permanent resident aliens (also referred to as immigrants and green card holders), refugees, asylees, and parolees, but benefits (other than emergency Medicaid) are denied to nonimmigrants (or aliens lawfully admitted as, e.g., tourists, students, or temporary workers) and illegal aliens. Benefits are permitted under AFDC, SSI, unemployment compensation, and nonemergency Medicaid to other aliens permanently residing in the U.S. under color of law (PRUCOL).

*House bill*

Any alien who is not lawfully present in the U.S. shall not be eligible for any Federal means-tested public benefits program, with the exception of non-cash, in-kind emergency assistance, including emergency medical services. Housing-related assistance, which allows limited assistance for households containing both eligible and ineligible individuals, remains prohibited as under current law.

The Attorney General is to decide which aliens are lawfully present for purposes of benefit eligibility. In doing so, the Attorney General is not required to consider an alien [illegible] to be permanently residing under color of law (PRUCOL) under current standards.

*Senate amendment*

Any individual who is not lawfully present in the U.S. is ineligible for any Federal benefit other than: emergency medical services under Medicaid; short-term emergency disaster relief; assistance under the National School Lunch Act or the Child Nutrition Act of 1966; and public health assistance for immunizations and, if found necessary by HHS, testing for and treatment of communicable diseases. Similarly, States which administer a Federally-funded benefit program (or provide benefits pursuant to such a program) are not required to assist aliens who are not lawfully present.

An individual is lawfully present for purposes of qualifying for benefits if the individual is a citizen, non-citizen national (i.e.

American Samoan), permanent resident alien, refugee, asylee (including an alien who has had his/her deportation stayed because it would return the alien to a country which would persecute him/her), or an alien who has been paroled into the U.S. by the Attorney General for at least 1 year.

Noncitizens are not lawfully present for the purposes of the SSI program merely because they are considered to be permanently residing under color of law (PRUCOL).

*Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment, except that aliens who are not lawfully present in the U.S. and nonimmigrants and aliens paroled into the U.S. for a period of less than 1 year as described below are grouped together and defined as classes ''not qualified'' to receive most Federal public benefits. However, even these ''non-qualified'' aliens may continue to receive: short-term, in-kind, emergency disaster relief; emergency medical services under Medicaid; public health assistance for immunizations and testing and treatment to prevent the spread of communicable diseases; and programs specified by the Attorney General as necessary to protect life and safety, such as soup kitchens and crisis counseling. An exception is also made for benefits payable under title II of the Social Security Act for certain legal aliens. With regard to public housing assistance, non-qualified aliens receiving benefits on the date of enactment will continue to be treated as they are under current law. This section, however, does not prevent the Secretary of Housing and Urban Development or the Secretary of Agriculture from processing all aliens currently receiving housing assistance under the rules and regulations provided for under section 214 of the housing and Community Development Act of 1980.

The conference agreement follows the Senate amendment regarding the definition of Federal public benefits for this and subsequent sections, namely: any grant, contract, loan, professional license, or commercial license provided by an agency of the United States or by appropriated funds of the United States; and any retirement, welfare, health, disability, public or assisted housing, post-secondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family by an agency of the U.S. or by appropriated funds of the U.S.

The allowance for treatment of communicable diseases is very narrow. The conferees intend that it only apply where absolutely necessary to prevent the spread of such diseases. This is only a stop-gap measure until the deportation of a person or persons unlawfully here. It is *not* intended to provide authority for continued treatment of such diseases for a long term.

The allowance for emergency medical services under Medicaid is very narrow. The conferees intend that it only apply to medical care that is strictly of an emergency nature, such as medical treatment administered in an emergency room, critical care unit, or intensive care unit. The conferees do not intend that emergency medical services include pre-natal or delivery care assistance that is not strictly of an emergency nature as specified herein.

The intent of the conferees is that title I, part A of the Elementary and Secondary Education Act would not be affected by section 401 because the benefit is not provided to an individual, household, or family eligibility unit.

3. INELIGIBILITY OF NONIMMIGRANTS, ASYLEES, AND PAROLEES FOR CERTAIN FEDERAL BENEFITS PROGRAMS (SECTION 401)

A. In General

*Present law*

The Immigration and Nationality Act lists 19 categories of nonimmigrant aliens, including tourists, business visitors, foreign students, exchange visitors, temporary workers, and diplomats. Aliens granted political asylum and aliens allowed into the U.S. under the Attorney General's discretionary parole power are not among the nonimmigrant categories. Nonimmigrants generally are denied benefits under public benefits programs that have alienage restrictions. By contrast, asylees and parolees are not disqualified.

*House bill*

Aliens who are lawfully in the U.S. as nonimmigrants are ineligible for means-tested Federal benefits, other than the programs excepted below. Nonimmigrants admitted as temporary agricultural workers are not to be treated as nonimmigrants for public benefits purposes, but rather are to be treated as immigrants. Other aliens who also are not to be treated as nonimmigrants include aliens granted asylum and aliens paroled into the U.S. for 1 year or longer. However, aliens paroled into the U.S. for a period briefer than 1 year are subject to the nonimmigrant restrictions.

*Senate amendment*

Nonimmigrant aliens are not considered lawfully present for Federal benefits purposes, and are thus ineligible for any Federal benefit other than the programs specifically excepted below.

*Conference agreement*

The conference agreement generally follows the Senate amendment, as described in section 2 above.

B. Excepted Programs

*Present law*

Of Federal programs with alien eligibility restrictions, nonimmigrants are eligible for emergency services under Medicaid. Temporary agricultural workers may receive legal services funded through the Legal Services Corporation with respect to their wages, housing, and other employment rights covered by their employment contract. Those nonimmigrants whose wages are not exempt from unemployment taxes (FUTA) may qualify for unemployment compensation under certain circumstances.

*House bill*

Exception of the bill's blanket denial of Federal means-tested assistance to nonimmigrants is made for Emergency Assistance, including non-cash emergency medical services. Housing-related assistance is not covered by the bill's general rule, but rather existing restrictions udner housing programs are to continue to apply. These restrictions deny assisted housing to nonimmigrants except as they may incidentally benefit as members of mixed families. However, all aliens granted parole are eligible for housing assistance.

*Senate amendment*

Permits nonimmigrants (and all others who are not lawfully present) to receive: emergency medical services under Medicaid; short-term emergency disaster relief; school lunch and child nutrition assistance; and public health assistance for immunizations and, if found necessary by HHS, testing for and treatment of communicable diseases.

*Conference agreement*

The conference agreement generally follows the Senate amendment, as described in section 2 above.

The allowance for treatment of communicable diseases is very narrow. The conferees intend that it only apply where absolutely necessary to prevent the spread of such diseases. This is only a stop-gap measure until the deportation of a person or persons unlawfully here. It is *not* intended to provide authority for continued treatment of such diseases for a long term.

The allowance for emergency medical services under Medicaid is very narrow. The conferees intend that it only apply to medical care that is *strictly* of an emergency nature, such as medical treatment administered in an emergency room, critical care unit, or intensive care unit. The conferees do not intend that emergency medical services include pre-natal or delivery care assistance that is not strictly of an emergency nature as specified herein.

C. Treatment of Aliens Paroled Into the U.S.

*Present law*

In some cases, aliens paroled into the U.S. are entitled to public benefits while they remain in parole status.

*House bill*

Aliens paroled into the U.S. for less than 1 year are treated as nonimmigrants for benefits purposes (i.e., general ineligibility) but aliens paroled into the U.S. for longer than 1 year are treated as immigrants (i.e. somewhat broader, but still limited, eligibility).

*Senate amendment*

Aliens who have been paroled into the U.S. for a period of less than 1 year are not considered to be lawfully present for benefits purposes and therefore are generally ineligible for benefits. (Aliens who have been paroled into the U.S. for a period of 1 year or longer are considered to be lawfully present.)

*Conference agreement*

The conference agreement generally follows the Senate amendment, as described in section 2 above.

4. LIMITED ELIGIBILITY OF LAWFULLY PRESENT ALIENS (OTHER THAN NONIMMIGRANTS) FOR FEDERAL BENEFITS (SECTIONS 402, 403 AND 432)

A. In General

*Present law*

With the exception of certain buy-in rights under Medicare, immigrants (or aliens lawfully admitted for permanent residence) are eligible for major Federal benefits, but the ability of some immigrants to meet the needs tests for SSI, AFDC, and food stamps may be affected by the sponsor-to-alien deeming provisions discussed below. Refugees, asylees, and parolees also generally are eligible. Benefits are permitted under AFDC, SSI, unemployment compensation, and non-emergency Medicaid to other aliens permanently residing in the U.S. under color of law (PRUCOL).

*House bill*

With certain specific exceptions noted below, any alien who is lawfully present in the U.S. shall not be eligible for any of the following Federal means-tested public benefits programs (except as they provide non-cash, in-kind emergency services): Supplemental Security Income, Temporary Assistance for Needy Families, Social Services Block Grant (Title XX), Medicaid, and Food Stamps.

Under programs other than the foregoing 5 major benefits programs, the eligibility of lawfully present aliens (other than nonimmigrants) for benefits would continue to be governed by current law as modified by the sponsor-to-alien deeming provisions discussed below. The Attorney General is to determine which aliens are ''lawfully present'' and is not bound in doing so by current interpretations of ''PRUCOL'', or ''permanently residing under color of law.''

*Senate amendment*

Except for specific classes noted below, all aliens are to be denied SSI.

Except for specific classes and programs noted below, all aliens arriving after enactment are ineligible for all Federal needs-based assistance for 5 years after entry.

Except for specific classes and programs noted below, States may deny noncitizens need-based assistance funded by the Federal Government (e.g., Temporary Assistance for Needy Families and similar block grants).

For lawfully present aliens who are in the United States on the date of enactment and who have been here 5 years, current rules will continue to apply to programs other than SSI, except as eligibility may be affected by the State option to deny noncitizens needs-based assistance funded by Federal funds.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment with the following modifications:

(1) current resident aliens and those arriving after enactment (with the exception of the specific classes described below) may not receive SSI or food stamps until attaining citizenship or working long enough (that is, at least 10 years) to qualify for Social Security retirement benefits;

(2) aliens have no entitlement to benefits;

(3) States have the option of providing benefits to lawfully present aliens under the TANF, Medicaid, or Title XX programs; and

(4) new entrants are denied benefits under all Federal means-tested programs for five years after their entry into the United States with the exception of those programs described in section (4)(B) below.

B. Excepted Programs

*Present law*

Not applicable (See above.)

*House bill*

Only exception for non-cash, in-kind emergency services, as described above.

*Senate amendment*

The 5-year bar on Federally-funded assistance to new arrivals does not apply to:

(1) emergency medical services under Medicaid;

(2) short-term emergency disaster relief;

(3) assistance under the National School Lunch Act or the Child Nutrition Act of 1996;

(4) the Head Start program;

(5) foster care and adoption assistance (but foster parents or adoptive parents cannot be aliens who are ineligible for benefits due to this provision);

(6) public health assistance for immunizations and, if found necessary by HHS, testing for and treatment of communicable diseases; and

(7) programs specified by the Attorney General that

(i) deliver services at the community level,

(ii) do not condition assistance on the recipient's income or resources, and

(iii) are necessary to protect life, safety, or public health (e.g. soup kitchens).

States may deny needs-based assistance funded by the Federal government to all noncitizens except (1) programs described above in 1, 2, 3, 4, 6, or 7; or (2) assistance to noncitizens in the classes described below.

*Conference agreement*

The conference agreement follows the Senate amendment, with the modification that Head Start is not an excepted program but the following programs are excepted: (1) programs of student assistance under titles IV, V, IX, and X of the Higher Education Act of 1965, and (2) means-tested programs under the Elementary and Secondary Education Act of 1965.

C. Excepted Classes

*Present law*

Not applicable. (See above.)

*House bill*

Excepted are:

(i) refugees during their first 5 years in the U.S.;

(ii) aliens who have been lawfully admitted to the U.S. for permanent residence, are over 75 years of age, and have resided in U.S. for at least 5 years;

(iii) honorably discharged veterans and active duty personnel or their spouses and unmarried dependent children lawfully residing in any State or territory or possession of the U.S.;

(iv) aliens lawfully residing in any State or Territory or Possession of the U.S. during the first year of enactment; and

(v) immigrants who are unable to comply with naturalization requirements because of disability or mental impairment.

*Senate amendment*

Excepted are:

(i) refugees during their first 5 years in the U.S.;

(ii) honorably discharged veterans (if determined by the Attorney General to be lawfully present), and their spouses and unmarried dependent children;

(iii) aliens receiving SSI benefits on the date of enactment (whose eligibility would end) will remain eligible for SSI until January 1, 1997;

(iv) asylees (including those who have had deportation stayed because it would return them to a country which would persecute them) during their first 5 years in the U.S.;

(v) noncitizens who have worked long enough to be fully insured for Social Security or disability insurance benefits are exempt from the ban on SSI and the prospective 5 year ban; and

(vi) agencies may exempt individuals who have been battered or subjected to extreme cruelty from the denial of State-administered Federal benefits (and the sponsor-alien ''deeming'' provision discussed below) if the resulting denial of assistance will endanger their well-being.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment so that the following classes are excepted:

(1) refugees (during their first 5 years in the U.S.), asylees (for 5 years after being adjudicated as an asylee), and aliens whose deportation has been withheld (during their first 5 years after their deportation has been withheld);

(2) with regard to current residents and with regard to noncitizens arriving after the date of enactment after their fifty year in the country, aliens who have been lawfully admitted to the U.S. for permanent residence and have worked at least 40 quarters (that is, at least 10 years which is currently the criteria for eligibility for Social Security retirement benefits);

(3) honorably discharged veterans and active duty personnel or their spouses and unmarried dependent children lawfully residing in any State, territory, or possession of the U.S.; and

(4) lawfully present aliens receiving SSI or food stamps on the date of enactment, whose eligibility would end January 1, 1997.

D. Effective Date(s)

*Present law*

Not applicable.

*House bill*

In general, applies to applicants for benefits after the date of enactment. For current residents of the U.S. on the date of enactment, restriction on eligibility does not apply until 1 year after enactment.

*Senate amendment*

In general, applies to benefits on or after the date of enactment. Current SSI recipients lose eligibility after January 1, 1997. The Attorney General must adopt regulations to verify the eligibility of applicants for Federal benefits no later than 18 months after enactment. States must have a verification system that complies with these regulations within 24 months of their adoption.

*Conference agreement*

The conference agreement follows the Senate amendment, with the modification that the eligibility of current resident noncitizens receiving SSI and food stamps on the date of enactment ends for months beginning on or after January 1, 1997.

E. Reapplication

*Present law*

An individual who is eligible for SSI but who thereafter becomes ineligible for a period of 12 consecutive months must reapply for benefits.

*House bill*

No provision.

*Senate amendment*

Individuals receiving SSI benefits on the date of enactment who are notified of their termination of eligibility may reapply for benefits within 4 months after the date of enactment. The Commissioner of Social Security shall determine within 1 year of enactment the eligibility of individuals who reapply.

*Conference agreement*

The conference agreement follows the Senate amendment.

5. NOTIFICATION (SECTION 404)

*Present law*

Under regulation, individual advance written notice must be given of an intent to suspend, reduce, or terminate SSI benefits.

*House bill*

Each Federal Agency that administers an affected program shall post information and provide general notification to the public and to program recipients of changes regarding eligibility.

*Senate amendment*

The Commissioner of Social Security shall notify noncitizens made ineligible for SSI benefits within 3 months after the date of enactment.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

6. VERIFICATION (SECTIONS 433 AND 435) AND INFORMATION SHARING (SECTION 404)

*Present law*

State agencies that administer most major Federal programs with alienage restrictions generally use the SAVE (Systematic Alien Verification for Entitlements) system to verify the immigration status of aliens applying for benefits.

AFDC and SSI require safeguards that restrict the use of disclosure of information concerning applicants or recipients to purposes connected to the administration of needs-based Federal programs.

*House bill*

No provision.

*Senate amendment*

The Attorney General must adopt regulations to verity the lawful presence of applicants for Federal benefits no later than 18 months after enactment. States must have a

verification system that complies with these regulations within 24 months of their adoption.

The agencies which administer SSI, housing assistance programs under the United States Housing Act of 1937, or block grants for temporary assistance for needy families (the successor program to AFDC) are required to furnish information to the Immigration and Naturalization Service (INS) about aliens they know to be unlawfully in the United States at least 4 times annually and upon INS request.

*Conference agreement*

The conference agreement follows the Senate amendment, with the modification that no State or local government may be restricted from communicating with the INS about the immigration status of a noncitizen in the U.S.

SUBTITLE B—ELIGIBILITY FOR STATE AND LOCAL PUBLIC BENEFITS PROGRAMS

7. INELIGIBILITY OF ILLEGAL ALIENS FOR STATE AND LOCAL PUBLIC BENEFITS PROGRAMS (SECTIONS 411 AND 435)

*Present law*

Under *Plyler* v. *Doe* (457 U.S. 202 (1982)), States may not deny illegal alien children access to a public elementary education. However, the narrow 5–4 Supreme Court decision may imply that illegal aliens may be denied at least some State benefits and that Congress may influence the eligibility of illegal aliens for State benefits. Many, but not all, State general assistance laws currently deny illegal aliens means-tested general assistance.

*House bill*

No alien who is not lawfully present in the U.S. shall be eligible for any State and local means-tested public benefits programs (see definitions below). The only exception is emergency medical services.

*Senate amendment*

No provision affects programs wholly administered and funded by State and local governments. Aliens who are not lawfully present are ineligible for benefits paid with Federal funds under State-administered programs (or paid with State funds pursuant to such programs).

*Conference agreement*

The conference agreement follows the House bill with a modification that States are permitted to affirmatively enact a State law after the date of enactment of this Act that specifies that such State wished to provide State and local benefits to illegal aliens.

No current State law, State constitutional provision, State executive order or decision of any State or Federal court shall provide a sufficient basis for a State to be relieved of the requirement to deny benefits to illegal aliens in subsection (a). Laws, ordinances, or executive orders passed by county, city or other local officials will not allow those entities to provide benefits to illegal aliens. Only the affirmative enactment of a law by a State legislature and signed by the Governor after the date of enactment of this Act, that references this provision, will meet the requirements of this section.

The phrase ''affirmatively provides for such eligibility'' means that the State law enacted must specify that illegal aliens are eligible for State or local benefits as defined in subsection (c). Persons residing under color of law shall be considered to be aliens unlawfully present in the U.S. and are prohibited from receiving State or local benefits, as defined in subsection (c), regardless of the enactment of any State law.

The conference agreement provides that no State or local government entity shall prohibit, or in any way restrict, any entity or official from sending to or receiving from the INS information regarding the immigration status of an alien or the presence, whereabouts, or activities of illegal aliens. It does not require, in and of itself, any government agency or law enforcement official to communicate with the INS.

The conferees intend to give State and local officials the authority to communicate with the INS regarding the presence, whereabouts, or activities of illegal aliens. This provision is designed to prevent any State or local law, ordinance, executive order, policy, constitutional provision, or decision of any Federal or State court that prohibits or in any way restricts any communication between State and local officials and the INS. The conferees believe that immigration law enforcement is as high a priority as other aspects of Federal law enforcement, and that illegal aliens do not have the right to remain in the U.S. undetected and unapprehended.

8. INELIGIBILITY OF NONIMMIGRANTS FOR STATE AND LOCAL PUBLIC BENEFITS PROGRAMS (SECTION 411)

*Present law*

Currently, there is no Federal law barring nonimmigrants from State and local needs-based programs. In general, States are restricted in denying assistance to nonimmigrants where the denial is inconsistent with the terms under which the nonimmigrants were admitted. Where a denial of benefits is not inconsistent with Federal immigration law, however, States have broader authority to deny benefits and States often do deny certain benefits to nonimmigrants. Also, aliens in most nonimmigrant categories generally may have difficulty qualifying for many State and local benefits because of requirements that they be State ''residents.''

*House bill*

No alien who is lawfully present in the U.S. as a nonimmigrant shall be eligible for any State and local means-tested public benefit programs. Exceptions for: non-cash emergency assistance (including emergency medical services) aliens granted asylum, and certain temporary agricultural workers who are treated as immigrants for purposes of application for State and local means-tested benefits (see below). Aliens paroled into the U.S. for a period of less than 1 year are considered to be nonimmigrants under this part.

*Senate amendment*

No provision affects programs wholly administered and funded by State or local governments. Nonimmigrants are not considered to be lawfully present for Federal benefits purposes and are thus ineligible for benefits paid with Federal funds under State-administered programs (or paid with State funds pursuant to such programs).

*Conference agreement*

The conference agreement follows the House bill, with the modification that States may determine the eligibility of nonimmigrants and short-term parolees for State and local benefits.

9. STATE AUTHORITY TO LIMIT ELIGIBILITY OF IMMIGRANTS FOR STATE AND LOCAL MEANS-TESTED PUBLIC BENEFITS PROGRAMS (SECTION 412)

*Present law*

Under *Graham* v. *Richardson* (403 U.S. 365 (1971)), States are barred from denying legal permanent residents from State-funded assistance that is provided to equally needy citizens.

*House bill*

States are authorized to determine eligibility requirements for aliens who are lawfully present in the U.S. for any State and local means-tested public benefit program (other than non-cash emergency assistance, including emergency medical services), with exception of:

(i) refugees during their first 5 years in the U.S.;

(ii) Aliens who have been lawfully admitted to the U.S. for permanent residence, are over 75 years of age, and have resided in U.S. for five years;

(iii) Honorably discharged veterans and active duty personnel or their spouses and unmarried dependent children lawfully residing in any State or territory or possession of the U.S.; and

(iv) Aliens lawfully residing in any State or Territory or possession of the U.S. during the first year after the date of enactment. Aliens lawfully present would remain eligible for emergency medical services.

In addition to enhancing State discretion to impose alienage restrictions, eligibility for State and local needs-based benefits also would be restricted by application of new sponsor-to-alien deeming requirements discussed below.

*Senate amendment*

No provision restricts benefits wholly funded by State or local governments, but States may use the sponsor-alien deeming provisions, described below, to determine whether a sponsored individual qualifies for assistance under such a program.

*Conference agreement*

The conference agreement follows the House bill, except that excepted classes are modified so that they are identical to those excepted under (4)(C) for the purposes of the denial of Federal benefits for legal permanent resident noncitizens.

SUBTITLE C—ATTRIBUTION OF INCOME AND AFFIDAVITS OF SUPPORT

10. REQUIREMENTS FOR AFFIDAVITS OF SUPPORT (SECTIONS 423 AND 424)

A. When Required and Enforceability

*Present law*

Administrative authorities may request an affidavit of support on behalf of an alien seeking permanent residency. Requirements for affidavits of support are not specified under current law.

Under the Immigration and Nationality Act, an alien who is likely to become a public charge may be excluded from entry unless this restriction is waived, as is the case for refugees. By regulation and administrative practice, the State Department and the Immigration and Naturalization Service permit a prospective permanent resident alien (also immigrant or green card holder) who otherwise would be excluded as a public charge (i.e., insufficient means or prospective income) to overcome exclusion through an affidavit of support or similar document executed by a individual in the U.S. Individuals who execute affidavits of support commonly are called sponsors, even though that term also is used under immigration practice to refer to individuals and other entities who undertake various other acts (e.g., file a visa preference petition for a relative or prospective employee or undertake to resettle individuals who enter in refugee status) and who may or may not also execute affidavits of support. About one-half of the aliens who obtain legal permanent resident status have had affidavits of support filed on their behalf.

Various State court decisions and decisions by immigration courts have held that these affidavits, as currently constituted, do not impose a binding obligation on the sponsor to reimburse State agencies providing aid to the sponsored alien.

*House bill*

When affidavits of support are required, they must comply with the following:

(A) no affidavit of support may be accepted to overcome a public charge exclusion unless the affidavit is executed as a contract that is legally enforceable against the sponsor by the Federal government and by any State or local government with respect to any means-tested benefits paid to the sponsored alien before the alien becomes a citizen. However, affidavits of support are not to be construed to provide any right to sponsored aliens;

(B) any Federal, State or local means-tested benefits paid to sponsored alien;

(C) to qualify to execute an affidavit of support, an individual must be within the definition of sponsor set out in item G(1), below;

(D) governmental entities that provide benefits may seek reimbursement up to 10 years after a sponsored alien last receives benefits. In the affidavit of support, the sponsor must agree to submit to the jurisdiction of any Federal or State court regarding reimbursement of the cost of benefits received by the alien; and

(E) sponsorship extends until alien becomes a citizen.

*Senate amendment*

When affidavits of support are required, they must comply with the following:

(A) no affidavit of support may be relied upon to overcome a public charge exclusion unless the affidavit is executed as a contract that is legally enforceable against the sponsor by the sponsored alien and by Federal, State, and local governmental entities that provide the sponsored alien with means-tested assistance during the support period described below;

(B) programs for which reimbursement shall be requested are: (1) AFDC or its successor; (2) Medicaid; (3) Food Stamps; (4) SSI; (5) any State general assistance program; and (6) any other Federal, State or local need-based program. However, governmental entities cannot seek reimbursement with respect to (1) emergency medical services under Medicaid; (2) short-term emergency disaster relief; (3) assistance provided under the National School Lunch Act or the Child Nutrition Act of 1966; (4) the Head Start program; (5) public health assistance for immunizations and, if determined necessary by HHS, testing for or treatment of communicable diseases; and (6) programs specified by the Attorney General that (i) deliver services at the community level, (ii) do not condition assistance on the recipient's income or resources, and (iii) are necessary to protect life, safety, or public health (e.g. soup kitchens);

(C) to qualify to execute an affidavit of support, an individual must be within the definition of sponsor set out in item G(1), below;

(D) governmental entities may seek reimbursement of other means-tested assistance up to 10 years after a sponsored alien last receives benefits. In the affidavit of support, the sponsor must agree to submit to the jurisdiction of any Federal or State court regarding reimbursement of the cost of benefits received by the alien; and

(E) sponsor must agree in the affidavit of support to provide sufficient financial support so that the sponsored individual will not become a public charge until the individual has worked in the U.S. for 40 qualifying quarters, regardless of whether the individual chooses to naturalize or not. A qualifying quarter is a 3-month period (1) which counts as a quarter for the purposes of social security coverage, (2) during which the individual did not receive needs-based assistance, and (3) which occurs in a tax year for which the individual had income tax liability.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment as follows:

When affidavits of support are required, they must comply with the following:

(A) no affidavit of support may be accepted to overcome a public charge exclusion unless the affidavit is executed as a contract that is legally enforceable against the sponsor by the Federal government with respect to any means-tested benefits paid to the sponsored alien before the alien becomes a citizen. However, affidavits of support are to to be construed to provide any right to sponsored aliens;

(B) programs for which reimbursement shall be requested are: (1) AFDC or its successor; (2) Medicaid; (3) Food Stamps; (4) SSI; (5) any State general assistance program; and (6) any other Federal, State or local need-based program. However, governmental entities cannot seek reimbursement with respect to (1) emergency medical services under Medicaid; (2) short-term emergency disaster relief; (3) assistance provided under the National School Lunch Act or the Child Nutrition Act of 1966; (4) payments for foster care and adoption assistance under part B of title IV of the Social Security Act; (5) public health assistance for immunizations and, if determined necessary by HHS, testing for or treatment of communicable diseases; (6) programs specified by the Attorney General that (i) deliver services at the community level, (ii) do no condition assistance on the recipient's income or resources, and (iii) are necessary to protect life, safety, or public health (e.g. soup kitchens); and (7) postsecondary education benefits (the conference report includes a provision that, notwithstanding sections 427(a)(2)(A), 428B(a), 428C(b)(4)(A), and 464(c)(1)(E), would prohibit a lawfully admitted alien from receiving a student loan authorized under Title IV of the Higher Education Act unless the loan is endorsed and cosigned by the alien's sponsor or by another individual who is a United States citizen. The conferees recognize that this provision is not currently a feature of the Higher Education Act and are aware that this requirement will necessitate modifications to the regulations that govern Federal student aid, and the application forms through which students apply. The conferees expect the Department of Education to minimize the regulatory burden on students and schools that may attend this provision, and instruct the Department to work closely with the higher education community to develop regulations and forms to implement this requirement);

(C) to qualify to execute an affidavit of support, an individual must be within the definition of sponsor set out in item G(1) below;

(D) governmental entities that provide benefits may seek reimbursement up to 10 years after a sponsored alien last receives benefits. In the affidavit of support, the sponsor must agree to submit to the jurisdiction of any Federal or State court regarding reimbursement of the cost of benefits received by the alien; and

(E) sponsorship extends until alien becomes a citizen.

The allowance for treatment of communicable diseases is very narrow. The conferees intend that it only apply where absolutely necessary to prevent the spread of such diseases. This is only a stop-gap measure until the deportation of a person of persons unlawfully here. It is not intended to provide authority for continued treatment of such diseases for a long term.

The allowance for emergency medical services under Medicaid is very narrow. The conferees intend that it only apply to medical care that is strictly of an emergency nature, such as medical treatment administered in an emergency room, critical care unit or intensive care unit. The conferees do not intend that emergency medical services include pre-natal or delivery care assistance that is not strictly of an emergency nature as specified herein.

B. Forms

*Present law*

No statutory provision. The Department of Justice issues a form (Form I–134) that complies with current sponsorship guidelines.

*House bill*

The Attorney General, in consultation with the Secretary of State and the Secretary of HHS shall formulate an affidavit of support within 90 days after enactment, consistent with this section.

*Senate amendment*

The Attorney General, the Secretary of State, and the Secretary of HHS shall jointly formulate an affidavit of support with 90 days after enactment, consistent with this section.

*Conference agreement*

The conference agreement follows the House bill.

C. Statutory Construction

*Present law*

No provision.

*House bill*

Nothing in this section shall be construed to grant third party beneficiary rights to any sponsored alien under an affidavit of support.

*Senate amendment*

The Senate amendment expressly requires that affidavits of support permit sponsored individuals to enforce support obligations of their sponsors as contained in the affidavits.

*Conference agreement*

The conference agreement follows the Senate amendment.

D. Notification of Change of Address

*Present law*

There is no express requirement under current administrative practice that sponsors inform welfare agencies of a change in address. However, a sponsored alien who applies for benefits for which deeming is required must provide various information regarding the alien's sponsor.

*House bill*

Until they no longer are potentially liable for reimbursement of benefits paid to sponsored aliens, sponsors must notify welfare agencies of any change of their address within 30 days of moving. Failure to notify may result in a civil penalty of up to $2000 or, if the failure occurs after knowledge that the sponsored alien has received a reimbursable benefit, of up to $5000.

*Senate amendment*

Until they no longer are potentially liable for reimbursement of benefits paid to sponsored individuals, sponsors must notify the Attorney General and the State, district, territory or possession in which the sponsored individual resides of any change of their address within 30 days of moving. Failure to notify may result in a civil penalty of up to $2000 or, if the failure occurs after knowledge that the sponsored individual has received a reimbursable benefit, of up to $5000.

*Conference agreement*

The conference agreement follows the Senate amendment.

E. Reimbursement Procedures

*Present law*

Various State court decisions and decisions by immigration courts have held that these affidavits, as currently constituted, do not impose a binding obligation on the sponsor to reimburse State agencies providing aid to the sponsored alien.

*House bill*

If a sponsored alien receives any benefit under any means-tested public assistance program, the appropriate Federal, State, or local official shall request reimbursement by the sponsor in the amount of such assistance. Thereafter the official may seek reimbursement in court if the sponsor fails to respond within 45 days of the request that the sponsor is willing to begin repayments. The official also may seek reimbursement through the courts within 60 days after a sponsor fails to comply with the terms of repayment. The Attorney General, in consultation with the Secretary of HHS, shall prescribe regulations on requesting reimbursement. No action may be brought later than 10 years after the alien last received benefits.

*Senate amendment*

Upon notification that a sponsored individual has received a reimbursable need-based benefit (see above), the appropriate government official shall request reimbursement in accordance with the same procedures and limitations that are in the House bill. The Commissioner of Social Security is to prescribe regulations for requesting reimbursement from sponsors, and such regulations must include the notification of sponsors (at their last known address) by certified mail.

*Conference agreement*

The conference agreement follows the House bill.

F. Jurisdiction

*Present law*

State law sets forth which types of cases its courts will hear, subject to due process requirements on minimal connections between activities, people, or property within the State and the matter being litigated.

*House bill*

No provision.

*Senate amendment*

No State court shall decline for lack of jurisdiction to hear any action brought against a sponsor for reimbursement for the cost of any benefit if the sponsored individual received public assistance while residing in the State.

*Conference agreement*

The conference agreement follows the Senate amendment. The conferees intend that both Federal and State courts have jurisdiction over reimbursement actions against a sponsor.

G. Definitions

*Present law*

No provision.

*House bill*

A ''Sponsor'' is an individual who (1) is a citizen or national of the U.S. or an alien who is lawfully admitted to the U.S. for permanent residence; (2) is at least 18 years of age; and (3) resides in any State.

A ''Means-Tested Public Benefits Program'' is a program of public benefits of the Federal, State or local government in which eligibility or the amount of benefits or both are determined on the basis of income, resources, or financial need.

*Senate amendment*

A ''Sponsor'' is an individual who (1) is a citizen or national of the U.S. or an alien who is lawfully admitted to the U.S. for permanent residence; (2) is at least 18 years of age; (3) resides in any State or U.S. territory; and (4) is able to demonstrate (through evidence which includes attested copies of tax returns for the 2 most recent tax years) the means to maintain an income equal to 200 percent of the Federal poverty line for the individual and the individual's family, including the person sponsored.

''Federal Poverty Line'' has the same meaning as in section 673(2) of the Community Services Block Grant Act.

A ''Qualifying Quarter'' is a 3-month period (1) in which the sponsored individual earned at least the minimum necessary for the period to count as one of 40 calendar quarters required to qualify for Social Security retirement benefits; (2) during which the sponsored individual did not receive need-based public assistance; and (3) which falls within a tax year for which the sponsored individual had income tax liability.

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment, except that the sponsor is not required to demonstrate the means to maintain an income equal to 200 percent of the poverty level and the Senate recedes on the conditions that a qualifying quarter is (1) one in which the sponsored individual did not receive need-based public assistance, and (2) one which falls within a tax year for which the sponsored individual has tax liability. The sponsor must also be the person petitioning for the alien's admission, and reside in one of the 50 States or the District of Columbia.

H. Clerical Amendment

*Present law*

Not applicable.

*House bill*

A minor clerical amendment.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

I. Effective Date

*Present law*

Not applicable.

*House bill*

The changes regarding affidavits of support shall apply to affidavits of support executed no earlier than 60 days or later than 90 days after the Attorney General promulgates the form.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

11. ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO SPONSORED IMMIGRANTS (SECTIONS 421 AND 422)

A. Federal Benefits

*Present law*

In determining whether an alien meets the means test for Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and Food Stamps, the resources and income of an individual who filed an affidavit of support for the alien (and the income and resources of the individual's spouse) are taken into account during a designated period after entry.

*House bill*

During the applicable deeming period, the income and resources of an individual who files a binding affidavit of support (as required above) for an alien (and the income and resources of the individual's spouse) are taken into account under all Federal means-tested programs (with the exception of housing-related assistance) in determining a sponsored alien's neediness. Current law remains effective for aliens whose sponsors filed affidavits before the new affidavit requirements become effective (60–90 days after enactment).

*Senate amendment*

During the applicable deeming period, the income and resources of an individual who filed an affidavit of support for an alien (and the income and resources of the individual's spouse) are to be taken into account under all Federally-funded means-tested programs (with the exception of the programs below) in determining the sponsored individual's neediness.

Excepted programs are (1) emergency Medicaid services; (2) short-term emergency disaster relief; (3) assistance provided under the National School Lunch Act or the Child Nutrition Act of 1966; (4) the Head Start program; (5) public health assistance for immunizations and, if determined by HHS, testing for or treatment of communicable diseases; and (6) programs specified by the Attorney General that (i) deliver services at the community level, (ii) do not condition assistance on the recipient's income or resources, and (iii) are necessary to protect life, safety, or public health (e.g. soup kitchens).

Individuals who are exempt from deeming include (1) honorably discharged legal alien veterans and their spouses and unmarried children; (2) refugees; (3) asylees (including aliens who have had their deportation stayed because it would return them to a country which will persecute them); and (4) individuals who have been battered or subjected to extreme cruelty, if application of deeming would endanger their well-being.

*Conference agreement*

The conference agreement follows the Senate amendment, except that post-secondary education is included as an excepted program, Head Start is not included as an excepted program, individuals who have worked 40 quarters as defined in this title are included as an excepted class, and battered individuals are not included as an excepted class.

The allowance for treatment of communicable diseases is very narrow. The conferees intend that it only apply where absolutely necessary to prevent the spread of such diseases. This is only a stop-gap measure until the deportation of a person or persons unlawfully here. It is *not* intended to provide authority for continued treatment of such diseases for a long term.

The allowance for emergency medical services under Medicaid is very narrow. The conferees intend that it only apply to medical care that is *strictly* of an emergency nature, such as medical treatment administered in an emergency room, critical care unit, or intensive care unit. The conferees do not intend that emergency medical services include pre-natal or delivery care assistance that is not strictly of an emergency nature as specified herein.

B. Amount of Income and Resources Deemed

*Present law*

While the offset formulas vary among the programs, the amount of income and resources deemed under AFDC, SSI, and Food Stamps is reduced by certain offsets to provide for some of the sponsor's own needs.

*House bill*

The full income and resources of the sponsor and the sponsor's spouse are deemed to be that of the sponsored alien.

*Senate amendment*

If an agency determines that a sponsored individual would not be able to obtain food

and shelter without the agency's assistance (taking into account the income and resources actually provided to the individual by the sponsor and others), then deeming will not apply for a period of 12 months and the agency need take into account during this period only the amount of support the sponsor actually provides.

If the address of the sponsor is unknown to the sponsored individual, then assistance is provided until 12 months after the sponsor is located.

*Conference agreement*

The conference agreement follows the House bill.

C. Length of Deeming Period

*Present law*

For AFDC and Food Stamps, sponsor-to-alien deeming applies to a sponsored alien seeking assistance within 3 years of entry. Until September 1996, sponsor-to-alien deeming applies to a sponsored alien seeking SSI within 5 years of entry.

*House bill*

For aliens whose sponsors have filed binding affidavits of support as required above, the sponsors' income and resources are deemed to the alien until the alien becomes a citizen. Current law remains effective for aliens whose sponsors filed affidavits before the new affidavit requirements become effective (60–90 days after enactment).

*Senate amendment*

Deeming applies until the immigrant has worked 40 qualifying quarters (the period of time future sponsors must agree to support the immigrant) or for 5 years from the alien's arrival in the U.S. (for current noncitizens), whichever is longer. Deeming continues until the above requirements are met, regardless of whether the immigrant naturalizes or not. [A qualifying quarter is a 3-month period (1) in which the sponsored individual earned at least the minimum necessary for the period to count as one of 40 calendar quarters required to qualify for Social Security retirement benefits; (2) during which the sponsored individual did not receive need-based public assistance; and (3) which falls within a tax year for which the sponsored individual had income tax liability.]

*Conference agreement*

The conference agreement follows the House bill, with the modification described in section A. above that sponsored noncitizens who have worked at least 40 quarters as defined in this title are excepted from deeming requirements.

D. State and Local Benefits

*Present law*

The highest courts of at least 2 States have held that the Supreme Court decision barring State discrimination against legal aliens in providing State benefits (*Graham* v. *Richardson*, 403 U.S. 365 (1971)) prohibits State sponsor-to-alien deeming requirements for State benefits.

*House bill*

In determining the eligibility and amount of benefits of an alien for any State or local means-tested public benefit program, the income and resources of the alien shall be deemed to include the income and resources of their sponsor (and their sponsor's spouse). Housing related assistance continues to be treated as under current law.

*Senate amendment*

With the exception of those programs exempted from all benefit restrictions (see above) and those aliens exempt from deeming requirements, States and local governments may deem a sponsor's income and resources (and those of the sponsor's spouse) to a sponsored individual in determining eligibility for and the amount of needs-based benefits. State deeming provisions must also provide for temporary assistance if the sponsor is not assisting the sponsored individual or cannot be located.

*Conference agreement*

The conference agreement follows the Senate amendment, except that there is no provision for temporary assistance if the sponsor is not assisting the sponsored individual or can not be located.

SUBTITLE D—GENERAL PROVISIONS

12. DEFINITIONS (SECTION 431)

A. In General

*Present law*

Federal assistance programs that have alien eligibility restrictions generally reference specific classes defined in the Immigration and Nationality Act.

*House bill*

Unless otherwise provided, the terms used in this title have the same meaning as defined in Section 101(a) of the Immigration and Nationality Act.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

B. Lawful Presence

*Present law*

Some programs allow benefits for otherwise eligible aliens who are ''permanently residing under color of law (PRUCOL).'' This term is not defined under the Immigration and Nationality Act, and there has been some inconsistency in determining which classes of aliens fit within the PRUCOL standard.

*House bill*

For purposes of this Title, the determination of whether an alien is lawfully present in the U.S. shall be made in accordance with regulations issued by the Attorney General. An alien shall not be considered to be lawfully present in the U.S. merely because the alien may be considered to be permanently residing in the U.S. under color of law (''PRUCOL'') for purposes of any particular program.

*Senate amendment*

An individual is lawfully present if the individual is a citizen, non-citizen national (i.e. American Samoan), permanent resident alien, refugee, asylee (including an alien who has had his/her deportation stayed because it would return him/her to a country which would persecute him/her), or an alien who has been paroled into the U.S. by the Attorney General for at least 1 year. Individuals who are not lawfully present are ineligible for any Federal benefit.

*Conference agreement*

The conference agreement follows the Senate amendment with a modification that eligibility is determined by specific classes of aliens, not whether noncitizens are ''lawfully present.''

C. State

*Present law*

There is no single definition of ''State'' for purposes of alien eligibility under Federal assistance programs. The Immigration and Nationality Act defines ''State'' to include the District of Columbia, Puerto Rico, Guam, and the Virgin Islands of the United States.

*House bill*

The term ''State'' includes the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

D. Public Benefits Programs

*Present law*

No provision.

*House bill*

A ''Means-Tested Program'' is a program of public benefits of the Federal, State, or local government in which eligibility for benefits under the program, or the amount of benefits, or both, are determined on basis of income, resources or financial need.

A ''Federal Means-Tested Public Benefits Program'' is a means-tested public benefit program of (or contributed to by) the Federal Government under which the Federal Government establishes standards for eligibility.

A ''State Means-Tested Public Benefits Program'' is a means-tested program of a State or political subdivision under which the State or political subdivision specifies the standards of eligibility, and does not include any Federal means-tested public benefits program.

*Senate amendment*

''Federal Benefit'' means any grant, contract loan, professional or commercial license, retirement benefit, health or disability benefit, public housing, food stamps, higher education benefits, unemployment benefit, or any similar benefit provided by a Federal agency or with appropriated Federal funds. (Individuals who are not lawfully present are ineligibility for Federal benefits.)

*Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

13. CONSTRUCTION (SECTION 434)

*Present law*

Not applicable.

*House bill*

Nothing in this title shall be construed as addressing alien eligibility for governmental programs that are not means-tested public benefits programs.

*Senate amendment*

The Senate amendment's bar to Federal benefits for individuals who are not lawfully present covers a wide range of contracts, grants, licenses, and other assistance that is not means-tested.

*Conference agreement*

The conference agreement follows the House bill with a clarification that the subtitle is silent on alien eligibility for a basic public elementary education as determined by the U.S. Supreme Court in *Plyler* v. *Doe*, 457 U.S. 202 (1982).

SUBTITLE E—CONFORMING AMENDMENTS

14. CONFORMING AMENDMENTS RELATING TO ASSISTED HOUSING (SECTION 441)

*Present law*

No provision.

*House bill*

A series of technical and conforming amendments.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

## TITLE V. REDUCTIONS IN FEDERAL GOVERNMENT POSITIONS

### 1. REDUCTIONS (SECTION 501)

*Present law*

The Department of Health and Human Services (HHS) reports that 118 employees in the Office of Family Assistance (OFA) work on AFDC and 209 (full-time equivalent positions) in regional offices of the Administration on Children and Families. The OFA employees include 30 who spend some time interpreting AFDC/JOBS policy and participating with States in State plan development.

*House bill*

No provision.

*Senate amendment*

Requires the HHS Secretary to reduce the Department workforce by 245 equivalent (FTE) positions related to the AFDC program (which the amendment would replace) and by 60 full-time equivalent managerial positions. It also requires the Secretaries of Agriculture, Education, Labor, HHS, and Housing and Urban Development to report to Congress by December 31, 1995 on the number of (FTE) positions required to carry out ''covered'' activities before and after enactment of the amendment and to reduce the number of employees by the difference in numbers. A covered activity is defined as one that the Department must carry out under a provision of this Act or a provision of Federal law that is amended or repealed by the Act.

*Conference agreement*

The conference agreement follows the Senate amendment with a modification that the reductions take place over a two-year period.

### 2. REDUCTIONS IN FEDERAL BUREAUCRACY (SECTION 502)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

This section also provides for a reduction of 75 percent of the FTE positions ''at each such Department'' that relate to any direct spending program, or program funded through discretionary spending, that is converted into a block grant program under the Act (but it calls for this action to be taken by the HHS Secretary alone to each such Department).

*Conference agreement*

The conference agreement follows the Senate agreement.

### 3. REDUCING PERSONNEL IN WASHINGTON, D.C. AREA (SECTION 503)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

In making reductions the Secretaries are encouraged to reduce personnel in the Washington, D.C. area office before reducing field personnel.

*Conference agreement*

The conference agreement follows the Senate amendment.

## TITLE VI. HOUSING

### 1. CEILING RENTS

*Present law*

The rent paid by a public housing tenant is the greater of 30 percent of ''adjusted'' monthly income or 10 percent of gross income. Adjusted income deducts from annual gross income $480 per dependent, $400 for an elderly family, excess medical costs for an elderly family, and costs of child care and handicapped assistance. Regulations exclude some items from ''income'' by definition, among them: irregular gifts, amounts that reimburse medical expenses, earnings of children, and payments received for the care of foster children. There is no ceiling on rent paid by the tenant. When a tenant's income rises, his/her rent increases, usually by 30 cents per extra dollar of income.

*House bill*

No provision.

*Senate amendment*

The Senate amendment would permit a public housing agency to establish a ceiling on monthly rent charged to a tenant. The amendment stipulates that the amount must reflect the reasonable rental value of the unit, as compared with similar types and sizes of dwelling units in the market area, must at least equal the monthly cost to operate the housing, and must not exceed the amount payable as rent under current law (30 percent of adjusted income, or 10 percent of gross income).

*Conference agreement*

The conference agreement follows the House bill (no provision).

### 2. DEFINITION OF ADJUSTED INCOME FOR PUBLIC HOUSING

*Present law*

Under current law adjusted income deducts from annual gross income $480 per dependent, $400 for an elderly family, excess medical costs for an elderly family, and costs of child care and handicapped assistance. Regulations exclude some items from ''income'' by definition, among them: irregular gifts, amounts that reimburse medical expenses, earnings of children, and payments received for the care of foster children.

*House bill*

No provision.

*Senate amendment*

The amendment would permit a public housing agency to disregard up to 20 percent of the earned income of the family, thus reducing its rental payment. It provides that if a housing agency offers this earnings incentive, the operating subsidy for the unit shall take no account of the resulting change in rental income until actual subsidies equal those that would have been received if all earnings were counted.

*Conference agreement*

The conference agreement follows the House bill (no provision).

### 3. FAILURE TO COMPLY WITH OTHER WELFARE AND PUBLIC ASSISTANCE PROGRAMS (SECTION 601)

*Present law*

See item 7, below.

*House bill*

No provision.

*Senate amendment*

The amendment would provide that there be no reduction in public or assisted housing rents in response to a tenant's reduced income resulting from non-compliance with welfare or public assistance program requirements; permits reduction where State or local law limits the period during which benefits may be provided.

*Conference agreement*

The conference agreement follows the Senate amendment.

### 4. APPLICABILITY TO INDIAN HOUSING

*Present law*

The Housing and Urban Development (HUD) Indian Housing Program operates through Indian housing authorities. In general Indian housing authorities are comparable to public housing authorities in structure and function.

*House bill*

No provision.

*Senate amendment*

Provisions of this title apply to public housing developed or operated pursuant to a contract between the HUD Secretary and an Indian housing authority.

*Conference agreement*

The conference agreement follows the House bill (no provision).

### 5. IMPLEMENTATION

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

The Secretary must issue regulations necessary to carry out this title and its amendments.

*Conference agreement*

The conference agreement follows the House bill (no provision).

### 6. DEMONSTRATION PROJECT FOR ELIMINATION OF TAKE-ONE-TAKE-ALL REQUIREMENT

*Present law*

A federal rule requires that if a multifamily rental housing owner makes at least one unit available to a person with a section 8 certificate or voucher, the owner cannot refuse another section 8 participant on the sole basis that he has a section 8 subsidy.

*House bill*

No provision.

*Senate amendment*

Creates a demonstration project in Madison, Wisconsin; the amendment would eliminate a so-called ''take-one, take-all'' requirement that concerns tenant applicants with section 8 certificates or vouchers.

*Conference agreement*

The conference agreement follows the House bill (no provision).

### 7. FRAUD UNDER MEANS-TESTED WELFARE AND PUBLIC ASSISTANCE PROGRAMS (SECTION 602)

*Present law*

If a family's adjusted cash income declines—no matter what the reason—its housing benefit is increased (that is, its rental payment is decreased, by 30 cents per dollar). This applies to cash income from any source, including means-tested benefit programs. However, the housing programs take no account of noncash income. Thus, if food stamp benefits decline, housing benefits are unaffected.

*House bill*

No provision.

*Senate amendment*

The amendment provides that if a person's means-tested benefits from a Federal, State, or local program are reduced because of an act of fraud, their benefits from public or assisted housing (and from food stamps and family assistance) may not be increased in response to the income loss caused by the penalty.

*Conference agreement*

The conference agreement follows the Senate amendment.

### 8. EFFECTIVE DATE (SECTION 603)

*Present law*

Not applicable.

*House bill*

No provision.

*Senate amendment*

Date of enactment.

*Conference agreement*

The conference agreement follows the Senate amendment.

TITLE VII. CHILD PROTECTION BLOCK GRANT PROGRAM AND FOSTER CARE AND ADOPTION ASSISTANCE

1. ESTABLISHMENT OF PROGRAM (SECTION 701)

A. Purpose

*Present law*

Child Welfare Services, now provided for in Title IV–B of the Social Security Act, are designed to help States provide child welfare services, family preservation and community-based family support services, and improve State court procedures related to child welfare.

Title IV–E Foster Care and Title IV–E Adoption Assistance are intended to help States finance foster care and adoption assistance maintenance payments, administration, child placement services, and training related to foster care and adoption assistance.

The purpose of the Title IV–E Independent Living program is to help older foster children make the transition to independent living.

*House bill*

The House provision replaces Title IV–B and Title IV–E of the Social Security Act and several additional programs (see below) by establishing a block grant to enable eligible States to carry out child protection programs to:

(1) identify and assist families at risk of abusing or neglecting their children;

(2) operate a system for receiving reports of abuse or neglect of children;

(3) investigate families reported to abuse or neglect their children;

(4) provide support, treatment, and family preservation services to families which are, or are at risk of, abusing or neglecting their children;

(5) support children who must be removed from or who cannot live with their families;

(6) make timely decisions about permanent living arrangements for children who must be removed from or who cannot live with their families; and

(7) provide for continuing evaluation and improvement of child protection laws, regulations, and services.

Additional programs to be replaced are: the Child Abuse Prevention and Treatment Act; the Abandoned Infants Assistance Act; adoption opportunities under the Child Abuse Prevention and Treatment and Adoption Reform Act; family support centers under the McKinney Homeless Assistance Act; grants to improve investigation and prosecution of child abuse cases, and children's advocacy centers under the Victims of Child Abuse Act; crisis nurseries under the Temporary Child Care and Crisis Nurseries Act; and Family Unification under Section 8 of the Housing Act.

*Senate amendment*

The Senate amendment would leave intact child welfare services, foster care, adoption assistance and independent living, which are permanently authorized under Title IV–B and IV–E of the Social Security Act. The Senate amendment would reauthorize the Child Abuse Prevention and Treatment Act; adoption opportunities; abandoned infants assistance; missing children's assistance; investigation and prosecution grants, and children's advocacy centers under the Victims of Child Abuse Act. The amendment would repeal both the Temporary Child Care and Crisis Nurseries Act and the Family Support Centers under the McKinney Homeless Assistance Act.

The Senate amendment gives the Secretary authority under CAPTA to make grants to the States for purposes of assisting the States in improving the child protective service system of each State in:

(1) screening intake, assessing, and investigating of reports of abuse and neglect;

(2) creating and improving the use of multidisciplinary teams and interagency protocols to enhance investigations;

(3) improving case management and delivery of services;

(4) enhancing the general child protection system by improving risk and safety assessment tools and protocols and automation systems;

(5) developing, strengthening, and facilitating training opportunities and requirements for individuals overseeing and providing services to children and their families;

(6) developing and facilitating training protocols for individuals mandated to report child abuse or neglect;

(7) developing, strengthening, and supporting child abuse and neglect prevention, treatment, and research programs in the public and private sectors;

(8) developing, implementing, or operating information and education programs or training programs designed to improve the provision of services to disabled infants with life-threatening conditions; and

(9) developing and enhancing the capacity of community-based programs to integrate shared leadership strategies between parents and professionals to prevent and treat child abuse and neglect at the neighborhood level.

*Conference agreement*

The Conference agreement establishes a child protection program with three major elements: open-ended entitlements for both foster care and adoption maintenance payments, a Child Protection Block Grant program focusing on prevention and services, and a Child and Family Services Block Grant program that includes research, and demonstrations as well as services. The first block grant (the Child Protection Block Grant) has two components: an entitlement component and a discretionary spending component. Funds for the entitlement component of the block grant are made available by termination of several existing entitlement programs. These include foster care administration, foster care training, adoption assistance administration, adoption assistance training, independent living, and family preservation and support.

The second block grant established by this title is the Child and Family Services Block Grant, replacing the Child Abuse Prevention and Treatment Act, the Abandoned Infants Assistance Act, adoption opportunities under the Child Abuse Prevention and Treatment and Adoption Reform Act, family support centers under the McKinney Homeless Assistance Act, and the Temporary Child Care and Crisis Nurseries Act.

The purpose of the Child Protection Block Grant is to:

(1) identify and assist families at risk of abusing or neglecting their children;

(2) operate a system for receiving reports of abuse or neglect of children;

(3) improve the intake, assessment, screening, and investigation of reports of abuse and neglect;

(4) enhance the general child protective system by improving risk and safety assessment tools and protocols;

(5) improve legal preparation and representation, including procedures for appealing and responding to appeals of substantiated reports of abuse and neglect;

(6) provide support, treatment, and family preservation services to families which are, or are at risk of, abusing or neglecting their children;

(7) support children who must be removed from or who cannot live with their families;

(8) make timely decisions about permanent living arrangements for children who must be removed from or who cannot live with their families;

(9) provide for continuing evaluation and improvement of child protection laws, regulations, and services;

(10) develop and facilitate training protocols for individuals mandated to report child abuse or neglect; and

(11) develop and enhance the capacity of community-based programs to integrate shared leadership strategies between parents and professionals to prevent and treat child abuse and neglect at the neighborhood level.

B. Eligible States

*Eligible State*

*Present law*

To be eligible for funding under Title IV–B and IV–E, States must have State plans (developed jointly with the Secretary under title IV–B, and approved by the Secretary under Title IV–E).

*House bill*

An ''Eligible State'' is one that, during the 3-year period that ends on October 1 of the fiscal year, has submitted to the Secretary a plan that describes how the State intends to pursue the purposes described above.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. See Item 6.I., below, for summary of State eligibility under CAPTA.

*Conference agreement*

An ''Eligible State'' is one that has submitted to the Secretary, not later than October 1, 1996 and every three years thereafter, a plan (as described below) which has been signed by the Chief Executive officer of the State.

*Outline of child protection program*

*Present law*

States must have a child welfare services plan developed jointly by the Secretary and the relevant State agency which provides for single agency administration and which describes services to be provided and geographic areas where services will be available, among numerous other requirements. To receive their full allotment of incentive funds under Title IV–B, States also must comply with extensive Federal Section 427 child protections. The State plan also must meet many other requirements, such as setting forth a 5-year statement of goals for family preservation and family support and assuring the review of progress toward those goals. For foster care and adoption assistance, States must submit for approval a Title IV–E plan providing for a foster care and adoption assistance program and satisfying numerous requirements. The Child Abuse Prevention and Treatment Act requires States to have in effect a law for reporting known and suspected child abuse and neglect as well as providing for prompt investigation of child abuse and neglect reports, among many other requirements.

*House bill*

A State plan must include the following outline of the State's Child Protection Program including procedures to be used for:

a. receiving reports of child abuse or neglect;

b. investigating such reports;

c. protecting children in families in which child abuse or neglect is found to have occurred;

d. removing children from dangerous settings;

e. protecting children in foster care;

f. promoting timely adoptions;

g. protecting the rights of families, using adult relatives as the preferred placement

for children separated from their parents if such relatives meet all relevant standards;

h. preventing child abuse and neglect; and

i. establishing and responding to citizen review panels.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. CAPTA requires a 5-year plan that is coordinated with the State plan for child welfare services and family preservation. For amendments to CAPTA requirements, see Section 6 of this document below.

*Conference agreement*

A State plan must include information on the Child Protection Program including procedures to be used for:

a. receiving and assessing reports of child abuse or neglect;

b. investigating such reports;

c. with respect to families in which abuse or neglect has been confirmed, providing services or referral for services for families and children where the State makes a determination that the child may safely remain;

d. protecting children by removing them from dangerous settings and ensuring their placement in a safe environment;

e. providing training for individuals mandated to report suspected cases of child abuse or neglect;

f. protecting children in foster care;

g. promoting timely adoptions;

h. protecting the rights of families, using adult relatives as the preferred placement for children separated from their parents if such relatives meet all relevant standards;

i. providing services aimed at preventing child abuse and neglect; and

j. establishing and responding to citizen review panels.

*Certifications*

*Present law*

To receive funds under the Child Abuse Prevention and Treatment Act, States must have a law in effect that provides for reporting of known and suspected instances of child abuse and neglect and provides immunity from prosecution for reporters of abuse or neglect. States also must have a program to investigate allegations of abuse or neglect, must preserve confidentiality of records, and must provide that every abused or neglected child involved in a court proceeding is represented by a guardian ad litem. To receive funding under Title IV–B and IV–E of the Social Security Act, States must comply with certain procedures for removal of children from their families when necessary, and must develop case plans for each child that are reviewed at least every six months and contain specified information.

*House bill*

Also included in the submitted plan must be the following certifications;

a. certification of State law requiring reporting of child abuse and neglect;

b. certification of State program to investigate child abuse and neglect cases;

c. certification of State procedures for removal and placement of abused or neglected children;

d. certification of State procedures for developing and reviewing written plans for permanent placement of each child removed from the family that:

(1) specifies the goal for achieving a permanent placement for the child in a timely fashion;

(2) ensures that the plan is reviewed every 6 months; and

(3) ensures that information about the child is gathered regularly and placed in the case record;

e. certification that when the State begins operating under the block grant on or after October 1, 1995, families receiving adoption assistance payments at that time continue to receive adoption assistance payments;

f. certification of State program to provide Independent Living services to 16–19 year old youths (at State option to age 21) who are in the foster care system but have no family to turn to for support;

g. certification of State procedures to respond to reporting of medical neglect of disabled infants; and

h. a declaration of State child welfare goals; States must, within 3 years of the date of passage, report quantifiable information on whether they are making progress toward achieving their self-defined child protection goals. (See Data Collection and Reporting, item G. below).

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. CAPTA requires several certifications, many of which are identical to those outlined for the House bill. For amendments to CAPTA requirements, see Section 6 of this document, below.

*Conference agreement*

The following certifications must be included in the State plan:

(1) certification of State law requiring reporting of child abuse and neglect;

(2) certification of State procedures for the immediate screening, safety assessment, and prompt investigation of such reports;

(3) certification of State procedures for the removal and placement of abused or neglected children;

(4) certification of State laws requiring immunity from prosecution under State and local laws for individuals making good faith reports of suspected or known cases of child abuse or neglect;

(5) certification of State law and procedures for expungement of any public records on false or unsubstantiated cases;

(6) certification of State laws and procedures affording individuals an opportunity to appeal an official funding of abuse or neglect;

(7) certification of State procedures for developing and reviewing written plans for permanent placement of each child removed from the family that:

(A) specifies the goal for achieving a permanent placement for the child in a timely fashion;

(B) ensures that the plan is reviewed every 6 months; and

(C) ensures that information about the child is gathered regularly and placed in the case record;

(8) certification of State program to provide Independent Living Services to 16–19 year old youths (at State option to age 21) who are in the foster care system but have no family to turn to for support.

(9) certification of State procedures to respond to reporting of medical neglect of disabled infants;

(10) a declaration of quantifiable State child welfare goals;

(11) with respect to fiscal years beginning on or April 1, 1996, certification that—

(A) the State has completed an inventory of all children who, before the inventory, had been in foster care under the responsibility of the State for 6 months or more, which determined—

(i) the appropriateness of, and necessity for, the foster care placement;

(ii) whether the child could or should be returned to the parents of the child or should be freed for adoption or other permanent placement; and

(iii) the services necessary to facilitate the return of the child or the placement of the child for adoption or legal guardianship;

(B) is operating to the satisfaction of the Secretary—

(i) a statewide information system on children who are or have been in foster care in the last year,

(ii) a case review system for each child receiving foster care under the supervision of the State;

(iii) a service program designed to help children—

(I) return families from which they have been removed; or

(II) be placed for adoption,

(iv) a preplacement preventive service program; and

(C) has reviewed (or, will review by October 1, 1997) State policies and procedures in effect for children abandoned at birth; and is implementing (or, will implement by October 1, 1997) such policies or procedures to enable permanent decisions to be made expeditiously with respect to the placement of such children.

(12) certification of reasonable efforts to prevent placement of children in foster care;

(13) certification of cooperative efforts to secure an assignment to the States of any rights to support on behalf of each child receiving foster care maintenance payments; and

(14) certification of confidentiality and requirements for information disclosure.

*Determinations*

*Present law*

State Title IV–B plans are developed jointly with the Secretary. State Title IV–E plans must be approved by the Secretary. The Secretary must approve any plan that complies with statutory provisions.

*House bill*

The Secretary of HHS must determine whether the State plan includes all of the elements required above but cannot add new elements or review the adequacy of State procedures. The Secretary may not require a State to alter its child protection law regarding determination of the adequacy, type, and timing of health care.

*Senate amendment*

No directly comparable provision in Title IV–B or IV–E. Current law would remain intact. See item 6.N., below for description of similar CAPTA provision on medical care.

*Conference agreement*

The Secretary of HHS must determine whether the State plan includes the required materials and certificates (except material related to the certification of State procedures to respond to reporting of medical neglect of disabled infants). The Secretary cannot add new elements beyond those listed above.

C. Grants to States for Child Protection

*Entitlement*

*Present law*

Titles IV–B and IV–E of the Social Security Act contain several types of funding, including substantial entitlement funding, for helping States provide assistance to troubled families and their children.

*House bill*

The block grant money is guaranteed funding to States. Each eligible State is entitled to receive from the Secretary an amount equal to the State share of the Child Protection Grant amount for fiscal years 1996 through 2000.

*Senate amendment*

No directly comparable provision in Title IV–B or IV–E. Current law would remain intact. See item 6 below for description of similar CAPTA provision.

*Conference agreement*

As explained above, the Child Protection Block Grant includes a capped entitlement component for States. Each eligible State is entitled to receive from the Secretary an amount equal to the State share of the child Protection Grant amount which increases from $2.047 billion in 1997 to $2.766 billion in 2002.

The Child Protection Block Grant also includes funds from the discretionary program outlined below. In addition to the Block Grant, each eligible State is entitled to receive reimbursements, on as open-ended basis, for the State share of allowable expenditures on eligible children placed in qualified foster care and adoption.

*Child protection grant amount*

*Present law*

Federal funds for child welfare and child protection activities consist both of direct spending under Titles IV–B and IV–E of the Social Security Act, and appropriated funds under Title IV–B of the Social Security Act and selected additional programs, including the Child Abuse Prevention and Treatment Act. (For additional programs, see Item 1.A. of this document, above.)

*House bill*

The Child Protection Grant amount is composed of both a direct spending component and an appropriated component as follows: $3.930 billion in 1996, $4.195 billion in 1997, $4.507 billion in 1998, $4.767 billion in 1999, and $5.071 billion in 2000 in direct spending; and $486 million in each year 1996–2000 in appropriated spending.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. The amendment authorizes a total of $263 million for FY1996 and such sums as necessary for FY1997 through FY2000 for State grants, State demonstration projects, discretionary activities, and community-based family resources and support grants under CAPTA; adoption opportunities grants; and abandoned infants assistance grants.

*Conference agreement*

The discretionary component of the block grant includes a $325 million authorization for each year 1997–2002.

*State share*

*Present law*

No specific allocation formula governs the allocation of foster care and adoption assistance funds to States; States are reimbursed on an open-ended entitlement basis for eligible expenditures on behalf of eligible children. Independent living allocations to States are based on each State's share of Title IV–E foster children in FY1984. Family violence grants are awarded on the basis of State population. [Note: The family violence program would not be repealed by H.R. 4.] Child abuse State grants and community-based family resource grants are awarded on the basis of population under the age of 18. State allocations for child welfare services under Title IV–B are based on per capita income and population age 21 and under.

*House bill*

''State Share'' means each State receives the same proportion of the block grant each year as it received of payments to States by the Federal government for the following selected child welfare programs in either the average of years 1992 through 1994 or in 1994, whichever is greater:

a. foster care maintenance, administration, and training;

b. adoption assistance maintenance, administration, and training;

c. title IV–E independent living award;

d. family violence and prevention services;

e. child abuse State grants;

f. child abuse community-based prevention grants; and

g. child welfare services.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. See Item 6 below for description of similar CAPTA provision.

*Conference agreement*

The conference agreement follows the House bill, except the selected child welfare programs on which the State share is to be based are:

(1) foster care administration and training;

(2) adoption assistance administration and training;

(3) child welfare services;

(4) family preservation and family support; and

(5) independent living services.

The following table shows State percentage allocations under the Child Protection Block Grant.

*Table 3.—State percentage allocations under the child protection block grant*

| State: | *Percent of national totals* |
|---|---|
| Alabama | 0.78 |
| Alaska | 0.28 |
| Arizona | 1.07 |
| Arkansas | 0.91 |
| California | 18.71 |
| Colorado | 1.27 |
| Connecticut | 1.77 |
| Delaware | 0.15 |
| District of Columbia | 0.55 |
| Florida | 3.49 |
| Georgia | 1.36 |
| Hawaii | 0.35 |
| Idaho | 0.22 |
| Illinois | 4.98 |
| Indiana | 2.36 |
| Iowa | 0.80 |
| Kansas | 0.88 |
| Kentucky | 1.60 |
| Louisiana | 1.48 |
| Maine | 0.31 |
| Maryland | 1.89 |
| Massachusetts | 2.87 |
| Michigan | 3.85 |
| Minnesota | 1.14 |
| Mississippi | 0.47 |
| Missouri | 1.49 |
| Montana | 0.24 |
| Nebraska | 0.45 |
| Nevada | 0.17 |
| New Hampshire | 0.30 |
| New Jersey | 1.27 |
| New Mexico | 0.35 |
| New York | 19.77 |
| North Carolina | 0.84 |
| North Dakota | 0.26 |
| Ohio | 4.60 |
| Oklahoma | 0.58 |
| Oregon | 1.06 |
| Pennsylvania | 4.38 |
| Rhode Island | 0.44 |
| South Carolina | 0.62 |
| South Dakota | 0.17 |
| Tennessee | 0.80 |
| Texas | 3.93 |
| Utah | 0.41 |
| Vermont | 0.27 |
| Virginia | 0.93 |
| Washington | 1.01 |
| West Virginia | 0.29 |
| Wisconsin | 1.78 |
| Wyoming | 0.06 |
| U.S. totals | 100.00 |

Source.—Table prepared by the Congressional Research Service based on data received from the U.S. Department of Health and Human Services in March of 1995.

*Definition of State*

*Present law*

Under Titles IV–B and IV–E of the Social Security Act, ''State'' means the 50 States and the District of Columbia. The Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa receive funds through set-asides and under special rules.

*House bill*

''State'' includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact.

*Conference agreement*

''State''includes the several States and the District of Columbia. The territories will carry out a child protection program in accordance with this part; entitlement funding is provided under section 1108 of the Social Security Act.

*Use of grant*

*Present law*

Funds must be used for: ''protecting and promoting the welfare of children, preventing unnecessary separation of children from their families, restoring children to their families if they have been removed, family preservation services, community-based family support services to promote the well-being of children and families and to increase parents' confidence and competence.'' Foster care maintenance and adoption assistance payments are an open-ended entitlement to individuals.

*House bill*

A State to which funds are paid under this section may use such funds in any manner that the State deems appropriate to accomplish the purposes of this part.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. CAPTA grants can be used for improving child protective services, investigating and reporting of abuse and neglect, case management and delivery of services to children and families, training for service providers and abuse reporters, demonstration projects, kinship care arrangements, abuse and neglect prevention, and similar activities.

*Conference agreement*

The conference agreement follows the House bill. A State to which funds are paid under this section may use such funds in any manner that the State deems appropriate to accomplish the purposes of this part.

*Transfer of funds*

*Present law*

No provision.

*House bill*

In FY1998 and succeeding years, States may transfer up to 30 percent of funds paid under this section for activities under any or all of the following: the temporary assistance for needy families block grant; the social services block grant under Title XX of the Social Security Act; the child care and development block grant; and any food and nutrition or employment and training grants enacted during the 104th Congress. Rules of the recipient program will apply to the transferred funds. Funds may be transferred into the Child Protection Block Grant from other block grants and are then subject to the rules of this part.

*Senate amendment*

No provision.

*Conference agreement*

Conferees agree that no funds can be transferred out of the block grant.

*Timing of expenditures*

*Present law*

Provisions vary under programs to be replaced. Under Title IV–E, States have up to two fiscal years in which to claim reimbursement for expenditures.

*House bill*

A State to which funds are paid under this section for a fiscal year shall expend such funds not later than the end of the immediately succeeding fiscal year.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact.

*Conference agreement*

The conference agreement follows the House bill.

*Rule of interpretation*

*Present law*

For-profit foster care providers are not eligible for Federal funding under Title IV–E.

*House bill*

Nothing in this act shall preclude for-profit short- and long-term foster care facilities from being eligible to receive funds from this block grant.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

*Timing of payments*

*Present law*

Under Title IV–B, the Secretary makes payments to States periodically. Under Title IV–E, the Secretary reimburses States for expenditures on a quarterly basis.

*House bill*

The Secretary must make payments on a quarterly basis.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact.

*Conference agreement*

The conference agreement follows the House bill.

*Penalties*

*Present law*

States that do not comply with Section 427 child protections may not receive their share of Title IV–B appropriations above $141 million. However, effective April 1, 1996, these protections are to become State plan requirements and the incentive funding mechanism will no longer be in effect. Section 1123 of the Social Security Act requires the Secretary to establish by regulation a new Federal review system for child welfare, which would allow penalties for misuse of funds.

*House bill*

The Secretary must reduce amounts otherwise payable to a State by any amount which an audit conducted under the Single Audit Act finds has been used in violation of this part. The Secretary, however, shall not reduce any quarterly payment by more than 25 percent. The amount of misspent funds will be withheld from the State's payments during the following year, if necessary, to recover the full amount of the penalty.

If an audit conducted pursuant to the Single Audit Act finds that a State has reduced its level of expenditures in FY 1996 or 1997 below its level of non-Federal expenditures in FY 1995 under Title IV–B or Title IV–E, the Secretary must reduce subsequent amounts otherwise payable to the State by an amount equal to the difference between State spending in FY 1995 and the current year.

The Secretary must reduce by 3 percent the amount otherwise payable to a State for a fiscal year if the State has not submitted a report required (see item 7 below) for the immediately preceding fiscal year within 6 months after the end of the year. The penalty may be rescinded if the report is submitted within 12 months after the end of the year.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact.

*Conference agreement*

Conferees agree to maintain the detailed child protections now found in section 427 of the Social Security Act. Conferees also agree that an additional penalty equal to 5 percent of a State's block grant amount will be imposed in cases where the Secretary finds that funds have been spent in violation of the part, or where a State has failed to meet its maintenance-of-effort requirement. States will be required to maintain 100 percent of their FY 1994 non-Federal expenditure level in FY 1997 and 1998, and 75 percent of such expenditures in subsequent years.

The agreement provides that the Secretary may not impose a penalty if she determines that the State has reasonable cause for failing to comply with the requirement. Further, a State must be informed before any penalty is imposed and be given an opportunity to enter into a corrective compliance plan. The agreement provides a series of deadlines for submission of such corrective compliance plans and review by the Federal government.

*Limitation on Federal authority*

*Present law*

See above.

*House bill*

Except as expressly provided in this part, the Secretary may not regulate the conduct of States under this part or enforce any provision of this part.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact.

*Conference agreement*

The conference agreement follows the House bill with a modification to refer to authority expressly provided in the Social Security Act

D. Child Protection Standards

*Present law*

In order to receive its full share of appropriations for child welfare services under subpart 1 of Title IV–B, each State must meet section 427 protections, including requirements that it: conduct an inventory of children in foster care; operate a tracking system for all children in foster care; operate a case review system for all children in foster care; and conduct a service program to reunite foster children with their families if appropriate, or be placed for adoption or another permanent placement. In addition, if Federal appropriations for the program reach $325 million for two consecutive years, States also must implement a preplacement preventive services program to help children remain with their families. [This funding level has never been reached.] Effective April 1, 1996, these provisions are scheduled to become mandatory State plan requirements, rather than funding incentives, under legislation enacted on Oct. 31, 1994 (P.L. 103–432). States also will be required to review their policies and procedures regarding abandoned children and to implement policies and procedures considered necessary to enable permanent decisions to be made expeditiously with regard to placement of such children.

*House bill*

The following standards are included in the bill to indicate what States must do to assure the protection of children and to provide guidance to the Citizen Review Panels:

a. the primary standard by which child welfare system shall be judged is the protection of children.

b. each State shall investigate reports of abuse and neglect promptly;

c. children removed from their homes shall have a permanency plan and a dispositional hearing within 3 months after a fact-finding hearing' and

d. all child protection cases with an out-of-home placement shall be reviewed every 6 months unless the child is already in a long-term placement.

A State receiving funds from this block grant may consider: establishing a new type of permanent foster care placement referred to as ''kinship care'' in which adult relatives would be the preferred placement option if they met all relevant standards, and could receive needs-payments and supportive services; and, in placing children for adoption, giving preference to adult relatives who meet applicable standards.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. CAPTA requires a number of certifications by the State, including several that are similar to standards in the House block grant. For details see Item 6.I. below.

No directly comparable provision in Titles IV–B or IV–E. Under CAPTA, the Secretary may award grants to public entities to develop or implement procedures using adult relatives as the preferred placement for children removed from their home; see item 6.H. below.

*Conference agreement*

In order for a State to receive any funds under this part, such State must certify that it has conducted an inventory of children in foster care; is operating a tracking system for all children in foster care; is operating a care review for all children in foster care, and is conducting a service program to reunite foster children with their families if appropriate, or be placed for adoption or another permanent placement. States will also be required to review their policies and procedures regarding abandoned children and to implement policies and procedures considered necessary to enable permanent decisions to be made expeditiously with regard to placement of such children. These child protection standards are identical to those found in section 427 of current law.

E. Citizens Review Panels

*Present law*

No provision.

*House bill*

Each State to which funds are paid under this part must have at least three Citizen Review Panels. Each panel is to be broadly representative of the community farm which it is drawn.

The Panels, which must meet at least quarterly, are charged with the responsibility of reviewing cases from the child welfare system to determine whether State and local agencies receiving funds under this program are carrying out activities in accord with the State plan, are achieving the child protection standards, and are meeting any other

child welfare criteria that the Panels consider important.

The members and staff of any Panel must not disclose to any person or government agency any information about specific cases. States must afford a Panel access to any information on any case that the Panel desires to review, and shall provide the Panels with staff assistance in performing their duties.

Panels must produce a public report after each meeting and States must include information in their annual report detailing their responses to the panel report and recommendations. (See Data Collection and Reporting, item G. below.)

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the House bill.

F. Clearinghouse and Hotline for Missing and Runaway Children

*Present law*

The Missing Children's Assistance Act, authorized as part of the Juvenile Justice and Delinquency Prevention Act, authorizes a toll-free hotline and national clearinghouse to collect and disseminate information about missing children.

*House bill*

The Attorney General of the United States shall have the authority to establish and operate a national information clearinghouse, including a 24-hour toll free telephone hotline, for information on missing children cases. An appropriation not to exceed $7 million per fiscal year is authorized for this purpose.

*Senate amendment*

Reauthorizes the Missing Children's Assistance Act through FY 1997 (see Item 12.A. of this document, below).

*Conference agreement*

The House recedes.

G. Data Collection and Reporting

*Present law*

States are not required to report specific child welfare data. Section 479 requires the Secretary to publish regulations that implement a system for the collection of adoption and foster care data. These regulations were published as final on Dec. 22, 1993, and are mandatory for all States. In addition, section 13713 of the Omnibus Budget Reconciliation Act of 1993 (P.L. 103–66) makes available enhanced Federal matching funds (75 percent Federal match instead of 50 percent) for planning, design, development and installation of statewide automated child welfare information systems. Regulations governing these systems were published on Dec. 22, 1993, and May 19, 1995. The enhanced match expires after Sept. 30, 1996.

*House bill*

Three years after the effective date and annually thereafter, each State to which funds are paid under this part must submit to the Secretary a report containing quantitative information on the extent to which the State is making progress toward its child protection program goals (as described above).

Each State to which funds are paid under this part must annually submit to the Secretary of Health and Human Services a report that includes the following annual statistics:

(1) the number of children reported to the State during the year as abused or neglected;

(2) of the number of reported cases of abuse or neglect, the number that were substantiated;

(3) of the number of reported cases that were substantiated, (a) the number that received no services under the State program funded under this part; (b) the number that received services under the State program funded under this part; and (c) the number removed from their families;

(4) the number of families that received preventive services from the State;

(5) the number of children who entered foster care under the responsibility of the State;

(6) the number of children who exited foster care under the responsibility of the State;

(7) types of foster care placements made by State and the number of children in each type of care;

(8) average length of foster care placements made by State;

(9) the age, ethnicity, gender, and family income of children placed in foster care under the responsibility of the State;

(10) the number of children in foster care for whom the State has the goal of adoption;

(11) the number of children in foster care under the responsibility of the State who were freed for adoption;

(12) the number of children in foster care under the responsibility of the State whose adoptions were finalized;

(13) the number of disrupted adoptions in the State;

(14) quantitative measurements showing whether the State is making progress toward the child protection goals identified by the State;

(15) the number of infants abandoned during the year, the number of these infants who were adopted, and the length of time between abandonment and legal adoption;

(16) the number of deaths of children occurring while said children were in custody of the State;

(17) the number of deaths of children resulting from child abuse or neglect;

(18) the number of children served by the State Independent Living program;

(19) other information which the Secretary and a majority of the State agree is appropriate to collect for purposes of this part; and

(20) the response of the State to findings and recommendations of the citizen review panels.

States may fulfill the data collection and reporting requirements by collecting the required information on either individual children and families receiving child protection services or by using scientific statistical sampling methods.

Within 6 months after the end of each fiscal year, the Secretary must prepare an annual report on State data for Congress and the public.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law would remain intact. States receiving CAPTA grants must submit annual data reports to the Secretary (see Item 6.I below). CAPTA requires States to report 10 data elements, many of which are substantially similar to the House reporting requirements.

Requires the Secretary, in administering CAPTA, to prepare annual reports, based on State data, for Congress and the national information clearinghouse on child abuse and neglect. (See Item 6.I below.) Requires Secretary in 6 months after receiving State reports to prepare and submit annual report to Congress.

*Conference agreement*

The Senate recedes with an amendment mandating two sets of data to be collected for child protection programs. There is a single data collection and reporting system required for child protection programs. Part one of the mandated data reporting requires States to report the following data every 6 months: (1) whether the child received services under the program funded under this part; (2) the age, race, gender, and family income of the parents and child; (3) county of residence; (4) whether the child was removed from the family; (5) whether the child entered foster care under the responsibility of the State; (6) the type of out of home care in which the child was placed (including institution, group home, family foster care, or relative placement); (7) the child's permanency planning goal, such as reunification, kinship care, adoption, or independent living; (8) whether the child was freed for adoption; and (9) whether the child existed from foster care, and, if so, whether the exit was due to return to the family, adoption, independent living, or death.

In addition, the States must submit the following aggregate data annually: (1) the number of children reported to the State during the year as alleged victims of abuse or neglect; (2) of the number of children for whom an investigation of alleged maltreatment resulted in a determination of substantiated abuse or neglect, the number for whom maltreatment was unsubstantiated, and the number determined to be false; (3) the number of families that received preventive services; (4) the number of infants abandoned during the year, the number of these infants who were adopted, and the length of time between abandonment and adoption; (5) the number of deaths of children occurring while the children were in custody of the State; (6) the number of deaths of children resulting from child abuse and neglect, including those which occurred while the child was in the custody of the State; (7) the number of children served by the State Independent Living program; (8) quantitative measurements showing whether the State is making progress toward the child protection goals identified by the State; (9) the types of maltreatment suffered by victims of abuse and neglect; (10) the number of abused and neglected children receiving services; (11) the average length of stay in out-of-home care; (12) the response of the State to findings and recommendations of the citizen review panels; and (13) other information which the Secretary and a majority of the States agree is appropriate to collect for the purposes of this part. States may be required to report other information approved by the Secretary and agreed to by a majority of States, including information necessary to assure a smooth transition from AFCARS and NCANDS to the data reporting system required by this legislation. The Secretary will define by regulation the information required to be included in State data reports. States may comply with requirements for precise numerical information by using scientifically acceptable sampling methods. The Secretary will report annually to Congress and the public on information provided in State data reports.

H. Research and Training

*Present law*

Current law authorizes appropriations for research under Title IV–B of the Social Security Act and the Child Abuse Prevention and Treatment Act. In FY 1995, $6 million is appropriated under Title IV–B and $9 million under CAPTA.

*House bill*

An appropriation of $10 million per year is authorized for the Secretary to spend at her discretion on research and training in child welfare.

*Senate amendment*

No directly comparable provision in Titles IV–B or IV–E. Current law under Title IV–B would remain intact, and CAPTA would be

reauthorized. Although CAPTA has no separate authorization for research and training, the Secretary has discretionary authority to conduct research and training. For details see Item 6.G., below.

*Conference agreement*

The Senate recedes with an amendment establishing specific research activities, authorized in the Child and Family Services Block Grant, to be undertaken by the Secretary of the Department of Health and Human Services. Under this part, $10 million are authorized and appropriated for each of FYs 1996–2002 for the Secretary to conduct child welfare research.

I. National Random Sample Study of Child Welfare

*Present law*

No provision.

*House bill*

The Secretary is provided with $6 million per year for fiscal years 1996–2000 to conduct a national random-sample study of child welfare. The study will have a longitudinal component, yield data reliable at the State level for as many States as the Secretary determines is feasible, and should alternate data collection in small States from year-to-year to yield an occasional picture of child welfare in small States. The Secretary has discretion in drawing the sample and in selecting measures, but should carefully consider selecting the sample from all cases of confirmed abuse and neglect and then following each case over several years while obtaining such measures as type of abuse or neglect involved, frequency of contact with agencies, whether the child was separated from the family, types and characteristics of out-of-home placements, number of placements, and average length of placement. The Secretary must prepare occasional reports on this study and make them available to the public. The reports should summarize and compare the results of this study with the data reported by States. Written reports or tapes of the raw data from the study should be made available to the public at a fee the Secretary thinks appropriate.

*Senate amendment*

No provision.

*Conference agreement*

The Senate recedes. The provisions mandating the national random sample study of child welfare are contained in the Child and Family Services Block Grant. Mandatory funds will be available to conduct the study equal to $6 million per year for FY 1996–FY 2002. In addition, $10 million are authorized and appropriated for each of FYS 1996–1998 for the Secretary to carry out the State court assessment and improvement program authorized under section 13712 of the Omnibus Budget Reconciliation Act of 1993. These funds may be expended no later than September 30, 1999.

J. Removal of Barriers to Interethnic Adoption

*Present law*

State law governs adoption and foster care placement. Forty three States permit race matching either in regulation, statute, policy, or practice. The Metzenbaum Multiethnic Placement Act of 1994 permits States to consider race and ethnicity in selecting a foster care or adoptive home, but States cannot delay or deny the placement of the child solely on the basis of race, color or national origin.

Noncompliance with the Metzenbaum Act is deemed a violation of title VI of the Civil Rights Act.

*House bill*

Section 553 of the Howard M. Metenbaum Multiethnic Placement Act of 1994 is repealed. (See conforming amendments, item 2 below.) In addition, a State or other entity that receives Federal assistance may not deny to any person the opportunity to become an adoptive or a foster parent on the basis of the race, color, or national origin of the person or of the child involved. Similarly, no State or other entity receiving Federal funds can delay or deny the placement of a child for adoption or foster care, or otherwise discriminate in making a placement decision, on the basis of the race, color, or national origin of the adoptive or foster parent or the child involved.

A State or other entity that violates this provision during a period shall remit to the Secretary all funds that were paid to the State or entity during the period.

An action under this paragraph may not be brought more than 2 years after the date the alleged violation occurred.

*Senate amendment*

No provision.

*Conference agreement*

The Senate recedes with an amendment modifying the sanctions which can be imposed on a State. This provision is authorized under the Child and Family Services Block Grant. If the State is found to be in violation of the provisions of this section, the Secretary will notify the State of the violation. The State will then have 90 days to correct the violation. If the violation continues after the 90 day period, the Secretary will reduce the amount allotted to a State for the next fiscal year under Part B of title IV of the Social Security Act by 10 percent. The conferees express their strong desire that States use some of the funding under this part to recruit loving families from all racial and national origin backgrounds from which social service departments may choose when it becomes necessary to find foster care and adoptive placements for children.

While agencies must obviously make placements based on the best interests of children, such family recruitment by the States may not cause a delay or prevent the timely placement of a child in an adoptive or preadoptive home.

2. CONFORMING AMENDMENTS (SECTION 702)

*Present law*

No provision.

*House bill*

This section contains technical amendments that conform provisions of the bill to Titles IV–D and XVI of the Social Security Act, and to the Omnibus Budget Reconciliation Act of 1986, and provide for the repeal of Section 553 of the Howard M. Metzenbaum Multiethnic Placement Act of 1994, Title IV–E of the Social Security Act, section 13712 of the Omnibus Budget Reconciliation Act of 1993, and subtitle C of Title 17 of the Violent Crime Control and Law Enforcement Act of 1994. (Under section 371 of Title III–C of the House bill, the following additional programs are repealed related to the Child Protection Block Grant: abandoned infants assistance, the Child Abuse Prevention and Treatment Act, adoption opportunities, crisis nurseries, mission children's assistance, family support centers, certain activities under the Victims of Child Abuse Act, and Family Unification under the Housing Act.)

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement requires the Secretary of HHS to submit, within 90 days of enactment, a legislative proposal providing necessary technical and conforming amendments.

The agreement also repeals Title IV–E of the Social Security Act, and makes conforming amendments to Title XVI and Title IV–D of the Social Security Act, section 9442 of the Omnibus Budget Reconciliation Act of 1986, and section 1123 of the Social Security Act.

3. CONTINUED APPLICATION OF CURRENT STANDARDS UNDER MEDICAID PROGRAM

*Present law*

Children for whom Federal foster care payments are made are deemed to be ''dependent children'' for purposes of Medicaid eligibility.

*House bill*

Conforms Medicaid coverage of this title with title I of the House bill. In general, the Medicaid provision is designed to ensure that individuals who receive Medicaid coverage under current law will continue to be covered after passage of H.R. 4. Here is a summary of Medicaid provision from title I: ''An individual who on enactment was receiving AFDC, was eligible for medical assistance under the State plan under this title, and would be eligible to receive aid or assistance under a State plan approved under part A of title IV but for the prohibition on grant funds being used to provide assistance to noncitizens, minor unwed mothers or their children, or children born to families already on welfare, would continue to be eligible for Medicaid. Families leaving welfare for work would also continue to receive the 1-year Medicaid transition benefit.''

*Senate amendment*

The Senate amendment is similar to the House bill except that States have flexibility to be more restrictive in awarding Medicaid coverage than under current law.

*Conference agreement*

The conference agreement changes both the House bill and the Senate amendment because of pending changes in Medicaid legislation. To conform this bill with the pending Medicaid legislation, conferees agree that States will determine Medicaid eligibility for recipients of block grant assistance. This provision is found in section 114 of Title I of the conference bill.

4. EFFECTIVE DATE (SECTION 703)

*Present law*

No provision.

*House bill*

Under otherwise indicated in particular sections of the bill, the amendments and repeals made by this title take effect on October 1, 1995. The amendments shall not apply with respect to powers, duties, functions, rights, claims, penalties, or obligations applicable to aid or services provided before the effective date, or to administrative actions and proceedings commenced, or authorized to be commenced, before the effective date.

*Senate amendment*

No provision.

*Conference agreement*

The amendments will take effect on Oct. 1, 1996, except for provisions that authorize and appropriate funds in FY 1996 for research and count improvements, and requiring the Secretary to prepare technical and conforming amendments. The agreement establishes transition rules for pending claims, actions and proceedings, and relating to the closing out of accounts for programs that are terminated or substantially modified.

5. SENSE OF THE CONGRESS REGARDING TIMELY ADOPTION OF CHILDREN (SECTION 704)

*Present law*

No provision.

*House bill*

It is the sense of the Congress that:

(1) too many adoptable children are spending too much time in foster care;

(2) States must increase the number of waiting children being adopted in a timely manner;

(3) Studies have shown that States would save significant amounts of money if they offered incentives to families to adopt special needs children who would otherwise require foster care;

(4) States should allocate sufficient funds for adoption and medical assistance to encourage families to adopt children who are languishing in foster care;

(5) States should offer incentives for families that adopt special needs children to make adoption more affordable for middle-income families;

(6) States should strive to provide children removed from their biological parents with a single foster care placement and case team and to conclude an adoption of the child, when adoption is the goal, within one year of the child's placement in foster care; and

(7) States should participate in programs to enable maximum visibility of waiting children to potential parents, including a nationwide computer network to disseminate information on children eligible for adoption.

*Senate amendment*

Title VIII of the Senate amendment addresses adoption issues. See Section 13, below.

*Conference agreement*

The Senate recedes.

6. CHILD ABUSE PREVENTION AND TREATMENT; GENERAL PROGRAM (SECTION 751)

A. Reference

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Provides that, unless otherwise indicated, any amendments or repeals should be considered to apply to the Child Abuse Prevention and Treatment Act (CAPTA).

*Conference agreement*

The House recedes with an amendment renaming this chapter as Child and Family Services Block Grant.

B. Findings

*Present law*

Section 2 of CAPTA contains findings with regard to the scope of child abuse and neglect, the need for a comprehensive approach to address child abuse and neglect, various goals with regard to national policy, and the appropriate Federal role in this area.

*House bill*

No provision.

*Senate amendment*

Amends section 2 to update findings with regard to the scope of child abuse and neglect and to make minor changes, including change of references from ''child protection'' to ''child and family protection.''

*Conference agreement*

The Senate recedes with an amendment restructuring the findings to reflect the consolidation and blending of other programs.

C. Office of Child Abuse and Neglect

*Present law*

Section 101 of CAPTA requires the Secretary of HHS to establish a National Center on Child Abuse and Neglect.

*House bill*

No provision.

*Senate amendment*

Amends section 101 to allow the Secretary of HHS to establish an Office on Child Abuse and Neglect which would be responsible for executing and coordinating the functions and activities authorized by CAPTA. Repeals current mandate for a National Center on Child Abuse and Neglect.

*Conference agreement*

The Senate recedes.

D. Advisory Board on Child Abuse and Neglect

*Present law*

Section 102 of CAPTA requires the Secretary to appoint a U.S. Advisory Board on Child Abuse and Neglect, and specifies the composition and duties of the board.

*House bill*

No provision.

*Senate amendment*

Amends section 102 by repealing current mandate for a U.S. Advisory Board on Child Abuse and Neglect, and instead allows the Secretary of HHS to appoint an advisory board to make recommendations concerning child abuse and neglect issues. Duties of the new board would include making recommendations on coordination of Federal, State and local child abuse and neglect activities with similar activities regarding family violence at those levels; specific modification needed in Federal and State laws to reduce the number of unfounded or unsubstantiated cases of child maltreatment; and modifications needed to facilitate coordinated data collection with respect to child protection and child welfare.

*Conference agreement*

The Senate recedes with an amendment giving the Secretary authority to appoint an advisory board to: provide recommendations on coordinating Federal, State, and local child abuse and neglect activities at the State level with similar activities at the State and local level pertaining to family violence; consider specific modifications needed in State laws and programs to reduce the number of unfounded or unsubstantiated reports of child abuse or neglect while enhancing the ability to identify and substantiate legitimate cases of abuse or neglect which place a child in danger; and provide recommendations for modifications needed to facilitate coordinated national and Statewide data collection with respect to child protection and child welfare.

E. Repeal of Interagency Task Force

*Present law*

Section 103 of CAPTA requires the Secretary to establish an Interagency Task Force on Child Abuse and Neglect.

*House bill*

No provision.

*Senate amendment*

Repeals section 103 of CAPTA.

*Conference agreement*

The House and Senate concur.

F. National Clearinghouse for Information Relating to Child Abuse and Neglect

*Present law*

Section 104 of CAPTA requires the Secretary to establish a national clearinghouse for information relating to child abuse and neglect.

*House bill*

No provision.

*Senate amendment*

Amends section 104 to retain authorization for a national information clearinghouse on child abuse and neglect, and expands the duties of the clearinghouse to include collecting data on false and unsubstantiated reports and deaths resulting from child abuse and neglect, and, through a national data collection and analysis program, to collect and make available State child abuse and neglect reporting information which, to the extent practical, is universal and case specific, and integrated with other case-based factor care and adoption data collected by HHS.

*Conference agreement*

The Senate recedes with an amendment placing the Clearinghouse within the Research, Demonstrations, Training, and Technical Assistance section. The function of the clearinghouse is to: maintain, coordinate, and disseminate information on all programs, including private (nongovernmental) programs, that show promise of success with respect to the prevention, assessment, identification, and treatment of child abuse and neglect; and maintain and disseminate information relating to the incidence of cases of child abuse and neglect including the incidence of such cases that are related to alcohol or drug abuse in the United States.

G. Research, Evaluation and Assistance Activities

*Present law*

Section 105 of CAPTA authorizes the Secretary, through the National Center, to conduct research and technical assistance related to child abuse and neglect.

*House bill*

Authorizes appropriations of $10 million annually for the Secretary to conduct research and training related to child welfare. (See Item 1.H., above).

*Senate amendment*

Amends section 105 to restructure the research activities function of the Secretary of HHS by deleting references to the National Center and by requiring research on additional issues, including substantiated and unsubstantiated reported child abuse cases. Authorizes technical assistance to include evaluated or identification of: various methods for investigation, assessment, and prosecution of child physical and sexual abuse cases; ways to mitigate psychological trauma to child victims; and effective programs carried out under CAPTA. Allows the Secretary of HHS to provide for dissemination of information related to various training resources available at the State and local levels. Continues authorization for a formal peer review process which utilizes scientifically valid review criteria.

*Conference agreement*

The House recedes with an amendment restructuring the research activities to focus on information designed to better protect children from abuse or neglect by examining the national incidence of child abuse and neglect, including substantiated and unsubstantiated report child abuse or neglect cases.

H. Grants for Demonstrated Programs

*Present law*

Section 106 of CAPTA authorizes the Secretary to make grants to public agencies and private nonprofit organizations for demonstration or service programs or projects, that must include an evaluation component; resource centers; and discretionary grants that may be used for a variety of purposes.

*House bill*

No provision.

*Senate amendment*

Amends section 106 to retain authority for the demonstration grants program and to change the criteria for awarding grants. Authorizes the following purposes for demonstration programs and projects: training

programs, mutual support and self-help programs for parents, innovative programs that use collaborative partnerships between various agencies to allow for establishment of a triage system in responding to child abuse and neglect reports; kinship care programs, and supervised visitation centers for families where there has been child abuse or domestic violence. All demonstration projects will be evaluated for their effectiveness.

*Conference agreement*

The House recedes with an amendment authorizing the following demonstration programs and projects: Innovative programs and projects that use collaborative partnerships between various agencies to allow for the establishment of a triage system in responding to child abuse and neglect; kinship care programs; programs to expand opportunities for the adoption of children with special needs; family resource and support programs; and other innovative preventative and treatment programs such as Parents Anonymous.

I. State Grants for Prevention and Treatment Programs

*Present law*

Section 107 of CAPTA authorizes the Secretary to make development and operation grants to States to assist them in improving their child protective service systems. States must meet certain eligibility requirements, which include having a State law in effect providing for reporting of child abuse or neglect allegations and providing immunity from prosecution for reporters of abuse or neglect.

Requires that States have in place procedures for responding to reports of medical neglect, including instances of withholding medically indicated treatment from disabled infants with life-threatening conditions.

*House bill*

States would receive Child Protection Block Grants, which would be used for child protective service systems, among other related activities. To receive block grants, States must certify that they have in effect a State law for reporting of child abuse or neglect, a program to investigate child abuse and neglect reports, and procedures to respond to reporting of medical neglect of disabled infants among other requirements. (See Item 1.B. (2) and (3), above.)

Requires States participating in the Child Protection Block Grant to submit detailed annual data reports to the Secretary. (See Item 1.G.2., above.) The Secretary would prepare annual reports for Congress. (See Item 1.G.4., above.)

*Senate amendment*

Revises section 107. Under revised eligibility requirements, States would provide an assurance or certification, signed by the chief executive officer of the State, that the State has a law or statewide program relating to procedures for: reporting of known and suspected instances of child abuse and neglect; immediate screening, safety assessment, and prompt investigation of such reports; procedures for immediate steps to be taken to protect the safety of children; provisions for immunity from prosecution for individuals making good faith reports of child abuse; methods for preserving confidentiality of records; requirements for the prompt disclosure of relevant information to appropriate entities working to protect children; the cooperation of law enforcement officials, court personnel and human services agencies; provision for the appointment of a guardian ad litem to represent the child in any judicial proceedings; and provisions that facilitate the prompt expungement of unsubstantiated or false child abuse reports.

Requires that States have in place procedures for responding to reports of medical neglect, including instances of withholding medically indicated treatment from disabled infants with life-threatening conditions.

States must have in place, within two years of enactment, provisions by which individuals who disagree with an official finding of abuse or neglect can appeal such a finding.

States would submit a plan every 5 years, instead of 4, demonstrating their eligibility and specifics about how their grant money will be used.

States would be required to work annually with the Secretary to provide, to the maximum extent practicable, a report containing specified data on their child protective service systems, including the number of children reported as abused or neglected, data on substantiation of reports, services provided to reported children, preventive services provided to families, the number of child deaths resulting from abuse or neglect including the number of children who died while in foster care, number of caseworkers responsible for intake and screening, agency response time to abuse or neglect reports, response time with respect to provision of services to families where abuse or neglect has been alleged, and the number of caseworkers relative to the number of reports investigated in the previous year. The Secretary would prepare a report based on State data, to be submitted to Congress and the national information clearinghouse on child abuse and neglect.

*Conference agreement*

The Senate recedes with an amendment providing for a block grant to States for the purpose of (1) assisting each State in improving the child protective services of such State, (2) supporting State efforts to develop, operate, expand and enhance a network of community-based, prevention-focused, family resource and support programs, (3) facilitating the elimination of barriers to adoption for children with special needs, (4) responding to the needs of children, in particular those who are drug exposed or inflicted with Acquired Immune Deficiency Syndrome (AIDS), and (5) carrying out any other activities as the Secretary determines to be consistent with this chapter. Requirements regarding the State plan, eligibility for funding, assurances and certifications, and data collection and reporting are the same as those mandated for receipt of the Child Protection Block Grant, as described below.

The conference agreement establishes uniform eligibility and reporting requirements for the programs funded under Title VII of this act (Child Protection Block Grant Program and Foster Care and Adoption Assistance). To be eligible to receive funds from the child protection block grant programs included in Title VII, States must submit a written document outlining the activities which the State will undertake to ensure the protection of abused and neglected children and their families. States are required to certify that the State has in effect and operational a State law or statewide program relating to procedures for: reporting of known and suspected instances of child abuse and neglect by public officials and professionals; the immediate screening, safety assessment, and prompt investigation of such reports; the removal of abused and neglected children from their homes (if necessary) and the placement of those children in safe environments; providing immunity from prosecution for individuals making good faith reports of child abuse; the prompt expungement of records in cases determined to be unsubstantiated or false; (within two years of enactment) appealing an official finding of abuse or neglect by individuals in disagreement with such finding; ensuring that a written plan is prepared for children who have been removed from their families; providing independent living services for older children in State protective care; responding to reports of medical neglect, including instances of withholding medically indicated treatment from disabled infants with life-threatening conditions; ensuring that reasonable efforts are made to prevent or eliminate the removal of a child from their family prior to placement in foster care or other placements outside the home; identifying quantitative goals for the State child protection services; compliance with the child protection standards specified in the Act; the prompt disclosure of relevant information to appropriate government entities working to protect children, including citizen review panels and child fatality review panels; and public disclosure of information regarding a child fatality or near-fatality caused by child abuse or neglect.

The conferees intend to preserve the confidentiality of reports and case information pertaining to child abuse and neglect except in the instances specifically delineated in this act or when a State legislature has specifically authorized limited release of such information. It is the clear intention of the conferees that case information must be shared among the various governmental agencies responsible for the protection of children form abuse or neglect in order to facilitate the most effective response to these cases. Furthermore, it also is the intent of the conferees that in the case of a fatality or near-fatality resulting from child abuse or neglect, that the factual information regarding how the case was handled may be disclosed to the public in an effort to provide public accountability for the actions or inaction of public officials.

J. Repeal

*Present law*

Section 108 of CAPTA authorizes the Secretary to provide training and technical assistance to States.

*House bill*

No provision.

*Senate amendment*

Repeals section 108.

*Conference agreement*

The House recedes with an amendment providing for technical assistance to the States in planning, improving, developing and carrying out programs and activities relating to the prevention, assessment, identification and treatment of child abuse and neglect as well as assistance to public or private non-profit agencies or organizations to expand adoption opportunities.

K. Miscellaneous Requirements

*Present law*

Section 110(c) of CAPTA requires the Secretary to ensure that a majority share of assistance under CAPTA is available for discretionary research and demonstration grants.

*House bill*

No provision.

*Senate amendment*

Strikes section 110(c).

*Conference agreement*

The House and Senate concur.

L. Definitions

*Present law*

Section 113 of CAPTA contains definitions.

*House bill*

No provision.

*Senate amendment*

Amends section 113 to change some definitions. Strikes definitions of ''Board'' and ''Center,'' and changes the definition of

''child abuse and neglect'' to mean, at a minimum, ''any recent act or failure to act on the part of a parent or caretaker, which results in death, serious physical or emotional harm, sexual abuse or exploitation, or an act or failure to act which presents an imminent risk of serious harm.''

*Conference agreement*

The House recedes with an amendment striking certain definitions, and modifying other including ''child abuse and neglect'' to mean, ''at a minimum: any act or failure to act on the part of a parent or caretaker, which results in death, serious physical or emotional harm, sexual abuse or exploitation, or an act or failure to act which presents an imminent risk of serious harm.''

M. Authorization of Appropriations

*Present law*

Section 114(a) authorizes appropriations for Title I of CAPTA, and specifies how funds are to be allocated among authorized activities. The authorization of appropriations expires at the end of FY 1995.

*House bill*

The House bill has no funding for CAPTA but includes funding for the Child Protection Block Grant; see sections C.1. and C.2., above.

*Senate amendment*

Amends section 114(a) to authorize $100 million in FY1996, and ''such sums as necessary '' in FY1997–FY2000, for title I of CAPTA. Requires that one-third of funds be spent on discretionary activities and, that of funds reserved for discretionary activities, no more than 40 percent shall be for demonstration projects under section 106.

*Conference agreement*

The Senate recedes with an amendment providing for $230,000,000 for FY1996, and such sums as are necessary for FY1997–FY2002, for the new Child and Family Services Block Grant.

Of the amount appropriated, 12 percent shall be made available to the Secretary to carry out subchapter B, Research, Demonstrations, Training and Technical Assistance. Not less than 40 percent of the amount made available to the Secretary may be used for Demonstration programs.

Furthermore, 1 percent of the amounts appropriated under this chapter, shall be reserved for the Secretary to make allotments to Indian tribes and tribal organizations. Block grant funds will be allocated among States according to their population of children under age 18.

N. Rule of Construction

*Present law*

No provision.

*House bill*

No directly comparable provision, but see section 1.B.4., above.

*Senate amendment*

Establishes a new section of CAPTA that addresses the issue of spiritual treatment of children. The section does not require a parent or legal guardian to provide a child with medical service or treatment, against his or her religious beliefs, nor does it require a State to find, or prohibit a State from finding, abuse or neglect in cases where the parent or guardian relied solely or partially on spiritual means rather than medical treatment, in accordance with their religious beliefs. The sections requires a State to have in place authority under State law to pursue any legal remedies necessary to provide medical care or treatment when such care or treatment is necessary to prevent or remedy serious harm to the child, or to prevent the withholding of medically indicated treatment from children with life-threatening conditions. In general, each State has sole discretion over its case-by-case determinations relating to the exercise of authority of the subsection and is not foreclosed from considering treatment by non-medical or spiritual means. However, in light of special concerns about enforcement of Federal law protecting disabled infants from medical neglect (see e.g., U.S. Commission on Civil Rights, Medical Disabilities), the conference committee retains existing language concerning the Federal oversight with references to cases involving the withholding of medically indicated treatment from disabled infants with life-threatening conditions.

*Conference agreement*

The House recedes.

O. Technical Amendment

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Makes a technical amendment to section 1404A of the Victims of Crime Act.

*Conference agreement*

The Senate recedes.

7. COMMUNITY-BASED FAMILY RESOURCE AND SUPPORT GRANTS

*Present law*

Title II of CAPTA authorizes the Secretary to make grants to States for Community-Based Family Resource Programs.

*House bill*

No provision.

*Senate amendment*

Replaces current law with a new Title II to establish Community-Based Family Resource and Support Grants.

*Conference agreement*

The Senate recedes. Community-Based Family Resource and Support Services are an allowable activity under the Child and Family Block Grant funds made available to the States under Subchapter A of this Chapter and demonstration grants funded by the Secretary under Subchapter B of this Chapter.

A. Purpose and Authority

*Present law*

No provision.

*House bill*

States could use Child Protection Block Grant allotments for family resource and support services. (See Item 1.C.(5), above.)

*Senate amendment*

Establishes the purpose of Title II as: to support State efforts to develop, operate, expand and enhance a network of community-based, prevention-focused, family resource and support programs. Authorizes the Secretary of HHS to make grants on a formula basis to entities designated by States as ''lead entities.''

*Conference agreement*

The Senate recedes.

B. Eligibility

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Establishes eligibility requirements for States to receive grants. States are eligible if:

(1) the chief executive officer has designated a lead entity that is an existing public, quasi-public or nonprofit private entity, with priority for the State trust fund advisory board or an existing entity that leverages funds for a broad range of child abuse and neglect prevention activities and family resource programs;

(2) the chief executive officer assures that the lead entity will provide or be responsible for providing a network of community-based family resource and support programs and providing direction and oversight to the network; and

(3) the chief executive officer assures that the lead entity has a demonstrated commitment to parental participation, a demonstrated ability to work with State and community-based public and private nonprofit organizations, the capacity to provide operational support and training and technical assistance to the statewide network of community-based family resource and support programs, and will integrate its efforts with experienced individuals and organizations.

*Conference agreement*

The Senate recedes.

C. Amount of Grant

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Reserves 1 percent of appropriations for Title II of CAPTA for allotments to Indian tribes and tribal organizations and migrant programs. Remaining funds are allotted to States equally according to the State ''minor child amount'' and the State ''matchable amount.'' The State minor child amount is based on the State's relative population of children under 18, except that no State can receive less than $250,000. The State matching amount is based upon each State's relative amount of funds (including foundation, corporate and other private funding, State revenues and Federal funds) that have been dedicated toward the purposes of this program.

*Conference agreement*

The Senate recedes.

D. Existing and Continuation Grants

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Provides that any State or entity that has a grant, contract, or cooperative agreement in effect on the date of enactment, under the Family Resource and Support Program, the Community-Based Family Resource Program, the Family Support Center Program, the Emergency Child Abuse Prevention Grant Program, or the Temporary Child Care and Crisis Nurseries Program, shall continue to be funded under the original terms through the end of the applicable grant cycle. Also allows the Secretary to continue grants for Family Resource and Support Program grantees and other programs funded under CAPTA on a non-competitive basis, subject to available appropriations, grantee performance, and receipt of required reports.

*Conference agreement*

The Senate recedes.

E. Application

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Provides that, to receive grants under Title II, States must submit an application

to the Secretary containing information requested by the Secretary, including:

(1) a description of the lead entity;

(2) a description of how the network of community-based, prevention-focused, family resource and support programs will operate, and how family resource and support services will be integrated into a continuum of preventive services for children and families;

(3) an assurance that an inventory of current family resource programs, respite, child abuse and neglect prevention activities, and other family resource programs in the State, and a description of current unmet needs, will be provided;

(4) a budget for the State's network of community-based, prevention-focused, family resource and support programs that verifies that the State will spend an amount equal to no less than 20 percent of the amount received under this program (in cash, not in-kind);

(5) an assurance that funds received under this Title will supplement and not supplant other State and local public funds designated for the statewide network of family resource and support programs;

(6) an assurance that the statewide network of family resource and support programs will maintain cultural diversity, and be culturally competent and socially sensitive and responsive to the needs of families with children with disabilities;

(7) an assurance that the State has the capacity to ensure meaningful involvement of parents;

(8) a description of the criteria to be used to develop, or select and fund, individual programs to be part of the statewide network;

(9) a description of outreach activities that will be used to maximize the participation of racial and ethnic minorities, new immigrant populations, children and adults with disabilities, homeless families and those at risk of homelessness, and members of other under-served or under-represented groups;

(10) a plan for providing operational support, training and technical assistance to family resource and support programs;

(11) a description of how activities will be evaluated;

(12) a description of actions that will be taken to advocate changes in State policies, practices, procedures, and regulations to improve the delivery of family resource and support program services to all children and families; and

(13) an assurance that reports will be submitted to the Secretary on time and containing requested information.

*Conference agreement*

The Senate recedes.

F. Local Program Requirements

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Grants will be used for family resource and support programs that:

(1) assess community assets and needs through a planning process that includes parents, local agencies, and private sector representatives;

(2) develop a strategy to provide a continuum of preventive, holistic, family-centered services to children and families;

(3) provide ''core'' services, such as parent education, support and self-help, and leadership services, development screening of children, outreach, referral and follow-up services; ''other core'' services, which can be provided directly or through contracts, including respite services; and access to ''optional'' services, including child care, early childhood development and intervention, services for families with children with disabilities, job readiness, educational services, self-sufficiency and life management skills training, community referral services, and peer counseling;

(4) develop leadership roles for the meaningful involvement of parents;

(5) provide leadership in mobilizing local resources to support family resource and support programs; and

(6) participate with other community-based, prevention-focused family resource and support programs in developing and operating the statewide network.

Priority for local grants shall be given to community-based programs serving low-income communities and those serving young parents or parents with young children, and to family resource and support programs previously funded under the programs consolidated by this Title.

*Conference agreement*

The Senate recedes.

G. Performance Measures

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

States receiving grants must submit reports to the Secretary that:

(1) demonstrate effective development of a statewide network of family resource and support programs;

(2) supply an inventory and description of services provided to families, including ''core'' and ''optional'' services;

(3) demonstrate the establishment of new respite and other new family services, and expansion of existing services, to meet identified unmet needs;

(4) describe number of families served (including families with children with disabilities), and the involvement of a diverse representation of families in designing, operating and evaluating the statewide network of family resource and support programs;

(5) demonstrate a high level of satisfaction among families that have used family resource and support program services;

(6) demonstrate innovative funding mechanisms that blend Federal, State, local and private funds, and innovative and interdisciplinary service delivery mechanisms;

(7) describe the results of a peer review process conducted under the State program; and

(8) demonstrate an implementation plan to ensure continued leadership of parents in family resource and support programs.

*Conference agreement*

Senate recedes.

H. National Network for Community-Based Family Resource Programs

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Authorizes the Secretary to allocate such sums as necessary from the amount provided under the State allotment to support State activities related to a peer review process, an information clearinghouse, a yearly symposium, a computerized communication system between State lead entities, and State-to-State technical assistance through biannual conferences.

*Conference agreement*

The Senate recedes.

I. Definitions

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Defines the following terms: ''children with disabilities,'' ''community referral services,'' ''culturally competent,'' ''family resource and support program,'' ''national network for community-based family resource programs,'' ''outreach services,'' and ''respite services.''

*Conference agreement*

The Senate recedes with an amendment which includes the definitions for Family Resource and Support programs and respite care in the definition section of the Chapter.

J. Authorization of Appropriations

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Authorizes $108 million for Title II for each of FY1996–FY2000.

*Conference agreement*

The Senate recedes.

8. REPEALS (SECTION 753)

*Present law*

No provision.

*House bill*

Repeals the crisis nurseries portion of Temporary Child Care and Crisis Nurseries; and family support centers under the Stewart B. McKinney Homeless Assistance Act. (See Item 2, above.)

*Senate amendment*

Repeals the Temporary Child Care for Children with Disabilities and Crisis Nurseries Act. Also repeals family support centers under Subtitle F of Title VII of the Stewart B. McKinney Homeless Assistance Act.

*Conference agreement*

This portion of the conference agreement repeals Title II of the Child Abuse Prevention and Treatment and Adoption Reform Act (adoption opportunities), the Abandoned Infants Assistance Act, section 553 of the Howard Metzenbaum Multiethnic Placement Act, family support centers under the Stewart McKinney Homeless Assistance Act, and the Temporary Child Care and Crisis Nurseries Act.

The agreement also requires the Secretary of HHS, within 6 months after enactment, to submit a legislative proposal with any necessary technical and conforming amendments.

The agreement also includes a transition provision to allow entities with a grant, contract or cooperative agreement in effect under various programs that will be terminated, to continue to receive funds through the end of the applicable grant, contract or agreement cycle.

9. FAMILY VIOLENCE PREVENTION AND SERVICES

A. State Demonstration Grants

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Amends section 303(e) of the Family Violence Prevention and Services Act, relating to non-Federal matching requirements.

*Conference agreement*

The Senate recedes.

B. Allotments

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Amends section 304(a)(1) of Family Violence Prevention and Services Act.

*Conference agreement*

The Senate recedes.

C. Authorization of Appropriations

*Present law*

Section 310 of the Family Violence Prevention and Services Act authorizes appropriations for the program and specifies how funds are to be allocated among activities.

*House bill*

No provision.

*Senate amendment*

Amends section 310 of Family Violence Prevention and Services Act to reduce from 80 percent to 70 percent the minimum amount of funds to be used for making grants to States for family violence activities. Also requires the Secretary to use not less than 10 percent of appropriations for grants for State family violence coalitions, and provides that Federal funds made available under this program must be used to supplement and not supplant other Federal, State or local public funds expended for similar activities.

*Conference agreement*

The Senate recedes.

10. ADOPTION OPPORTUNITIES; REFERENCE

A. Findings and Purpose

*Present law*

Section 201 of the adoption opportunities program establishes congressional findings with regard to the child welfare population, and declares the program's purpose to facilitate the elimination of barriers to adoption and to provide permanent homes for children who would benefit from adoption, particularly children with special needs.

*House bill*

Repeals the adoption opportunities program. (See Item 2, above.)

*Senate amendment*

Amends section 201 of the adoption opportunities program to update congressional findings, and delete references to the promotion of model adoption legislation and procedures.

*Conference agreement*

The Senate recedes.

B. Information and Services

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Amends section 203 of the adoption opportunities program, to require the Secretary of HHS to conduct studies related to kinship care, recruitment of foster and adoptive parents; and to provide technical assistance and resource and referral information related to termination of parental rights, recruitment and retention of adoptive placements, placement of special needs children, provision of pre- and post-placement services, and other assistance to help State and local governments replicate successful adoption-related projects.

*Conference agreement*

The Senate recedes.

C. Authorization of Appropriations

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Authorizes $20 million for FY1996, and such sums as necessary for each of FY1997–FY2000, for the adoption opportunities program.

*Conference agreement*

The Senate recedes.

11. ABANDONED INFANTS ASSISTANCE ACT

*Present law*

No provision.

*House bill*

Repeals abandoned infants assistance.

*Senate amendment*

Authorizes $35 million for each of FY1995–FY1996, and such sums as necessary for each of FY1997–FY2000, for abandoned infants assistance.

*Conference agreement*

The Senate recedes.

12. REAUTHORIZATION OF VARIOUS PROGRAMS (SECTION 752)

A. Missing Children's Assistance Act

*Present law*

The Missing Children's Assistance Act is authorized through FY1996.

*House bill*

Repeals the Missing Children's Assistance Act (see Item 2, above; however, authorizes appropriations of $7 million for the Attorney General to operate an information clearinghouse and telephone hotline for information on missing children (see Item 1.F, above).

*Senate amendment*

Extends the authorization for the Missing Children's Assistance Act through FY1997; such sums as necessary are authorized. Provides that the Department of Justice shall use no more than 5 percent of appropriations in a fiscal year to evaluate the program.

*Conference agreement*

The House recedes.

B. Victims of Child Abuse Act of 1990

*Present law*

Appropriations are authorized through FY1996 for grants to improve investigation and prosecution of child abuse cases, and for children's advocacy centers, under the Victims of Child Abuse Act.

*House bill*

Repeals grants to improve investigation and prosecution of child abuse and neglect cases, and children's advocacy centers, under the Victims of Child Abuse Act. (See Item 2, above.)

*Senate amendment*

Extends the authorization through FY1997, at such sums as necessary, for these two programs under the Victims of Child Abuse Act.

*Conference agreement*

The House recedes.

13. ADOPTION EXPENSES

A. Refundable Credit for Adoption Expenses

*Present law*

No provision.

*House bill*

No provision in H.R. 4, but similar provision in the House-passed H.R. 1215.

*Senate amendment*

Amends subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986, to insert a new section 35, adoption expenses, that would provide a tax credit for expenditures for adoption fees, court costs, attorney fees, and other expenses directly related to a legal and finalized adoption. This dollar-for-dollar tax credit of up to $5,000 per child is reduced for taxpayers with adjusted gross income above $60,000 and is fully phased out at incomes of $100,000. Married couples must file a joint return and the credit is not available for expenditures that contradict State or Federal law. The amendment prohibits double benefits. The amendment will apply to taxable beginning after Dec. 31, 1995.

*Conference agreement*

This provision has been moved to the tax portion of the Reconciliation Act of 1995 and, if enacted, will provide a tax credit for expenditures for adoption fees, court costs, attorney fees, and other expenses directly related to a legal and finalized adoption. This dollar-for-dollar tax credit of up to $5,000 per child is reduced for taxpayers with adjusted gross income above $75,000 and is fully phased out at incomes of $115,000. The credit is not available for expenditures that contradict State or Federal law. The amendment prohibits double benefits with respect to State and local credits, except in cases of ''special children''. The amendment will apply to taxable years beginning after Dec. 31, 1995 and allow for carry over of up to five years in the event tax liability does not cover the entire credit during a single year.

B. Exclusion of Adoption Assistance

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Amends part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 by inserting a new section 137, which treats as a tax-free fringe benefit employer-provided adoption assistance benefits, or reimbursement by the employer of qualified adoption expenses, provided the adoptee is physically or mentally incapable of self-care (a ''special needs'' child). Military adoption assistance benefits for these children also would be free of tax. The amendment will apply to taxable years beginning after Dec. 31, 1995.

*Conference agreement*

This provision has been moved to the tax portion of the Reconciliation Act of 1995. This provision treats as a tax-free fringe benefit employer-provided adoption assistance benefits of up to $5,000, or reimbursement by the employer of qualified adoption expenses. The amendment will apply to taxable years beginning after Dec. 31, 1995. This benefit is not available if the credit (above) is chosen.

C. Withdrawal from IRA for Adoption Expenses

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Amends subsection (d) of section 408 of the Internal Revenue Code of 1986 to permit tax-free withdrawals from an individual retirement account (IRA) for qualified adoption expenses.

*Conference agreement*

The Senate recedes.

TITLE VIII. CHILD CARE

1. GOALS (SECTION 802)

*Present law*

No provision.

*House bill*

Establishes the following goals as part of the Child Care and Development Block Grant:

(1) to allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within such State;

(2) to promote parental choice to empower working parents to make their own decision

on the child care that best suits their family's needs;

(3) to encourage States to provide consumer education information to help parents make informed choices about child care;

(4) to assist States to provide child care to parents trying to achieve independence from public assistance; and

(5) to assist States in implementing the health, safety, licensing and registration standards established in State regulation.

*Senate amendment*

No provision.

*Conference agreement*

The Senate recedes.

2. AUTHORIZATION OF APPROPRIATIONS (SECTION 803)

*Present law*

The authorization of appropriations expires at the end of FY1995. Appropriations in FY1995 are $935 million; such sums as necessary are authorized. (Sec. 658B of the CCDBG Act.)

(Note: In addition, entitlement funds are available for child care under the AFDC Child Care, Transitional Child Care, and At-Risk Child Care programs authorized by Title IV–A of the Social Security Act.)

*House bill*

Authorizes appropriations of $2,093 million for each of FY1996–2000.

(Note: Title I of the House bill repeals the AFDC Child Care, Transitional Child Care, and At-Risk Child Care programs.)

*Senate amendment*

Authorizes appropriations as follows: $1 billion for FY1996, and such sums as may be necessary for each of FY1997–2000.

(Note: Additional funds are provided for child care under Title I of the Senate amendment, to replace the current AFDC Child Care, Transitional Child Care, and At-Risk Child Care programs—$8 billion over 5 years in direct spending.)

*Conference agreement*

The conference agreement establishes a single child care block grant and State administrative system by adding mandatory funds to the existing Child Care and Development Block Grant (CCDBG). Specifically, one discretionary and two mandatory streams of funding will be consolidated in a reconstituted CCDBG. The effective date of this title will be October 1, 1996, except for the authorization of discretionary funds, which will be effective upon date of enactment.

The child care funds made available in the Child Care Block Grant total $18 billion over 7 years; $11 billion in mandatory funds ($1.3 billion in FY1997, $1.4 billion in FY1998, $1.5 billion FY1999, $1.7 billion in FY2000, $1.9 billion in FY2001, and $2.05 in FY2002) combined with $1 billion each year (FY1996–FY2002) in discretionary funds.

Each State will receive the amount of funds it received for child care under all of the entitlement programs currently under title IV of the Social Security Act (AFDC Child Care, transitional Child Care, and At-Risk Child Care) in the 1994 fiscal year, or the average amount of funds received for those programs from FY1992 through FY1994, which ever is greater. These programs, combined, provide approximately $990 million in mandatory child care funding for the States.

The mandatory funds remaining after the State allocations based on the child care allotments from previous years will be distributed among the States based on the formula currently used in the title IV–A At-Risk Child Care grant. Specifically, funds will be distributed based on the proportion of the number of children under the age of 13 residing in the State to the number of all of the nation's children under the age of 13. States must provide matching funds in the amount of the FY1994 State Medicaid rate to receive these funds.

If a State does not use its full portion of funds, the remaining portion will be redistributed to the States according to section 402(i) (as such section was in effect before October 1, 1995).

Discretionary funds appropriated for the Child Care Block Grant will be distributed to States based on the current formula for the Child Care and Development Block Grant. This formula utilizes the number of children in low income families and the State per capita income as criteria for the distribution of funds to States. As in current law governing the CCDBG, there is no requirement for the State to provide matching funds to receive an allotment from the discretionary funds appropriated for the Child Care Block Grant (see Table 4 for State allotments over the 7 years of the Block Grant).

*Table 4—Estimated total 7-year funding by State under the child care block grant*

[In thousands of dollars]

| State: | *Amount* |
|---|---|
| Alabama | 328,208 |
| Alaska | 45,728 |
| Arizona | 305,507 |
| Arkansas | 146,212 |
| California | 2,005,717 |
| Colorado | 202,491 |
| Connecticut | 203,659 |
| Delaware | 54,264 |
| District of Columbia | 45,711 |
| Florida | 789,027 |
| Georgia | 579,921 |
| Hawaii | 66,313 |
| Idaho | 75,410 |
| Illinois | 680,274 |
| Indiana | 359,127 |
| Iowa | 151,901 |
| Kansas | 171,492 |
| Kentucky | 301,154 |
| Louisiana | 337,574 |
| Maine | 66,441 |
| Maryland | 331,868 |
| Massachusetts | 447,645 |
| Michigan | 522,624 |
| Minnesota | 321,275 |
| Mississippi | 197,315 |
| Missouri | 352,011 |
| Montana | 56,602 |
| Nebraska | 144,930 |
| Nevada | 66,512 |
| New Hampshire | 63,772 |
| New Jersey | 412,380 |
| New Mexico | 156,887 |
| New York | 1,110,049 |
| North Carolina | 732,212 |
| North Dakota | 44,315 |
| Ohio | 781,424 |
| Oklahoma | 307,398 |
| Oregon | 247,540 |
| Pennsylvania | 717,854 |
| Rhode Island | 73,756 |
| South Carolina | 229,794 |
| South Dakota | 47,719 |
| Tennessee | 452,486 |
| Texas | 1,311,075 |
| Utah | 194,779 |
| Vermont | 49,670 |
| Virginia | 346,339 |
| Washington | 458,049 |
| West Virginia | 140,340 |
| Wisconsin | 310,981 |
| Wyoming | 40,327 |
| Puerto Rico[1] | 190,438 |
| Guam[1] | 16,829 |
| Virgin Islands[1] | 11,807 |
| Northern Marianas[1] | 6,363 |
| Indian Set-Aside | 188,500 |
| Total | 18,000,000 |

[1] Discretionary amounts for the territories only.

Source: Table prepared by CRS. Mandatory child care allocations based on the federal share of expenditures in title IV–A programs and Census Bureau estimates (FY1996) and projections (FY1997–2002) of the Population Under 13. Discretionary child care allocations based on DHHS estimates, 2/95. FY1996 amounts for mandatory child care assume: (1) CBO baseline amounts for national totals; and (2) a distribution among the States based on the historical distribution of mandatory funds (average of FY1992–1994 or FY1994 whichever is higher).

3. LEAD AGENCY (SECTION 804)

*Present law*

Requires the chief executive officer of a State to designate an appropriate State agency to act as the lead agency in administering financial assistance under the Act. (Sec. 658D of the CCDBG Act)

*House bill*

Changes the term ''agency'' to ''entity.''

*Senate amendment*

Allows the State lead agency to administer financial assistance received under the Act through other ''governmental or nongovernmental'' agencies (instead of other ''State'' agencies); requires that ''sufficient time and Statewide distribution of the notice'' be given of the public hearing on development of the State plan; and strikes language on issues that may be considered during consultation with local governments on development of the State plan.

*Conference agreement*

The House recedes.

4. APPLICATION AND PLAN (SECTION 805)

*Present law*

Requires States to prepare and submit to the Secretary an application that includes a State plan. The initial plan must cover a 3-year period, and subsequent plans must cover 2-year periods. Required contents of the plan include designation of a lead agency and policies and procedures regarding parental choice of providers, unlimited parental access, parental complaints, consumer education, compliance with State and local regulatory requirements, establishment of and compliance with health and safety requirements, review of State licensing and regulatory requirements, and supplementation.

In addition, the State plan must provide that funds will be used for child care services, and that 25 percent of funds will be reserved for activities to improve the quality of child care and to increase the availability of early childhood development and before- and after-school child care. (Sec. 658E of the CCDBG Act)

Further, State plans must assure that payment rates will be adequate to provide eligible children equal access to child care as compared with children whose families are not eligible for subsidies, and must assure that the State will establish and periodically revise a sliding fee scale that provides for cost sharing by families that receive child care subsidies.

*House bill*

Requires the State plan to cover a 2-year period. Requires States to provide a detailed description of procedures to be used to assure parental choice of providers. Changes ''provide assurances'' to ''certify'' that procedures are in effect within the State to ensure unlimited parental access to children and parental choice; also requires that the State plan provide a detailed description of such procedures. Changes ''provide assurances'' to ''certify'' that the State maintains a record of parental complaints, and requires the State to provide a detailed description of

how such a record is maintained and made available. Changes the consumer education part of the State plan to require assurances that the State will collect and disseminate consumer education information. Requires that the State certify that providers comply with State and local health, safety and licensing or regulatory requirements and provide a detailed description of such requirements and how they are enforced. Eliminates current law provisions requiring establishment of and compliance with health and safety requirements, review of State licensing and regulatory requirements, notification to HHS when standards are reduced, and supplementation. Eliminates the requirement that unlicensed providers be registered.

Adds a requirement that a summary of the facts relied upon by the State to determine that payment rates are sufficient to ensure equal access to child care is included in the State plan. Eliminates the assurance that the State will establish a sliding fee scale. Also provides that funds, other than amounts transferred under section 658T (see Item 14 below), will be used for child care services, activities to improve the quality and availability of such services, and any other activity that the State deems appropriated to realize the goals specified above (see Item 1). Deletes the current law requirement that States reserve 25 percent of funds for activities to improve the quality of child care and to increase availability of early childhood development and before- and after-school care.

Requires States to spend no more than 5 percent on administrative costs.

*Senate amendment*

Requires the State plan to cover a 2-year period. Replaces the requirement that providers not subject to licensing or regulation be registered with the State, with a requirement that the State implement mechanisms to ensure proper payment to providers. Requires the Secretary to develop minimum standards for Indian tribes and tribal organizations receiving assistance under the Act, in lieu of State or local licensing or regulatory requirements. Eliminates provisions related to reduction in standards and reviews of State licensing and regulatory requirements.

Requires the State plan to describe the manner in which services will be provided to the working poor. Reserves 15 percent of each State's allotment for activities to improve quality of child care, instead of 25 percent for both quality improvement and before- and after-school child care services.

Requires States to spend no more than 5 percent on administrative costs, not including direct service costs. Administrative costs shall not include direct service costs.

*Conference agreement*

The Senate recedes, with a modification that the States must certify that they have licensing standards for child care. The Secretary must develop minimum standards for Indian tribes and tribal organizations receiving assistance under this Act, in lieu of State or local licensing or regulatory requirements. At least 70 percent of the mandatory funding must be used to provide child care for children in families who are receiving welfare, working their way off welfare, or at risk of becoming welfare dependent. A substantial portion of the discretionary funding for child care authorized under this Act is intended to be used for low-income working families who are not working their way off welfare or at risk of becoming welfare dependent. The State plan must demonstrate how the State is meeting the specific needs of each of these populations.

5. LIMITATION ON STATE ALLOTMENTS (SECTION 806)

*Present law*

Prohibits the use of funds for purchase or improvement of land or buildings, except in the case of sectarian agencies or organizations that need to make renovations or repairs in order to comply with specific health and safety requirements that States are required to establish. (Sec. 658F of the CCDBG Act)

*House bill*

Amends section 658F to make a conforming amendment referring to the elimination of specific health and safety requirements.

*Senate amendment*

No provision (maintains current law).

*Conference agreement*

The Senate recedes, with a modification that this Act prohibit the use of funds for purchase or improvement of land or buildings except for Indian tribes or tribal organizations. Indian tribes and tribal organizations may use funds for construction or renovation of facilities, upon the request by the tribe or tribal organization and subject to the approval by the Secretary.

6. ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE (SECTION 807)

*Present law*

As stated above, 25 percent of State allotments must be reserved for activities to improve child care quality and to increase the availability of early childhood development and before- and after-school child care (see Item 1.D above). Section 658G specifies how these funds are to be used. Of reserved funds, States are required to use no less than 20 percent for activities to improve the quality of care, including resource and referral programs, grants or loans to assist providers in meeting State and local standards, monitoring of compliance with licensing and regulatory requirements, training of child care personnel, and improving compensation for child care personnel. (Sec. 658G of the CCDBG Act)

*House bill*

Repeals the requirement that 25 percent of funds be set aside for quality improvement activities (see Item 5 above). Repeals section 658G regarding the use of these set-aside funds.

*Senate amendment*

As stated above, reduces quality improvement set-aside to 15 percent (see Item 5 above). Amends section 658G to require States to use their quality improvement set-aside for resource and referral activities, including ''providing comprehensive consumer education to parents and the public, referrals that honor parental choice, and activities designed to improve the quality and availability of child care,'' and for one or more ''other activities,'' which include those listed in the current section 658G, plus activities to increase the availability of before- and after-school care, infant care, and child care between the hours of 5:00 p.m. and 8:00 a.m.

Adds new language to prohibit States from discriminating against providers that wish to participate in resource and referral systems even if they are exempt from State licensing requirements as long as they are operating legally within the State.

*Conference agreement*

The Senate recedes, with a modification that States retain at least a 3 percent set-aside of the total mandatory and discretionary funding received for child care under this Act for activities designed to provide comprehensive consumer education to parents and the public, activities that increase parental choice, and activities designed to improve the quality and availability of child care, such as resource and referral services.

The House recedes, with a modification to limit the amount of total child care funds made available under this Act of administrative costs to 3 percent. Administrative cost shall not include direct service costs.

7. EARLY CHILDHOOD DEVELOPMENT AND BEFORE- AND AFTER-SCHOOL CARE REQUIREMENT (SECTION 808)

*Present law*

Requires States to use no less than 75 percent of funds reserved for quality improvement for activities to expand and conduct early childhood development programs and before- and after-school child care. (Sec. 658H of the CCDBG Act)

*House bill*

Repeals section 658H.

*Senate amendment*

Repeals section 658H.

*Conference agreement*

The House and Senate concur.

8. ADMINISTRATION AND ENFORCEMENT (SECTION 809)

*Present law*

Requires the Secretary of Health and Human Services (HHS) to coordinate HHS and other Federal child care activities, to collect and publish a list of State child care standards every 3 years, and to provide technical assistance to States. Requires the Secretary to review, monitor, and enforce compliance with the Act and the State plan by withholding payments and imposing additional sanctions in certain cases. (Sec. 658I of the CCDBG Act)

*House bill*

Deletes the requirement that the Secretary of HHS collect and publish a list of child care standards every 3 years. Maintains current law for repayment.

*Senate amendment*

Strikes the current law requirement that the Secretary withhold further payments to a State in case of a finding of noncompliance until the noncompliance is corrected. Instead, authorizes the Secretary, in such cases, to impose additional program requirements on the State, such as a requirement that the State reimburse the Secretary for any improperly spent funds, or the Secretary may deduct from the administrative portion of the State's subsequent allotment an amount equal to or less than the misspent funds, or a combination of such options. The amendment also strikes sections related to additional sanctions and notice of such additional sanctions.

*Conference agreement*

The House recedes, with a modification that the Secretary may not impose additional program requirements on the State for improperly spent funds, and that the Secretary shall deduct misspent funds from subsequent State administrative allotments.

9. PAYMENTS (SECTION 810)

*Present law*

Provides that payments received by a State for a fiscal year may be expended in that fiscal year or in the succeeding 3 fiscal years. (ec. 658J of the CCDBG Act)

*House bill*

Provides that payments received by a State for a fiscal year may be obligated in the fiscal year received or the succeeding fiscal year, instead of expended in the fiscal year received or the succeeding 3 fiscal years.

*Senate amendment*

No provision (maintains current law).

*Conference agreement*

The Senate recedes.

10. ANNUAL REPORT AND AUDITS (SECTION 811)

*Present law*

Requires each State to prepare and submit to the Secretary every year a report: specifying how funds are used; presenting data on the manner in which the child care needs of families in the State are being fulfilled, including information on the number of children served, child care programs in the State, compensation provided to child care staff, and activities to encourage public-private partnerships in child care; describing the extent to which affordability and availability of child care has increased; summarizing findings from a review of State licensing and regulatory requirements, if applicable; explaining any action taken by the State to reduce standards, if applicable; and describing standards and health and safety requirements applied to child care providers in the State, including a description of efforts to improve the quality of child care. (Sec. 658K of the CCDBG Act)

*House bill*

Changes the title of the section from ''Annual Report and Audits'' to ''Annual Report, Evaluation Plans, and Audits.'' Changes required data elements in annual reports to include:

(1) the number and ages of children being assisted with funds provided under this subchapter;

(2) with respect to the families of such children:

—the number of other children in such families;

—the number of such families that include only 1 parent;

—the number of such families that include both parents;

—the ages of the mothers of such children;

—the ages of the fathers of such children;

—the sources of the economic resources of such families, including the amount of such resources obtained from (and separately identified as being from)—

a. employment, including self-employment;

b. assistance received under part A of title IV of the Social Security Act (SSA);

c. part B of title IV of the SSA;

d. the Child Nutrition Act of 1966;

e. the National School Lunch Act;

f. assistance received under title XVI of the SSA;

g. assistance received under title XVI of the SSA;

h. assistance received under title XIX of the SSA;

i. assistance received under title XX of the SSA; and

j. any other source of economic resources the Secretary determines to be appropriate;

(3) the number of such providers separately identified with respect to each type of child care provider specified in section 658P(5) that provided child care services obtained with assistance provided under this subchapter;

(4) the cost of child care services and the portion of such cost paid with assistance from this Act;

(5) the manner in which consumer education information was provided to parents and the number of parents to whom such information was provided;

(6) the number of parental complaints about child care that were found to have merit and a description of corrective actions taken by the State; and

(7) information on programs to which funds were transferred under section 648T (see item 15, below).

States are also required to present evidence demonstrating that they have state requirements designed to protect the health and safety of children.

Deletes current report requirements on: (1) increasing the affordability and availability of child care; (2) reviewing findings on State licensing and regulatory requirements; and (3) reducing standards.

Requires States to include an evaluation plan in their first annual report due after enactment and every 2 years thereafter, and to include the results of such evaluation in the second annual report due after enactment and every 2 years thereafter. The plan must include an evaluation regarding the extent to which the State has realized the following goals:

(1) promoting parental choice to make their own decisions on the child care that best suits their family's needs;

(2) providing consumer education information to help parents make informed choices about child care;

(3) providing child care to parents trying to achieve independence from public assistance; and

(4) implementing the health, safety, licensing, and registration standards established in State regulations.

*Senate amendment*

Requires States to submit reports every 2 years, rather than every year, with the first report due no later than December 31, 1996. Requires that States include information on the type of Federal child care and preschool programs serving children in the State, and requires that States describe the extent and manner to which resource and referral activities are being carried out by the State. Strikes the current requirement for information on the type and number of child care programs, providers, caregivers and support personnel in the State, and strikes the provision related to review findings of State licensing and regulatory requirements.

*Conference agreement*

The Senate recedes, with a modification that the State prepare and submit a data report to the Secretary every six months, and that the report include the following information on each family receiving assistance:

(1) family income;

(2) county of residence;

(3) the sex, race, age of children receiving benefits;

(4) whether the family includes only one parent;

(5) the sources of family income, including the amount obtained from (and separately identified as being from): (a) employment, including self-employment; (b) Part A cash assistance or other assistance; (c) housing assistance; (d) food stamps; and (e) other;

(6) the number of months the family has received benefits;

(7) the type of care in which the child was enrolled (family day care, center, own home);

(8) whether the provider was a relative;

(9) the cost of care; and

(10) the average hours per week of care.

Annually, the State must submit the following aggregate data:

(1) the number of providers separately identified in accord with each type of provider specified in section 658P(5) that received funding under this subchapter;

(2) the monthly cost of child care services and the portion of such cost paid with assistance from this Act by type of care;

(3) the number and total amount of payments by the State in vouchers, contracts, cash, and disregards from public benefit programs by type of care;

(4) the manner in which consumer education information was provided; and

(5) total number (unduplicated) of children and families served.

The House recedes on the requirement that States include an evaluation plan in their reports to the Secretary.

Conferees agree to delete current report requirements on: (1) increasing the affordability and availability of child care; (2) reviewing findings on State licensing and regulatory requirements; and (3) reducing standards.

11. REPORT BY THE SECRETARY (SECTION 812)

*Present law*

Requires the Secretary to prepare and submit an annual report, summarizing and analyzing information provided by States, to the House Education and Labor Committee and the Senate Labor and Human Resources Committee. This report must contain an assessment and, where appropriate, recommendations to Congress regarding efforts that should be taken to improve access of the public to quality and affordable child care. (Sec. 658L of the CCDBG Act)

*House bill*

Revises the Secretary's report to become a biennial report to the Speaker of the House and the President pro tempore of the Senate.

*Senate amendment*

Requires the Secretary to prepare and submit biennial reports, rather than annual, with the first report due no later than July 31, 1997; and replaces the reference to the House Education and Labor Committee with the House Economic and Educational Opportunities Committee.

*Conference agreement*

The House recedes.

12. ALLOTMENTS (SECTION 813)

*Present law*

Requires the Secretary to reserve one-half of 1 percent of appropriations for payment to Guam, American Samoa, the Virgin Islands, the Northern Marianas and the Trust Territory of the Pacific Islands. The Secretary also must reserve no more than 3 percent for payment to Indian tribes and tribal organizations with approved applications. Remaining funds are allocated to the States based on the States' proportion of children under age 5 and the number of children receiving free or reduced-price school lunches, as well as the States' per capita income. Any portion of a State's reallotment that the Secretary determines is not needed by the State to carry out its plan for the allotment period, must be reallotted by the Secretary to the other States in the same proportion as the original allotments. (Sec. 658O of the CCDBG Act)

*House bill*

Maintains the current law set-asides for the Territories and Indian tribes and tribal organizations, except that the Trust Territory of the Pacific Islands is deleted from the set-aside for Territories. Allots remaining funds to States as follows: each State will receive an amount based on its relative share of the aggregate amount of Federal funds received by the State in FY1994 under the Child Care and Development Block Grant Act, and under child care programs for AFDC recipients and former AFDC recipients and the At-Risk Child Care program under Title IV–A of the Social Security Act. Eliminates reallotment provisions.

*Senate amendment*

Maintains current law allotment procedures. Amends section 658O(c), related to payments for the benefit of Indian children, to add new provisions allowing the use of funds by Indian tribes or tribal organizations for construction or renovation of facilities, upon request by the tribe or tribal organization and subject to approval by the Secretary. The Secretary may not permit a

tribe or tribal organization to use funds for construction or renovation if such use will result in a decrease in the level of child care services. The Secretary is also allowed to reallot to other tribes any tribal allotments that are not expended, which is similar to what happens with unused State allotments.

*Conference agreement*

The Senate recedes, with a modification that the set-aside for Indian tribes and tribal organizations and Native Hawaiian Organizations is 1 percent of the total funds for child care made available under this Act. Any portion of a State's allotment that the Secretary determines is not needed by the State to carry out its plan for the allotment period must be realloted by the Secretary to the other States in the same proportion as the original allotments. The Secretary is also allowed to reallot to other tribes any tribal allotments that are expended, which is similar to the process for reallotment to States.

13. DEFINITIONS (SECTION 814)

*Present law*

Provides definitions of the following terms: caregiver, child care certificate, elementary school, eligible child, eligible child care provider, family child care provider, Indian tribe, lead agency, parent, secondary school, Secretary, sliding fee scale, State, and tribal organization. (Sec. 658P of the CCDBG Act)

*House bill*

Includes definitions for lead entity and child care services, and strikes definitions for elementary school, secondary school, and sliding fee scale.

*Senate amendment*

Revises the definition of eligible child to one whose family income does not exceed 100 percent of the State median, instead of 75 percent.

Adds the following as an allowable use of a child care certificate: ''as a deposit for child care services if such a deposit is required of other children being cared for by the provider.''

Revises the definition of relative child care provider by: adding great grandchild and sibling (if the provider lives in a separate residence) to the list of eligible children; striking the requirement that such providers be registered; and requiring such providers to comply with any ''applicable'' requirements govern child care provided by a relative.

*Conference agreement*

The House recedes, with a modification that strikes the definition for elementary and secondary school and revises the definition of eligible child to one whose family income does not exceed 85 percent of the State median income.

14. TRANSFER OF FUNDS

*Present law*

No provision.

*House Bill*

Adds a new section 658T to the CCDBG Act, allowing a State to transfer no more than 20 percent of CCDBG funds to one or more of the following programs:

1. Part A of Title IV of the Social Security Act;
2. Part B of Title IV of the Social Security Act;
3. Child Nutrition Act of 1966;
4. National School Lunch Act; and
5. Title XX of the Social Security Act.

Transfer funds would be subject to the rules of the program to which they are transferred.

*Senate amendment*

States can transfer up to 30 percent of their cash assistance block grant (title IV–A) into the CCDBG.

*Conference agreement*

The House recedes; no funds can be transferred out of the Child Care and Development Block Grant (although funds could be transferred into the CCDBG from other block grants).

15. APPLICATION TO OTHER PROGRAMS

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Adds a new section 658T to the CCDBG Act, that requires States that use any Federal funds for child care services to ensure that such services meet the requirements, standards and criteria, with the exception of the 15 percent quality set-aside, of the CCDBG and any regulations issued under the CCDBG. These funds must be administered through a uniform State plan and, to the maximum extent practicable, shall be transferred to the lead agency and integrated into the CCDBG program.

*Conference agreement*

The Senate recedes (no provision).

16. REPEALS AND TECHNICAL AND CONFORMING AMENDMENTS (SECTION 815)

*Present law*

Not applicable.

*House bill*

Repeals the following programs:

(1) Child Development Associate (CDA) Scholarship Assistance;

(2) State Dependent Care Development Grants;

(3) Programs of National Significance under Title X of the Elementary and Secondary Education Assistance Act of 1965 (child care related to Cultural Partnerships for At-Risk Children and Youth, and Urban and Rural Education Assistance); and

(4) Native-Hawaiian Family-Based Education Centers.

(Note: Title I of the House bill also repeals child care assistance provided under current law by Title IV–A of the Social Security Act. This assistance is provided under 3 programs known as AFDC Child Care, Transitional Child Care, and At-Risk Child Care.)

*Senate amendment*

Repeals CDA Scholarship Assistance and State Dependent Care Development Grants.

Requires the Secretary of HHS, after consultation with the appropriate committees of Congress and the Director of the Office of Management and Budget, to prepare and submit to Congress, within 6 months after enactment, a legislative proposal containing technical and conforming amendments that reflect the amendments and repeals made by this Act.

(Note: Title I of the Senate amendment also earmarks and provides additional funds for child care, to replace the AFDC Child Care, Transitional Child Care, and At-Risk Child Care programs.)

*Conference agreement*

The Senate recedes.

TITLE IX. CHILD NUTRITION

1. CHILD NUTRITION ACT OF 1966

*Present law*

Authorizes the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the School Breakfast program, the Special Milk program, assistance to States for child nutrition administrative expenses and nutrition education and training, and school breakfast assistance for Defense Department overseas dependents' schools.

The WIC program provides specific nutritious foods to lower-income pregnant, postpartum, and breastfeeding women, and infants and children (up to age 5). Recipients' family income must be below 185% of Federal poverty guidelines, and they must be judged at nutritional risk. Federal funds, set by appropriation levels, are made available to State health agencies under a formula. States then provide funds to local health agencies, which are responsible for day-to-day operations. Funds also are used for food, nutrition assessments and counselling, referrals to other programs, breastfeeding promotion, and a farmers' market program. [Sec. 17 and 21 of the Child Nutrition Act]

Under the School Breakfast program, schools choosing to participate in the program receive per-meal Federal cash subsidies for all breakfasts they serve that meet Federal nutrition standards. Subsidies are indexed annually for inflation and differ depending on whether the meal is served free (to children from families with income below 130% of poverty), at a reduced price (to children with family income between 130% and 185% of poverty), or at ''full price'' (so-called ''paid'' meals for those with family income above 185% of poverty or who do not apply for free or reduced-price meals). Schools with high proportions of lower-income students get larger per-meal subsidies, and special grants are provided to assist in paying start-up and expansion costs. [Sec. 4 of the Child Nutrition Act]

Under the Special Milk program, schools and institutions not otherwise participating in a meal service program (and schools with split sessions for kindergartners) provide milk to all children at a low price or free, and each half-pint served is federally subsidized at a different rate—depending on whether it is served free or not. Provision of free milk is not required. [Sec. 3 of the Child Nutrition Act]

Under the State administrative expense assistance program, grants are made to States to help cover administrative costs associated with child nutrition programs. The amount available each year is 1.5% of Federal cash payments for School Lunch, School Breakfast, Child and Adult Care Food, and Special Milk programs. [Sec. 7 of the Child Nutrition Act]

For nutrition education and training, States are provided with Federal funds for training school food service personnel in food service management, instructing teachers in nutrition education, and teaching children about nutrition. [Sec. 19 of the Child Nutrition Act]

Social provisions are made for Federal assistance for school breakfast programs in Defense Department overseas dependents' schools. [Sec. 20 of the Child Nutrition Act]

*House bill*

Retains the designation of the Act as the Child Nutrition Act of 1966 and replaces the Act's current provisions with authorization for a Family Nutrition Block Grant Program.

*Senate amendment*

No comparable provisions.

*Conference agreement*

House recedes with an amendment to streamline provisions in the Child Nutrition Act of 1966. The following changes are intended to streamline the operation of programs under the Child Nutrition Act.

1. Strike Sec. 4(e)(1)(B) to eliminate training and technical assistance in food preparation. [Sec. 923]

2. Strike Sec. 4(f) and 4(g) to eliminate school breakfast expansion and start-up provisions. [Sec. 923]

3. Strike Sec. 7(e) to eliminate provision allowing States to use a portion of SAE funds for commodity distribution administration. [Sec. 924]

4. Revise Sec. 7(f) to provide that, after submission of an initial State plan, States are only required to submit substantive changes for approval. [Sec. 924]

5. Strike Sec. 7(h) to eliminate requirement on State to participate in Agricultural studies. [Sec. 924]

6. Strike Sec. 10(b)(2), Sec 10(b)(3) and Sec. 10(b)(4) to eliminate provisions on model competitive food language. [Sec. 925]

7. Change the provision that allows the Secretary to establish regulations providing for transfers of funds to require such regulations. This language is intended to require the Secretary to issue regulations that allow the transfer of funds on the basis of an approved State plan. It is not intended to require the Secretary to allow all States to transfer funds. [Sec. 925]

8. Strike Sec. 11(a) to eliminate the bar against States imposing curriculum or instruction requirements on school. [Sec. 926]

9. Strike Sec. 15(3)(C) to eliminate an out-of-date provision referring to Puerto Rico's special child care food program's use of schools. [Sec. 927]

10. Strike Sec. 16(a) to eliminate the requirement that accounts and records be available ''at all times'' and insert ''at any reasonable time.'' [Sec. 928]

11. Revise Sec. 17(b)(15)(iii) to add limit on temporary residence of ''90 days'' to the definition of homeless. [Sec. 929(a)]

12. Strike 17(b)(15)(C) to eliminate the requirement for the provision of drug abuse and education materials from the definition of ''Drug Abuse Education.'' [Sec. 929(a)]

13. Strike Sec. 17(c)(5) to eliminate the Secretary's promotion of WIC. [Sec. 929(b)]

14. Revise Sec. 17(d)(2)(A)(ii)(II) to make a conforming change with respect to the reference to AFDC.

15. Strike Sec. 17(d)(4) to eliminate provision for reports by the Secretary and the National Advisory Council. [Sec. 929(c)]

16. Revise Sec. 17(e)(1) to ''allow'' agencies to provide for drug abuse education. [Sec. 929(d)]

17. Revise Sec. 17(e)(2) to eliminate provision regarding evaluation of nutrition education/breastfeeding promotion. [Sec. 929(d)]

18. Revise Sec. 17(e)(4) to provide that States ''may'' provide local agencies with information materials on other programs for which WIC recipients may be eligible. [Sec. 929(d)]

19. Revise Sec. 17(e)(5) to provide that local agencies ''may'' make available information on substance abuse counseling and treatment. [Sec. 929(d)]

20. Strike Sec. 17(e)(6) to eliminate provision for ''master file'' information requirement for provision of nutrition education. [Sec. 929(d)]

21. Revise Sec. 17(f)(1)(A) to require that only substantive changes in the State plan be submitted annually. [Sec. 929(e)]

22. Revise Sec. 17(f)(1)(C)(iii) to provide that State agencies are required to submit a plan to coordinate with other services or programs that might benefit WIC applicants.. [Sec. 929(e)]

23. Revise Sec. 17(f)(1)(C)(vi) to require State agencies to submit a plan to improve access to the program for participants and prospective applicants who are employed, or who reside in rural areas. [Sec. 929(e)]

24. Strike Sec. 17(f)(1)(C)(vii) to eliminate requirement that State agencies submit plans to provide services to those most in need. [Sec. 929(e)]

25. Strike Sec. 17(f)(1)(C)(ix) to eliminate requirement that State agencies submit plans to provide services to those in prison. [Sec. 929(e)]

26. Strike Sec. 17(f)(1)(C)(x) Incorporates language into clause (ii). [Sec. 929(e)]

27. Strike Sec. 17(f)(1)(C)(xii) to eliminate provision for conversion of competitive bidding savings. [Sec. 929(e)]

28. Strike Sec. 17(f)(1)(C)(xiii) to eliminate requirement to State agencies to submit additional information as the Secretary may reasonably require. [Sec. 929(e)]

29. Strike Sec. 17(f)(1)(D) Technical and conforming. [Sec. 929(e)]

30. Strike Sec. 17(f)(2) to eliminate requirement for State procedures for general public comments on the State plan. [Sec. 929(e)]

31. Revise Sec. 17(f)(5) to provide that accounts and records be available at any ''reasonable time.'' [Sec. 929(e)]

32. Strike Sec. 17(f)(6) Technical and conforming (notification of eligibility/ineligibility). [Sec. 929(e)]

33. Strike Sec. 17(f)(8) to eliminate State agency publicity/information requirements. [Sec. 929(e)]

34. Revise Sec. 17(f)(9)(B) to eliminate specific notice requirements. [Sec. 929(e)]

35. Revise Sec. 17(f)(11) to eliminate requirements regarding State staffing standards. [Sec. 929(e)]

36. Revise Sec. 17(f)(12) to eliminate provisions dealing with products specifically designed for WIC recipients. [Sec. 929(e)]

37. Revise Sec. 17(f)(14) to provide that the Secretary ''may'' provide education in languages other than English. [Sec. 929(e)]

38. Revise Sec. 17(f)(17) to eliminate provisions dealing with incarcerated individuals. [Sec. 929(e)]

39. Revise Sec. 17(f)(19) to provide that the Secretary ''may'' provide information about other potential sources of information. [Sec. 929(e)]

40. Strike Sec. 17(f)(20) to eliminate requirement for State policies on those who do not fulfill appointment schedules. [Sec. 929(e)]

41. Strike Sec. 17(f)(22) Obsolete. [Sec. 929(e)]

42. Strike Sec. 17(f)(24) Obsolete. [Sec. 929(e)]

43. Revise Sec. 17(g)(5) Technical and conforming. [Sec. 929(f)]

44. Strike Sec. 17(g)(6) Obsolete. [Sec. 929(g)]

45. Strike Sec. 17(h)(8)(A). Obsolete. [Sec. 929(g)]

46. Strike Sec. 17(h)(8)(C). Obsolete. [Sec. 929(g)]

47. Strike Sec. 17(h)(8)(G)(ii)–(ix) to eliminate specific provisions as to how the Secretary solicits bids. Insert a new clause (ii) to ''grandfather'' existing contracts. [Sec. 929(g)]

48. Revise Sec. 17(h)(8)(I), striking all but clause (v), which relates to funds for cost containment innovations. [Sec. 929(g)]

49. Strike Sec. 17(h)(8)(M) to eliminate requirement for product code pilot projects. [Sec. 929(g)]

50. Strike Sec. 17(h)(10) to change from ''shall'' to ''may'' the requirement for infrastructure development and breastfeeding promotion funding. [Sec. 929(g)]

51. Revise Sec. 17(k)(3) providing that the council shall elect a Chairman and a Vice-Chairman. [Sec. 929(h)]

52. Strike Sec. 17(n). Obsolete. [Sec. 929(i)]

53. Strike Sec. 17(o) to eliminate community college demonstration. [Sec. 929(i)]

54. Strike Sec. 17(p) to eliminate authorization to make grants for information/data systems. [Sec. 929(i)]

55. Strike Sec. 18 to eliminate unused authority for cash grants for nutrition education. [Sec. 930]

56. Revise Sec. 19(a) to modify language concerning Congressional findings about nutrition education and training. [Sec. 931(a)]

57. Revise Sec. 19(b) to modify language regarding purpose of nutrition education and training. [Sec. 931(a)]

58. Revise Sec. 19(f)(1)(A), striking clauses (ix)–(xix), eliminating unnecessary stipulations on uses of funds. [Sec. 931(b)]

59. Strike Sec. 19(f)(1)(B) to eliminate ''language appropriate'' information provision. [Sec. 931(b)]

60. Strike Sec. 19(f)(2) and 19(f)(4). Technical and conforming. [Sec. 931(b)]

61. Revise Sec. 19(g)(1) to provide that accounts and records shall be available at any ''reasonable time.'' [Sec. 931(c)]

62. Revise Sec. 19(h)(1) to eliminate paragraph cross-references. Technical and conforming. [Sec. 931(d)]

63. Revise Sec. 19(h)(2), striking all but the first sentence to eliminate language concerning assessment of nutrition education and training needs. [Sec. 931(d)]

64. Revise Sec. 19(h)(3) to eliminate specific requirements with regard to nutrition coordinator's duties. [Sec. 931(d)]

65. Revise Sec. 19(i), to make the Nutrition Education and Training program discretionary instead of mandatory and authorize appropriations of $10 million per year. [Sec. 931(e)]

66. Strike Sec. 19(J) to eliminate requirement for Secretarial assessment of nutrition education and training. [Sec. 931(e)]

67. Repeal Sec. 21. [Sec. 932]

68. Insert, at the end of the Act, subsection (n), to disqualify approved vendors that are disqualified from accepting benefits under the food stamp program. [Sec. 929(j)]

### 2. AUTHORIZATION FOR FAMILY NUTRITION BLOCK GRANT

#### A. Requirement for Grants

*Present law*

The Child Nutrition Act (see item 1) and the National School Lunch Act (see item 11) require that the Secretary of Agriculture provide Federal assistance to States for the WIC, Child and Adult Care Food Summer Food Service, and Special Milk programs, as well as other support (e.g., for State administrative expenses and nutrition education and training), under terms of agreements with States meeting Federal standards.

*House bill*

Directs the Secretary of Agriculture to provide to each State that submits an annual application in accordance with the revised Child Nutrition Act's requirements (see item 4) an annual family nutrition grant for the purpose of achieving the goals of the Family Nutrition Block Grant Program (see item 2B for the program's goals and item 3 for State allotments).

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see Item #1).

#### B. Goals

*Present law*

The Child Nutrition Act declares it the policy of Congress to extend, expand, and strengthen child nutrition programs as a measure to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of agricultural commodities by assisting States through grants and other means to more effectively meet children's nutritional needs. [Sec. 2 of the Child Nutrition Act]

*House bill*

Establishes the goals of the Family Nutrition Block Grant Program:

(1) to provide nutritional risk assessments, food assistance based on the assessments, and nutrition education and counseling to economically disadvantaged pregnant, postpartum, and breastfeeding women, as well as infants and young children, determined to be at nutritional risk (see item 10 for definitions);

(2) to provide nutritional risk assessments of participating women so that food assistance and nutrition education is provided that meets their specific needs;

(3) to provide nutrition education to participating women to increase their awareness of the foods needed for good health;

(4) to provide food assistance, including nutritious supplements, to participating women in order to reduce the incidence of low-birthweight babies and babies born with birth defects because of nutritional deficiencies;

(5) to provide food assistance, including nutritious supplements, to participating women, infants, and children to ensure their future good health;

(6) to ensure that participating women, infants, and children are referred to other health services, including routine pediatric/obstetric care;

(7) to ensure that children from economically disadvantaged families in day care facilities, family day care homes, homeless shelters, settlement houses, recreational centers, Head Start centers, Even Start programs, and facilities for disabled children receive nutritious meals, supplements, and low-cost milk; (see item 10B for definition of ''economically disadvantaged''); and

(8) to provide summer food service programs for children from economically disadvantaged families when school is not in session (see item 10B for definition of ''economically disadvantaged'').

*Senate amendment*

No provision.

*Conference agreement*

Senate recedes with an amendment making changes to the Child Nutrition Act (see Item #1).

C. Timing of Payments

*Present law*

No provision.

*House bill*

Directs that the Secretary of Agriculture make family nutrition grant payments to the States on a quarterly basis.

*Senate amendment*

No comparable provision.

*Confernce agreement*

Senate recedes with an amendment making changes to the Child Nutrition Act (see Item #1).

3. ALLOTMENT OF FAMILY NUTRITION BLOCK GRANT

*Present law*

Current activities that may be funded under the House bill's Family Nutrition Block Grant include those now supported by the WIC program, the Homeless Children Nutrition program (authorized under section 17B of the National School Lunch Act), the Child and Adult Care Food program (authorized under section 17 of the National School Lunch Act), the Summer Food Service program (authorized under section 13 of the National School Lunch Act), and the Special Milk program.

Under the WIC program, Federal funds, determined by appropriations levels, are made available to States under a formula that reflects State caseloads, food cost inflation, need (as evidenced by poverty and health indices) and a specified national average per participant grant; in effect, funds are allotted so that each State can maintain its caseload from year to year, and extra money is shared so as to support expanded enrollment in States with greater need.

Under the Homeless Children Nutrition program, Federal funds are made available to existing projects to continue operations and, from any additional amounts, money is provided for new projects or to expand existing projects.

Under the Child and Adult Care Food program, child and adult care centers and family day care homes receive Federal reimbursements for each meal or supplement served at legislatively established, inflation indexed rates.

Under the Summer Food Service program, sponsors receive Federal reimbursements for each meal or supplement served, at legislatively established, inflation indexed rates.

Under the Special Milk program, schools and other participating institutions receive specified, inflation indexed Federal reimbursements for each half-pint of milk served.

*House bill*

As set forth below, provides for the Secretary of Agriculture to make State allotments of any appropriations for the Family Nutrition Block Grant.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see Item #1).

A. First Year State Allotments

*Present law*

No provisions.

*House bill*

For the first fiscal year in which grants are made, provides that the Secretary make allotments to States based on the proportion of funds each State received under prior law for the preceding fiscal year.

Base-year State shares.—Each State's allotment would be its prior-year share of funds received under the WIC and Homeless Children Nutrition programs, plus its prior-year share of 87.5% of the amounts received under the Child and Adult Care Food, Summer Food Service, and Special Milk programs.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see Item #1).

B. Second Year State Allotments

*Present law*

No provision.

*House bill*

For the second fiscal year in which grants are made, provides that (1) 95% of the amount appropriated be allotted according to each State's share of the amount allotted in the first year and (2) 5% of the amount allotted be based on each State's share of the number of individuals receiving assistance under the grant during the 1-year period ending the preceding June 30.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

C. Third and Fourth Year State Allotments

*Present law*

For the third and fourth fiscal years in which grants are made, provides that (1) 90% of the amount appropriated be allotted according to each State's share of the amount allotted in the preceding year and (2) 10% of the amount allotted be based on each State's share of the number of individuals receiving assistance under the grant during the 1-year period ending the preceding June 30.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

D. Fifth Year State Allotments

*Present law*

No provision.

*House bill*

For the fifth fiscal year in which grants are made, provides that (1) 85% of the amount appropriated be allotted according to each State's share of the amount allotted in the fourth year and (2) 15% of the amount allotted be based on each State's share of the number of individuals receiving assistance under the grant during the 1-year period ending the preceding June 30.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

4. APPLICATION FOR FAMILY NUTRITION GRANTS

*Present law*

Nutrition requirements for food assistance provided under the current WIC, Child and Adult Care Food, and Summer Food Service programs are established by the Secretary of Agriculture, as are the general standards for determining nutritional risk in women, infants, and children, on the basis of tested nutritional research. [Sec. 17(b)(8) & (14) and (f)(12) of the Child Nutrition Act; Sec. 17(g)(1) and Sec. 13(f) of the National School Lunch Act]

The use/disclosure of information obtained from applications for free/reduced-price meals is limited to those administering/enforcing child nutrition programs, administrators of other health or education programs (with restrictions), and the General Accounting Office and law enforcement officials. [Sec. 9(b)(2) of the National School Lunch Act]

*House bill*

Provides that the Secretary make a family nutrition grant to a State if it submits an application containing only the following:

(1) an agreement that the State will use the grant in accordance with Family Nutrition Block Grant program requirements (see item 5);

(2) an agreement that the State will set minimum nutrition requirements for food assistance provided under the grant based on the most recent tested nutrition research available (but the requirements may not prohibit the substitution of foods to accommodate medical or other special dietary needs, and would have to be based, at a minimum, on the weekly average nutrient content of school lunches or other standards set by the State);

(3) an agreement that, with respect to assistance to pregnant, postpartum, and breastfeeding women, and infants and children, the State will implement minimum nutrition requirements based on the most recent tested nutritional research available or the model nutrition standards developed by the National Academy of Sciences (see item 8B);

(4) an agreement that the State will take reasonable steps it deems necessary to restrict the use and disclosure of information about those receiving assistance under the grant;

(5) an agreement that the State will not use more than 5% of its grant for administrative costs incurred to provide assistance (costs associated with nutritional risk assessments of pregnant, postpartum, and

breastfeeding women, and infants and children, as well as those associated with nutrition education and counseling for these individuals, would not be considered administrative costs subject to the 5% limit); and

(6) an agreement that the State will submit an annual report to the Secretary (see item 6).

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

5. USE OF AMOUNTS PROVIDED UNDER THE FAMILY NUTRITION BLOCK GRANT

A. Activities Supported

*Present law*

The WIC program provides nutritional risk assessment, specific nutritious foods (under Federal guidelines), nutrition education/counseling, breastfeeding support, and a farmers' market program for lower-income pregnant, postpartum, and breastfeeding women, as well as infants and children (up to age 5). Recipients' family income must be below 185% of poverty, and they must be judged at nutritional risk. [Sec. 17 of the Child Nutrition Act]

The Special Milk program provides Federal reimbursement for each half-pint of milk served in schools and other child care institutions not participating in a meal service program (and schools with split sessions for kindergartners). Milk is served at a ow price or for free and each half-pint is subsidized at a different rate depending on whether it served free or not. Provision of free milk is not required. [Sec. 3 of the Child Nutrition Act]

The Child and Adult Care Food program provides Federal per-meal/supplement reimbursements for all meals and supplements served in public and private nonprofit child care centers, public and private nonprofit adult day care centers, certain for-profit child and adult day care centers, and family day care homes. Reimbursements for meals/supplements served in child/adult care centers differ according to whether they are served free (to children from families with income below 130% of Federal poverty guidelines), at a reduced price (to children with family income between 130% and 185% of the poverty guidelines), or at ''full price'' (so-called ''paid'' meals and supplements for those with family income above 185% of poverty or who do not apply for free or reduced price meals/supplements). Reimbursements for meals and supplements served in family day care homes do not vary by the family income of the child, and sponsors of family day care homes receive monthly payments for administrative costs. [Sec. 17 of the National School Lunch Act]

The Summer Food Service program provides Federal per meal/supplement reimbursements for all summer meals and supplements served through public and private nonprofit sponsors (including schools and local governments) to children in areas where 50% or more have family income below 185% of the Federal poverty guidelines (are eligible for free or reduced-price school meals). Summer food service subsidies also are provided to public and private nonprofit summer camps and higher education institutions in the National Youth Sports program. [Sec. 13 of the National School Lunch Act]

The Homeless Children Nutrition program grants funds to public and private nonprofit sponsors providing food service (meals and supplements), similar to that provided under the Child and Adult Care Food program, to homeless children under age 6 in shelters. [Sec. 17B of the National School Lunch Act] [General Note: In addition to cash reimbursements, Federal commodity assistance is available for the Child and Adult Care Food and Summer Food Service programs.]

*House bill*

Provides that the Secretary of Agriculture make family nutrition grants to States if they agree to use their grant to:

(1) provide nutritional risk assessment, food assistance based on the assessment, and nutrition education and counseling to economically disadvantaged pregnant, postpartum, and breastfeeding women, and infants and young children, who are determined to be at nutritional risk (see item 10 for definitions);

(2) provide milk in nonprofit nursery schools, child care centers, settlement houses, summer camps, and similar child care settings to children from economically disadvantaged families (see item 10 for definitions) [Note: Under the School-Based Nutrition Block Grant Program, support could be provided for milk served in schools.];

(3) provide food service in institutions and family day care homes providing child care to children from economically disadvantaged families (see item 10 for definitions) [Note: Under the School-Based Nutrition Block Grant Program, support could be provided for child care food service provided through schools. Further Note: Adult-care food service would not be funded under the Family Nutrition Block Grant program.];

(4) provide summer food service to economically disadvantaged children through programs carried out by nonprofit food authorities, local governments, higher education institutions in the National Youth Sports program, and nonprofit summer camps (see item 10 for definitions) [Note: Under the School-Based Nutrition Block Grant Program, support could be provided for summer food service by schools.]; and

(5) provide nutritious meals to pre-school-age homeless children in shelters and other facilities serving the homeless.

[General Note: Federal commodity assistance would not be available for child care food and summer food service activities under the family nutrition grant.]

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

B. Additional Requirements for Assistance for Women, Infants, and Children

*Present law*

Under the WIC program, States must carry out cost containment measures in procuring infant formula (and, where practicable, other foods). Cost containment must be by competitive bidding (selection of a single source offering the lowest price) or another method that yields equal or greater savings. Cost savings (e.g., through manufacturer rebates) may be used by the State for WIC program purposes. The Secretary of Agriculture must provide technical assistance for cost-containment bids and offer to solicit multi-State bids for infant formula and infant cereal. In addition, certain rules against bid-rigging and anti-competitive practices are established. [Sec. 17(b) (17)–(20) and (h) (8) and (9) of the Child Nutrition Act, and Sec. 25 of the National School Lunch Act]

*House bill*

Requires that each State ensure that not less than 80% of its family nutrition grant is used to provide nutrition risk assessment, food assistance based on the assessment, and nutrition education and counseling to economically disadvantaged pregnant women, postpartum women, breastfeeding women, infants, and young children.

With respect to assistance provided to women, infants, and young children, requires States to establish and carry out a cost containment system for procuring infant formula. Requires States to use cost containment savings for any of the activities supported under their family nutrition grant. Requires States to submit annual reports to the Secretary (1) describing their infant formula cost containment system and (2) estimating the cost savings from the system for the report year compared to savings from the preceding year, where appropriate.

Requires States to ensure that equitable assistance for economically disadvantaged pregnant women, postpartum women, breastfeeding women, infants, and young children is provided to members of the Armed Forces and their dependents, regardless of their State of residence (see item 10 for definitions).

*Senate amendment*

Includes findings on the success of the WIC program in improving the health status of women, infants, and children and saving Medicaid expenditures, as well as the importance of manufacturer rebates in helping to fund the WIC program. Provides that it is the sense of the Senate that any legislation not eliminate or in any way weaken present competitive bidding requirements for the purchase of infant formula in programs supported with Federal funds.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

C. Child Care Food Assistance on Military Installations

*Present law*

Assisted child care facilities must be licensed under Federal, State, or local rules. [Sec. 17(a)(1) of the National School Lunch Act]

*House bill*

Requires States to provide equitable assistance under its program for child care facilities to Defense Department child care programs on military installations—to the extent consistent with the number of children in the programs and after consultation with the programs' representatives.

In carrying out programs for child care facilities, bars States from requiring that those on military installations be licensed under State law if they are licensed by the Defense Department.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to the Child Nutrition Act (see item 1).

D. Authority to Use Family Nutrition Block Grant Amounts for Other Purposes

*Present law*

No provision.

*House bill*

Allows States to use not more than 20% of amounts received from a family nutrition block grant for any fiscal year to carry out State programs under other block grants authorized by:

(1) part A of title IV of the Social Security Act (relating to welfare for families with children);

(2) part B of title IV of the Social Security Act (relating to provision of child welfare services);

(3) title XX of the Social Security Act (relating to provision of social services);

(4) the National School Lunch Act (relating to school-based nutrition block grants); and

(5) the Child Care and Development Block Grant.

Provides that States may not transfer funds to other block grants unless the appropriate State agency makes a determination that sufficient amounts will remain available for the fiscal year to carry out activities under the Family Nutrition Block Grant program.

Provides that family nutrition grant amounts States transfer to other block grants (noted above) will not be subject to the requirements of the Family Nutrition Block Grant program under the revised Child Nutrition Act, but will be subject to the requirements that apply to Federal funds provided directly to the block grant to which they are transferred.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to the Child Nutrition Act (see item 1).

6. REPORTS

*Present law*

No comparable provision.

*House bill*

Requires that States, as a condition of receiving a family nutrition grant, agree to submit an annual report to the Secretary of Agriculture describing:

(1) the number of individuals receiving assistance under the grant for the reporting (fiscal) year;

(2) the different types of assistance provided;

(3) the extent to which the assistance provided was effective in achieving the goals of the Family Nutrition Block Grant program (see item 2B);

(4) the standards and methods the State is using to ensure the nutritional quality of assistance under the grant;

(5) the number of low-birthweight births in the State in the reporting (fiscal) year compared to the number of low-birthweight births in the previous year; and

(6) any other information that can be reasonably required by the Secretary.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to the Child Nutrition Act (see item 1).

7. PENALTIES

A. Penalty for Violations

*Present law*

The Child Nutrition and National School Lunch Acts provide penalties for fraud in relation to assistance provided under either Act, grant the Secretary of Agriculture authority to establish and adjust claims against States, and establish a compliance and accountability program to monitor the use of Federal funds. [Sec. 12(g) and Sec. 22 of the National School Lunch Act, and Sec. 16 of the Child Nutrition Act]

*House bill*

Requires the Secretary of Agriculture to reduce family nutrition grant amounts otherwise payable to a State by any amount paid under the grant that an audit made under the ''Single Audit Act'' (chapter 75 of title 31 of the United States Code) finds has been used in violation of the revised Child Nutrition Act. However, the Secretary is barred from reducing any quarterly payment to the State by more than 25%.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

B. Penalty for Failure to Submit a Required Report

*Present law*

No specific provision

*House bill*

Requires the Secretary to reduce by 3% the family nutrition grant amount otherwise payable to a State for any fiscal year if the Secretary determines that the State has not submitted the required annual report (see item 6) for the immediately preceding fiscal year within 6 months after the end of that fiscal year.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

8. MODEL NUTRITION STANDARDS FOR FOOD ASSISTANCE FOR WOMEN, INFANTS, AND CHILDREN

A. Requirement

*Present law*

No comparable provisions. [Note: The Secretary establishes nutrition standards for and foods to be made available under the WIC program; Sec. 17(b)(14) and 17(f)(12) of the Child Nutrition Act.]

*House bill*

Not later than April 1, 1996, requires the National Academy of Sciences to develop model nutrition standards for food assistance provided to economically disadvantaged pregnant women, postpartum women, breastfeeding women, infants, and young children under the Family Nutrition Block Grant program (see item 10 for definitions). The standards are to be developed by the Food and Nutrition Board of the Academy's Institute of Medicine, in cooperation with pediatricians, obstetricians, nutritionists, and directors of programs providing food assistance, nutrition education and counseling to these women, infants, and children.

The model standards must require that food assistance provided to these women, infants and children contain nutrients that are lacking in their diets, as determined by nutritional research.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

B. Report to Congress

*Present law*

No provision.

*House bill*

Not later than one year after the model nutrition standards (noted above) are developed, requires the National Academy of Sciences to report to Congress regarding effort of States to implement them.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (See item 1).

9. AUTHORIZATION OF APPROPRIATIONS

A. Authorization

*Present law*

Federal appropriations for activities under current law replaced by the House bill's Family Nutrition Block Grant program are authorized at such sums as are necessary, except for the Homeless Children Nutrition program (provided specific amounts). [Sec. 13(r), 17(b), and 17B of the National School Lunch Act; Sec. 3(a) and 4(a) of the Child Nutrition Act]

*House bill*

Authorizes appropriations for the Family Nutrition Block Grant program under the revised Child Nutrition Act at: $4.606 billion for fiscal year 1996, $4.777 billion for fiscal year 1997, $4.936 billion for fiscal year 1998, $5.120 billion for fiscal year 1999, and $5.308 billion for fiscal year 2000.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

B. Availability

*Present law*

With the exception of funding for the WIC program, appropriations for the activities under current law to be replaced by the Family Nutrition Block Grant program generally cannot be carried over to the next fiscal year.

*House bill*

Authorizes amounts for the Family Nutrition Block Grant program to remain available until the end of the fiscal year subsequent to the year they were appropriated for.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

10. DEFINITIONS

A. Breastfeeding Women, Infants, Postpartum Women, Pregnant Women, and Young Children

*Present law*

For purposes of the WIC program: (1) breastfeeding women are defined as women up to 1 year postpartum who are breastfeeding their infants; (2) infants are defined as persons under 1 year of age; (3) postpartum women are defined as women up to 6 months after termination of pregnancy; (4) pregnant women are defined as those who have 1 or more fetuses in utero; and (5) young children are persons who have had their first birthday but not attained their fifth birthday. [Sec. 17(b) of the Child Nutrition Act]

*House bill*

For purposes of State family nutrition grant programs, adopts present-law definitions of breastfeeding women, infants, postpartum women, pregnant women, and young children.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

B. Economically Disadvantaged

*Present law*

No directly comparable provisions. [Note: Under present law, means tests for assistance apply as follows: (1) for the WIC program, recipients must have family income below 185% of the Federal poverty guidelines (but States may not set standards below poverty); and (2) for those in child and adult care centers under the Child and Adult Care Food program, persons with family income

below 130% of poverty are eligible for free meals/supplements, those with family income between 130% and 185% of poverty are eligible for reduced-price meals and supplements, and those with family income above 185% of poverty (or who do not apply for free or reduced-price treatment) are eligible for ''paid'' (but still subsidized meals and supplements. No individual income test is applied in the family day care home component of the Child and Adult Care Food program, the Summer Food Service program, the Special Milk program, and the Homeless Children Nutrition program.

*House bill*

The term ''economically disadvantaged'' is defined to apply to individuals or families with annual income below 185% of the Federal poverty guidelines. [Note: No assistance under a family nutrition grant (other than aid to homeless children) could be given to those with family income above 185% of poverty.]

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

C. School and Secretary

*Present law*

''Schools'' are defined as public or private nonprofit elementary, intermediate, or secondary schools. The ''Secretary'' is defined as the Secretary of Agriculture.

*House bill*

''Schools'' and the ''Secretary'' would, under the Family Nutrition Block Grant program, have the same meaning as in present law.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

D. State

*Present law*

In general, ''State'' is defined as the 50 States, the District of Columbia, Puerto Rico, the Northern Marianas, American Samoa, Guam, and the Virgin Islands. In the WIC program, it includes an Indian tribe, band, or group recognized by the Interior Department, an intertribal council or group recognized by the Interior Department, or the Indian Health Service.

*House bill*

''State'' would, under the Family Nutrition Block Grant program have the same meaning as in present law. In addition, Indian tribal organizations (as defined under section 4(l) of the Indian Self-Determination and Education Assistance Act) would be included as States and could apply for grants.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment making changes to Child Nutrition Act (see item 1).

11. NATIONAL SCHOOL LUNCH ACT

*Present law*

Authorizes the School Lunch, Summer Food Service, Child and Adult Care Food, and Homeless Children Nutrition programs. Also authorizes commodity assistance for child nutrition programs and school lunch assistance for Defense Department overseas dependents' schools.

Under the School Lunch program, schools choosing to participate receive per-meal Federal subsidies for all lunches they serve that meet Federal nutrition standards. Subsidies are indexed annually and differ depending on whether the meal is served free (to children from families with income below 130% of Federal poverty guidelines), at a reduced price (to children with family income between 130% and 185% of poverty), or at ''full price'' (so-called ''paid'' lunches for those with family income above 185% of poverty or who do not apply for free or reduced-price meals). Schools with high proportions of free or reduced-price participants receive an additional per-meal subsidy. [Sec. 4 & 11 of the National School Lunch Act]

The Summer Food Service program provides Federal per-meal/supplement reimbursements for all summer meals and supplements served through public and private nonprofit sponsors (including schools and local governments) to children in areas where 50% or more have family income below 185% of the Federal poverty guidelines (are eligible for free or reduced-price school meals). Summer food service subsidies also are provided to public and private nonprofit summer camps and higher education institutions in the National Youth Sports program. [Sec. 13 of the National School Lunch Act]

The Child and Adult Care Food Service program provides Federal per-meal reimbursements for all meals and supplements served in public and private nonprofit child care centers, public and private nonprofit adult day care centers, certain for-profit child and adult daycare centers, and family day care homes. Reimbursements for meals/supplements in centers vary by the recipient's income, but not in family day care homes. Certain schools with after-school care programs also may receive assistance. [Sec. 17 & 17A of the National School Lunch Act] The Homeless Children Nutrition program grants funds to public and private nonprofit sponsors providing food service (meals and supplements), similar to that provided under the Child and Adult Care Food program, to homeless children under age 6 in shelters.

The Agriculture Department is required to provide commodity support for meals served by institutions in the School Lunch, Child and Adult Care Food, and Summer Food Service programs. Schools and other institutions are ''entitled'' to a specific dollar value of commodities based on the number of meals served. Schools and other institutions also receive ''bonus'' commodities donated from Federal stocks at the Agriculture Department's discretion. [Sec. 6 & 14 of the National School Lunch Act]

The Secretary of Agriculture is required to make funds available for school lunch programs in Defense Department overseas dependent's schools to the same degree as for other schools (authority for school breakfast programs in these schools is contained in Sec. 20 of the Child Nutrition Act). [Sec. 17A of the National School Lunch Act]

*House bill*

Retains the designation of the Act as the National School Lunch Act and replaces the Act's current provisions with authority for a School-Based Nutrition Block Grant Program.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment to:

A. Create an optional State block grant demonstration program entitled, ''School Nutrition Optional Block Grant Demonstration Program''

Optional Block Grant Demonstration Program.—Under the terms of the optional block grant demonstration program, seven States—one per USDA Food and Consumer Service Region—will be eligible to receive funds to carry out programs offering school breakfasts and lunches for all school children under a block grant demonstration program.

Decision to participate.—States opting to participate in the block grant demonstration program may not reverse such decision prior to the end of the authorization period.

State plan.—States are required to submit a State plan to the Secretary in order to participate in the block grant demonstration program.

Use of funds.—Allows States to use funds only for school lunches, breakfasts, meal supplements and for the purchase of equipment or improvement of facilities needed to improve school food services.

Nonprofit operation.—School lunch and breakfast programs are to be operated on a nonprofit basis.

Administrative expenses.—None of the funds under the block grant demonstration program are to be used for State administrative expenses (States will continue to receive such funds under current SAE provisions).

Nutritional requirements.—States are to provide minimum nutritional requirements for meals based on the most recent tested nutritional research available. Such requirements shall be consistent with the goals of the most recent Dietary Guidelines for Americans. Meals shall provide, on the average over a week, at least ⅓ of the recommended dietary allowance for lunches and ¼ of the recommended dietary allowance for breakfasts. The Secretary may not impose any additional nutritional requirements beyond those specified in this section.

State review.—States will review the meal operations in each school food authority participating in the block grant demonstration program no later than two years after implementation of the block grant demonstration program and at the end of each 5-year period thereafter.

Income eligibility.—The State plan will describe how the block grant demonstration program will serve specific groups of children in the State. The plan will further describe the income eligibility limitations established for free meals and low-cost meals. A state may use group eligibility criteria based upon census or other data that measures family income in determining eligibility.

Free meals.—State's plans are required to offer access to free meals to students who are members of families with incomes at or below 130 percent of poverty and who attend a school participating in the block grant demonstration program. In addition, the block grant demonstration program allows States to provide students who are members of families with incomes at or above 130 percent of poverty free school lunches and school breakfasts.

Low cost meals.—The State plan must provide for a low cost meal payment charge for students who are members of families whose incomes are equal to or more than 130 percent of poverty and equal to or less than 185 percent of the poverty line. States may develop their own eligibility criteria which may be based on group eligibility, census data, demographic information, and prior year participation.

Proportion of students served.—The State shall ensure that for any year the proportion of low income and needy students served meals under the block grant demonstration program is not less than the proportion of such students served meals in the last year of participation by the State in the School Lunch program or the School Breakfast program.

Proportion of funds used to provide service.—The State plan shall provide that for

any year the proportion of funds used by the State to provide meals for low income and needy students under the block grant demonstration program is not less than the proportion of funds used to provide meals for such students in the last year of participation by the State in the School Lunch program or the School Breakfast program.

Continued participation.—Each school participating in the current school lunch and breakfast program in a State opting into the block grant demonstration program is to be given the opportunity to operate similar programs under the block grant demonstration program.

CASH/CLOC.—States are required to permit to permit a school district, nonprofit private school or DOD domestic dependents' school to receive commodity assistance in the same form they received such assistance as of January 1, 1987.

Privacy.—States shall provide for safeguarding and restricting the use and disclosure of information about children receiving assistance under this Act. Physical segregation and overt identification of children participating in the block grant demonstration program is prohibited.

Required report.—In order to participate, States must agree to submit a report to the Secretary each fiscal year describing (a) the number of children receiving assistance; (b) the different types of assistance provided; (c) the extent to which assistance was effective in achieving in achieving program goals; (d) the standards and methods used to ensure the nutritional quality of meals and meal supplements; and (e) other information the Secretary can reasonably require. Failure to submit the required report will cause a 3 percent reduction in amounts otherwise payable to a State.

Compliance.—The Secretary is required to review and monitor State compliance and withhold funds to the State with respect to the program or activity for which noncompliance is found, until the Secretary determines the problem has been corrected. The sanctions to be implied may include a partial reduction of grant in subsequent years. The Secretary may seek financial restitution for misused funds.

Payments to States.—Payments to States under the block grant demonstration program shall be on a quarterly basis and may be expended by the State for the current fiscal year or the succeeding fiscal year.

Audits.—A yearly audit is required.

Allotment.—In the first year of participation, the Secretary is required to allot to each participating State an amount that is equal to the amount the Secretary projects will be made available to the State to carry out the school lunch and breakfast programs (including commodities) for the current fiscal year. In succeeding years, the amount will equal the amount provided in the preceding fiscal year, adjusted to reflect changes in the consumer price index, services for food away from home, and changes in each State's student enrollment.

State contribution.—Funds appropriated or used specifically by the State for block grant demonstration program purposes shall be not less than the amount that the State made available for the preceding fiscal year for the School Lunch program and the School Breakfast program.

Commodities.—Not less than 8 percent and not more than 10 percent of the amount of a State's allotment will be in the form of commodities.

Alternative assistance.—Requires the Secretary to arrange for the provision of assistance and reduce State allotments accordingly, in cases where a State is prohibited by law from providing assistance to a nonprofit private school or a DOD domestic dependents' school or if a State has substantially failed or is unwilling to provide such assistance to a nonprofit private school, a DOD domestic dependents' school or a public school.

Transition.—A State opting into the block grant demonstration program may use funds and commodities from the block grant demonstration program to transition out of the block grant demonstration program at the end of the authorization period.

Evaluation.—No later than three years after the establishment of the block grant demonstration program the Secretary is to conduct an evaluation and submit a report to Congress, including the comments of the Comptroller General. The report is to include information on the effects of the block grant demonstration program on the nutritional quality of meals; the degree to which children, particularly low income children participated in the block grant demonstration program, the income distribution of children served and the amount of assistance such children received; the types of meals offered under the block grant demonstration program; how the implementation of the block grant demonstration program differs from the implementation of the school lunch and breakfast programs; the effect of the block grant demonstration program on state and school administrative costs, the effect of the block grant demonstration program on paperwork.

Authorization period.—the authority to carry out the block grant demonstration program shall terminate on September 30, 2000. [Sec. 914]

B. Streamline provisions of the National School Lunch Act of 1966.

1. Revise Sec. 8, striking the third and fourth sentences, moving the 5th sentence (defining child) to the Miscellaneous/Definitions section of the Act and striking language relating to maximum per meal reimbursements. [Sec. 901]

2. Strike Sec. 9(a)(2)(B) to eliminate the required purchase of low fat cheese equivalent to estimated decline in milk fat purchases because of elimination of whole milk requirement. [Sec. 902]

3. Strike Sec. 9(a)(3) to eliminate administrative procedures to diminish plate waste. [Sec. 902]

4. Strike Sec. 9(b)(2)(A) to eliminate requirement that State Educational Agencies and local school food authorities announce income eligibility requirements each year. [Sec. 902]

5. Revise Sec. 9(b)(5), striking sentence relating to physical segregation and overt identification (duplicative of preceding language). [Sec. 902]

6. Revise Sec. 9(c), striking the second, fourth and sixth sentences to eliminate requirement that schools use commodities that are in abundance in their lunch programs. [Sec. 902]

7. Revise Sec. 9(f), striking paragraph (1) to eliminate provision requiring schools to inform students of nutritional content of lunches and their consistency with the Dietary Guidelines for Americans. [Sec. 902]

8. Revise Sec. 9(f)(2)(D) to permit schools to use any reasonable approach to meet dietary guidelines. [Sec. 902]

9. Strike Sec. 9(h) to eliminate language providing the States can use NET funds for training to improve nutritional quality and acceptance of meals. [Sec. 902]

10. Revise Sec. 11(b), striking references to ''maximum per lunch amounts.'' [Sec. 904]

11. Strike Sec. 11(d) to eliminate language referring to applicability of other provisions in the Act to Sec. 11. [Sec. 904]

12. Revise Sec. 11(e)(2) to require that the Secretary make a request for monthly reports rather than receive them automatically. [Sec. 904]

13. Revise Sec. 12(a) providing that accounts and records shall be available at any reasonable time. [Sec. 905]

14. Revise 12(c) to strike language that prohibits ''State'' from imposing requirements on teaching personnel and curricula. [Sec. 905]

15. Revise Sec. 12(d) by changing the definition of ''State,'' by striking ''the Trust Territory of the Pacific Islands'' and inserting ''the Commonwealth of the Northern Mariana Islands.'' Makes conforming changes throughout. [Sec. 905]

16. Strike Sec. 12(d)(3) to eliminate ''participation need rate'' definition. [Sec. 905]

17. Strike Sec. 12(d)(4) to eliminate assistance need rate definition. [Sec. 905]

18. Strike Sec. 12(k)(1),(2), and (5) to eliminate provisions dealing with the establishment of regulations on food based menus. [Sec. 905]

19. Revise Sec. 12(l)(1)(B)(2)(A), striking clauses (v), (vi), (vii), and (2)(B). [Sec. 905]

20. Strike Sec. 12(l)(3(B) to eliminate requirement that Sec. respond in writing to written waiver request. [Sec. 905]

21. Strike Sec. 12(l)(3)(C) to eliminate requirement that the result of waiver decisions be disseminated by State. [Sec. 905]

22. Strike Sec. 12(l)(3)(D)(i) and (ii) to eliminate the 2 year limit on waiver period and authority for extension. [Sec. 905]

23. Revise Sec. 12(l)(4), striking subparagraphs (B), (D), (F), (H), (J), (K), (L), and inserting a general prohibition on any waiver that will increase Federal costs. [Sec. 905]

24. Strike Sec. 12(l)(6)(A) to eliminate requirement that eligible service providers receiving waivers report annually to the State, therefore eliminating the requirement that States annually submit a summary of said reports to the Secretary. [Sec. 905]

25. Strike Sec. 12(m) to eliminate Nutrition Instruction Grants. [Sec. 905]

26. Revise Sec. 13(a)(1) to eliminate reference to expansion. [Sec. 906]

27. Revise Sec. 13(a)(7)(A). Technical and conforming. [Sec. 906]

28. Revise Sec. 13(b)(2) to change ''may serve up to four meals'' to ''three meals or two meals and one supplement.'' [Sec. 906]

29. In Sec. 13, references to the National Youth Sports Program are amended by (1) striking non summer months payments; (2) striking severe needs reimbursements; and (3) requiring that participants be eligible based on residence in low income areas, or on the basis of income eligibility statements from children enrolled in the program. [Sec. 906]

30. Revise Sec. 13(f) by (1) eliminating requirement that the Secretary provide additional technical assistance to service providers having difficulty maintaining compliance; and (2) providing that contracts between service institutions and food service management companies require periodic inspections by an independent State agency to determine conformance with standards set by local health authorities. [Sec. 906]

31. Strike Sec. 13(f)(4) to eliminate specific provisions governing advance payments. [Sec. 906]

32. Strike Sec. 13(g)(1)(A). Redundant in relation to preceding language. [Sec. 906]

33. Revise Sec. 13(g)(1)(B) by striking second statement to eliminate technical assistance for those with difficulty maintaining compliance. [Sec. 906]

34. Strike Sec. 13(k)(3) to eliminate added Federal funding to States for health department inspections. [Sec. 906]

35. Strike Sec. 13(l)(4) to eliminate provision for small business preference). [Sec. 906]

36. Strike Sec. 13(l)(5) to eliminate provision for standard contract forms. [Sec. 906]

37. Revise Sec. 13(m) to provide that accounts and records be available ''at any reasonable time.'' [Sec. 906]

38. Revise Sec. 13(n)(2) by striking the clause beginning ''including the State's methods.'' [Sec. 906]
39. Strike Sec. 13(n)(3) to eliminate provisions dealing with States' ''best estimates'' of those served. [Sec. 906]
40. Strike Sec. 13(n)(4) to eliminate requirement for a State ''schedule'' for providing technical assistance. [Sec. 906]
41. Strike Sec. 13(p). Obsolete. [Sec. 906]
42. Strike Sec. 13(q)(2) to eliminate requirements for training and technical assistance for private nonprofits. [Sec. 906]
43. Strike Sec. 13(q)(4). Technical and conforming. [Sec. 906]
44. Strike Sec. 14(b)(1) regarding the inclusion of cereal and shortening in commodity donations. [Sec. 907]
45. Revise Sec. 14(d) by striking the matter requiring an impact study of commodity distribution procedures. [Sec. 907]
46. Strike Sec. 14(e) to eliminate the State Advisory Council. [Sec. 907]
47. Strike Sec. 14(g)(3). Obsolete. [Sec. 907]
48. Revise Sec. 17 by, in the title of the section, striking ''and Adult.'' [Sec. 908]
49. Revise Sec. 17(a) to eliminate reference to authorization to ''expand'' programs. [Sec. 908]
50. Revise Sec. 17(d)(1) to eliminate provision for technical assistance in completing applications. [Sec. 908]
51. Revise Sec. 17(f)(3)(B) by striking last two sentences. Obsolete. [Sec. 908]
52. Revise Sec. 17(f)(3)(C)(i) by striking all references to ''expansion.'' [Sec 908]
53. Strike Sec. 17(f)(3)(C)(ii) to eliminate provision for outreach and recruitment. [Sec. 908]
54. Strike Sec. 17(f)(4) to eliminate specific provisions requiring advance payments. States would be allowed to make such payments but would not be required to do so. [Sec. 908]
55. Strike Sec. 17(g)(1)(A) to eliminate redundant provision. [Sec. 908]
56. Strike Sec. 17(g)(1)(B) to eliminate provision for added technical assistance for those with difficulty maintaining compliance. [Sec. 908]
57. Strike Sec. 17(k), replacing with language requiring States to provide sufficient training technical assistance and to facilitate effective operation of the program. [Sec. 908]
58. Revise Sec. 17(m) to provide that accounts and records be available at any ''reasonable time.'' [Sec. 908]
59. Strike Sec. 17(o) to modify provision to limit eligibility to day care centers providing services to chronically impaired disabled persons. [Sec. 908]
60. Strike Sec. 17(q). Obsolete (provisions for WIC information). [Sec. 908]
61. Strike Sec. 18(a) to eliminate the 3 State evaluation of effect of Secretary contracting with vendors to act as States in administering programs not administered by States. [Sec. 909]
62. Strike Sec. 18(d)(3)(A),(B),(C) to eliminate the universal free pilot. [Sec. 909]
63. Revise Sec. 18(e) to make the demonstration project for outside school hours discretionary. [Sec. 909]
64. Strike Sec. 18(g) and (h) dealing with additional food choices: Fruits, vegetables, cereals, organic foods and low fat dairy products. [Sec. 909]
65. Strike Sec. 18(i) to eliminate Paperwork reduction pilot. [Sec. 909]
66. Repeal Section 19. [Sec. 910]
67. Repeal Section 23. Obsolete. [Sec. 911]
68. Repeal Section 24. [Sec. 912]
69. Repeal Section 26. [Sec. 913]

12. AUTHORIZATION FOR SCHOOL-BASED NUTRITION BLOCK GRANT

A. Entitlement

*Present law*

States are entitled to ''performance-based'' funding according to the number and type of meals and supplements served under school-based programs authorized by the National School Lunch and Child Nutrition Acts.

*House bill*

''Entitles'' each State that submits an annual application (see item 14) to receive an annual school-based nutrition grant for the purpose of achieving the goals of the School-Based Nutrition Block Grant Program (see item 12D for the program's goals and item 13 for State entitlement allotments).

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

B. Requirement To Provide Commodities

*Present law*

The Secretary of Agriculture is required to ensure that no less than 12% of the total amount of ''entitlement'' commodity and cash assistance for the School Lunch program is in the form of commodity support (including cash in lieu of commodities in the limited instances where available and administrative costs for procuring commodities). [Sec. 6(g) of the National School Lunch Act]

*House bill*

Requires that 9% of the amount of assistance available under the school-based block grant be in the form of commodities.

*Senate amendment*

No directly comparable provision. [Note: See item 26]

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11)

C. The School-Based nutrition Block grant

*Present law*

Federal funds for activities under existing law replaced by the House bill's school-based grant are authorized at such sums as are necessary and provided based on the number of meals, supplements, and half-pints of milk served.

The Secretary is required to make school lunch and school breakfast funding and commodities available to Defense Department overseas dependents' schools to the same degree as other schools. [Sec. 20 of the National School Lunch Act and Sec. 20 of the Child Nutrition Act]

*House bill*

Provides that the annual total school-based block grant provided States as their ''entitlement'' will be: $6.681 billion for fiscal year 1996, $6.956 billion (fiscal year 1997), $7.237 billion (fiscal year 1998), $7.538 billion (fiscal year 1999), and $7.849 billion (fiscal year 2000).

For each fiscal year, requires the Secretary to reserve from the total entitlement an amount determined necessary, in consultation with the Secretary of Defense, to establish and carry out nutritious food service programs at Defense Department overseas dependents' schools.

Permits States to obligate payments under a school-based nutrition grant in the succeeding fiscal year.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

D. Goals

*Present law*

The National School Lunch Act declares it the policy of Congress, as a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of agricultural commodities by assisting States through grants and other means in providing support for the establishment, maintenance, operation, and expansion of nonprofit school lunch programs. [Sec. 2 of the National School Lunch Act]

*House bill*

Establishes the goals of the School-Based Block Grant Program:

(1) to safeguard the health and well-being of children through the provision of nutritious, well-balanced meals and food supplements;

(2) to provide economically disadvantaged children (see item 21B for definition) access to nutritious free or low-cost meals, food supplements, and low-cost milk;

(3) to ensure that children served under the School-Based Block Grant program are receiving the nutrition they require to take advantage of educational opportunities;

(4) to emphasize foods that are naturally good sources of vitamins and minerals over enriched foods and those high in fat or sodium content;

(5) to provide a comprehensive school nutrition program for children; and

(6) to minimize paperwork burdens and administrative expenses for participating schools.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

E. Timing of Payments

*Present law*

No provision.

*House bill*

Directs that the Secretary of Agriculture make school-based nutrition grant payments to the States on a quarterly basis.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

13. ALLOTMENT OF SCHOOL-BASED NUTRITION BLOCK GRANT

*Present law*

Current activities that may be funded under the House bill's School-Based Nutrition Block Grant program include those now supported by the School Lunch and Breakfast programs, and school-sponsored programs under the Child and Adult Care Food program, the Summer Food Service program, and the Special Milk program.

In all cases, ''performance funding'' is provided for each meal, supplement, or half-pint of milk served by participating schools, at legislatively established, inflation indexed rates.

*House bill*

As set forth below, provides for the Secretary of Agriculture to make State allotments of the School-Based Nutrition Block Grant entitlement.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration

program and making changes to National School Lunch Act (see item 11).

A. First Year State Allotments

*Present law*

No provisions.

*House bill*

For the first fiscal year in which grants are made, provides that the Secretary make allotments to States based on the proportion of funds each State received under prior law for the preceding fiscal year.

*Base-year State Shares:* Each State's allotment would be its prior-year share of funds received under the School Lunch and Breakfast programs, plus 12.5% of the amounts received under the Child and Adult Care Food, Summer Food Service, and Special Milk programs.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

B. Second Year State Allotments

*Present law*

No provision.

*House bill*

For the second fiscal year in which grants are made, provides that (1) 95% of the total entitlement amount be allotted to each State's share of the amount allotted in the first year and (2) 5% of the entitlement amount allotted be based on each State's share of the number of meals served under the grant during the 1-year period ending the preceding June 30.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

C. Third and Fourth Year State Allotments

*Present law*

No provision.

*House bill*

For the third and fourth fiscal years in which grants are made, provides that (1) 90% of the total entitlement amount be allotted according to each State's share of the amount allotted in the preceding year and (2) 10% of the entitlement amount allotted be based on each State's share of the number of meals served under the grant during the 1-year period ending the preceding June 30.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch (see item 11).

D. Fifth Year Sale Allotments

*Present law*

No provision.

*House bill*

For the fifth fiscal year in which grants are made, provides that (1) 85% of the total entitlement amount be allotted according to each State's share of the amount allotted in the fourth year and (2) 15% of the entitlement amount allotted be based on each State's share of the number of meals served under the grant during the 1-year period ending the preceding June 30.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

14. APPLICATION FOR SCHOOL-BASED NUTRITION GRANTS

*Present law*

Nutrition requirements for school-provided meals are established by the Secretary of Agriculture on the basis of tested nutritional research, are not to be construed to prohibit substitution of foods to accommodate medical or other special dietary needs, must, at a minimum, be based on the weekly average nutrient content of school lunches, and may, with certain limits on how schools may be required to implement them, be based on the Federal ''Dietary Guidelines for Americans.'' [Sec. 9(a) and Sec. 12(k) of the National School Lunch Act, and Sec. 4(e) of the Child Nutrition Act]

The use/disclosure of information obtained from applications for free/reduced-price meals is limited to those administering and/or enforcing child nutrition programs, administrators of other health or education programs (with restrictions), and the General Accounting Office and law enforcement officials. [Sec. 9(b) of the National School Lunch Act]

*House bill*

Provides that the Secretary make a school-based nutrition grant to a State if it submits an application containing only the following:

(1) an agreement that the State will use the grant in accordance with the School-Based Block Grant program requirements (see item 15);

(2) an agreement that the State will set minimum nutrition requirements for meals provided under the grant based on the most recent tested nutrition research available (but the requirements could not be construed to prohibit the substitution of foods to accommodate medical or other special dietary needs and would have to be based, at a minimum, on the weekly average nutrient content of school lunches or other standards set by the State);

(3) an agreement that, with respect to provision of meals to students, the State will implement minimum nutrition requirements based on the most recent tested nutrition research available or the model nutrition standards development by the National Academy of Sciences (see item 20);

(4) an agreement that the State will take reasonable steps it deems necessary to restrict the use and disclosure of information about those receiving assistance under the grant;

(5) an agreement that the State will not use more than 2% of its grant for administrative costs incurred to provide assistance; and

(6) an agreement that the State will submit an annual report to the Secretary (see item 16).

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

15. USE OF AMOUNTS PROVIDED UNDER THE SCHOOL-BASED NUTRITION BLOCK GRANT

A. Activities Supported

*Present law*

The School Lunch and Breakfast programs provide Federal support to schools for nonprofit meal services to schoolchildren. In addition, to a more limited degree, schools offer (and receive Federal subsidies for) after-school food assistance, milk service, and summer food service programs.

*House bill*

Provides that the Secretary of Agriculture make school-based nutrition grants to States if they agree to use their grant to provide assistance to schools for nutritious food service programs that provide affordable meals and supplements to students, including nonprofit:

(1) school breakfast programs;

(2) school lunch programs;

(3) before and after school supplement programs;

(4) low-cost milk services; and

(5) summer meal programs.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

B. Additional Requirements

*Present law*

Under the School Lunch and Breakfast programs, and after-school assistance, milk service, and summer food service programs, schools are provided with specific Federal reimbursements for free and reduced-price meals, supplements, and milk for lower-income children (with family income below 185% of poverty) that are higher than those granted for ''paid'' meals, supplements, and milk provided those with higher income.

*House bill*

Requires that each State ensure that not less than 80% of its school-based grant is used to provide free or low-cost meals to economically disadvantaged children (see item 21 for definitions).

Requires that each State ensure that nutritious food service programs are established and carried out in private nonprofit and Defense Department domestic dependents' schools on an equitable basis with programs in public schools in the State—to the extent consistent with the number of children in these schools and after consultation with representatives of the schools (see item 18).

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

C. Authority to Use School-Based Nutrition Block Grant Amounts for Other Purposes

*Present law*

No provision.

(2) Sufficient funding

No provision.

(3) Amounts used for other purposes

No provision.

*House Bill*

Allows States to use not more than 20% of amounts received from a school-based nutrition grant for any fiscal year to carry out State programs under other block grants authorized by:

(1) part A of title IV of the Social Security Act (relating to welfare for families with children);

(2) part B of title IV of the Social Security Act (relating to provision of child welfare services);

(3) title XX of the Social Security Act (relating to provision of social services);

(4) the Child Nutrition Act of 1966 (relating to family nutrition block grants); and

(5) the Child Care and Development Block Grant.

Provides that States may not transfer funds to other block grants unless the appropriate State agency makes determination that sufficient funds will remain available for the fiscal year to carry out activities under the School-Based Block Nutrition Block Grant Program.

Provides that school-based nutrition block grant amounts States transfer to other block grants (noted above) will not be subject to the requirements of the School-Based Nutrition Block Grant program under the revised National School Lunch Act, but will be subject to the requirements that apply to Federal funds provided directly to the block grant to which they are transferred.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

D. Limitation on Provision of Commodities

*Present law*

Certain schools receive cash or commodity letters of credit in lieu of entitlement commodities (so-called ''Cash/CLOC'' schools). [Sec. 18(b) of the National School Lunch Act]

*House Bill*

Provides that States may to require current Cash/CLOC schools to accept commodities in lieu of cash or commodity letters of credit.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

E. Segregation/Identification of Children Eligible for Free or Low-Cost Meals or Supplements

*Present law*

Schools may not physically segregate, overtly identify, or otherwise discriminate against any child eligible for free or reduced-price lunches. [Sec. 9(b)(4) of the National School Lunch Act]

*House Bill*

Requires States to ensure that schools receiving school-based nutrition grant assistance do not physically segregate, overtly identify, or otherwise discriminate against children eligible for free or low-cost meals or supplements.

*Senate amendment*

No Comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

16. REPORTS

*Present law*

No comparable provision.

*House bill*

Requires that States, as a condition of receiving a school-based nutrition grant, agree to submit an annual report to the Secretary of Agriculture describing:

(1) the number of individuals receiving assistance under the grant for the reporting (fiscal) year;

(2) the different types of assistance provided;

(3) the total number of meals served to students under the grant, including the percentage served to economically disadvantaged students;

(4) the extent to which the assistance provided was effective in achieving the goals of the School-Based Nutrition Block Grant program (see item 12D);

(5) the standards and methods the State is using to ensure the nutritional quality of assistance under the grant; and

(6) any other information that can be reasonably required by the Secretary.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

17. PENALTIES

A. Penalty for Violations

*Present law*

[Note: See item 7.]

*House bill*

Requires the Secretary of Agriculture to reduce the school-based nutrition grant amount otherwise payable to a State by any amount paid under the grant that an audit made under the ''Single Audit Act'' (chapter 75 of title 31 of the United States Code) finds has been used in violation of the revised National School Lunch Act. However, the Secretary is barred from reducing any quarterly payment to the State by more than 25%.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

B. Penalty for Failure to Submit a Required Report

*Present law*

No specific provision.

*House bill*

Requires the Secretary to reduce by 3% the school-based nutrition grant amount otherwise payable to a State for any fiscal year if the Secretary determines that the State has not submitted the required annual report (see item 16) for the immediately preceding fiscal year within 6 months after the end of that fiscal year.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item #11).

18. FEDERAL ASSISTANCE FOR CHILDREN IN PRIVATE NONPROFIT SCHOOLS AND DEFENSE DEPARTMENT DOMESTIC DEPENDENTS' SCHOOLS

*Present law*

Where States are by law precluded from providing child nutrition assistance to certain types of schools (e.g. private nonprofit schools), the Secretary is authorized to provide assistance directly.

*House bill*

If a State is precluded by law from providing assistance under the school-based nutrition grant to nonprofit private schools or Defense Department domestic dependents' schools, or the Secretary has determined that the State has substantially failed or is unwilling to provide assistance to the schools, requires the Secretary to arrange for provision of school-based nutrition assistance to the schools, after consultation with appropriate school representatives. In the case that the Secretary provides assistance to private nonprofit schools or Defense Department domestic dependents' schools, the State's school-based nutrition grant would be reduced to reflect the assistance provided.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

19. FOOD SERVICE PROGRAMS FOR DEFENSE DEPARTMENT OVERSEAS DEPENDENTS' SCHOOLS

A. Assistance

*Present law*

[Note: See item 12C(2)]

*House bill*

Requires the Secretary to make available to the Secretary of Defense funds and commodities (as determined by the Secretary in consultation with the Secretary of Defense, and reserved from the total school-based grant) for establishing and carrying out nutritious food service programs providing affordable meals and supplements to students in Defense Department overseas dependents' schools.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

B. Requirements

*Present law*

Federally subsidized school meal programs in Defense Department overseas dependents' schools must meet the same requirements as programs in domestic schools.

*House bill*

In carrying out food service programs in Defense Department overseas dependents' schools, requires the Secretary of Defense to (1) ensure that not less than 80% of the assistance is used to provide free or low-cost meals and supplements to economically disadvantaged children (see item 21B for definition) and (2) the schools will implement minimum nutrition requirements in the same way domestic schools receiving assistance under the school-based nutrition grant are required to (including optional use of model nutrition standards).

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

20. MODEL NUTRITION STANDARDS FOR STUDENT MEALS

A. Requirement

*Present law*

No comparable provisions. [Note: The Secretary establishes nutrition standards for school meals.]

*House bill*

Not later than April 1, 1996, requires the National Academy of Sciences to develop model nutrition standards for meals provided to students under the School-Based Block Grant Program. The standards are to be developed by the Food and Nutrition Board of the Academy's Institute of Medicine, in cooperation with nutritionists and directors of school meal programs.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

B. Report to Congress

*Present law*

No provision.

*House bill*

Not later than one year after the model nutrition standards (noted above) are developed, requires the National Academy of Sciences to report to Congress regarding the efforts of States to implement them.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

21. DEFINITIONS

A. Schools and Secretary

*Present law*

In general, ''schools'' are defined as public or private nonprofit elementary, intermediate, or secondary schools. The ''Secretary'' is defined as the Secretary of Agriculture.

*House bill*

''Schools'' and ''Secretary'' would be defined as having the same meaning as in existing law. In addition, parallel definitions are added for Defense Department domestic and overseas dependents' schools.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item 11).

B. Economically Disadvantaged

*Present law*

No directly comparable provision. [Note: Subsidies are provided for free and reduced-price meals served to children with family income under 185% of the Federal poverty guidelines. However, Federal school food service subsidies are not limited to these lower-income children.]

*House bill*

The term ''economically disadvantaged'' is defined to apply to individuals or families with annual income below 185% of the Federal poverty guidelines. [Note: Assistance under the School-Based Nutrition grant could be given to children with family income above 185% of poverty.]

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item 11).

C. State

*Present law*

In general, for school food programs, ''State'' is defined as the 50 States, the District of Columbia, Puerto Rico, the Northern Marianas, American Samoa, and the Virgin Islands.

*House bill*

''State,'' under the School-Based Nutrition grant, would have the same meaning as in present law, except that Indian tribal organizations (as defined under section 4(l) of the Indian Self-Determination and Education Assistance Act) would be included as States and could apply for grants.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see Item 11).

22. REPEALERS

*Present law*

Not applicable.

*House bill*

Makes conforming technical amendments repealing the Commodity Distribution Reform Act and WIC Amendments of 1987 and the Child Nutrition and WIC Reauthorization Act of 1989.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

23. EFFECTIVE DATE

*Present law*

Not applicable.

*House bill*

Makes amendments replacing Child Nutrition and National School Lunch Act provisions with Family Nutrition and School-Based Nutrition Block Grants effective October 1, 1995.

*Senate amendment*

No comparable provision.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

24. APPLICATION OF AMENDMENTS AND REPEALERS

*Present law*

Not applicable.

*House bill*

Provides that amendments and repealers associated with replacing Child Nutrition and National School Lunch Act provisions with Family Nutrition and School-Based Nutrition Block Grants not apply with respect to (1) financial assistance provided under prior law and (2) administrative actions or proceedings commenced or authorized to be commenced before the effective date.

*Senate amendment*

No comparable provisions.

*Conference agreement*

Senate recedes with an amendment creating an optional block grant demonstration program and making changes to National School Lunch Act (see item 11).

25. TERMINATION OF ADDITIONAL PAYMENTS FOR LUNCHES SERVED IN HIGH FREE AND REDUCED PRICE PARTICIPATION SCHOOLS

*Present law*

Lunches served by school food authorities where 60 percent or more of the lunches are served free or at a reduced price (to children with family income below 185 percent of the Federal poverty income guidelines) are reimbursed at a rate 2 cents a meal higher than regular subsidy rates. [Sec. 4(b) of the National School Lunch Act]

*House bill*

No comparable provision.

*Senate amendment*

Effective July 1, 1996 (the 1996–1997 school year), ends the extra 2-cent-a-lunch reimbursement to schools with high rates of free and reduced-price participation.

*Conference agreement*

Senate recedes.

26. VALUE OF FOOD ASSISTANCE

*Present law*

Schools and certain other child nutrition sponsors are ''entitled'' to commodities valued at a legislatively set, inflation-indexed amount per meal served. The per-meal reimbursement rate is indexed annually to reflect the annual percentage change in a 3-month average value of the Price Index for Food Used in Schools and Institutions, and rounded to the nearest ¼ cent. [Sec. 6(e) of the National School Lunch Act]

*House bill*

No directly comparable provision. [Note: See item 12B.]

*Senate amendment*

Freezes (for one year) the guaranteed per-meal reimbursement rate for entitlement commodity assistance and revises (by changing rounding rules) the method of calculating this reimbursement rate.

On January 1, 1996, the entitlement commodity reimbursement rate set under current law for the 1995–1996 school year (as rounded to the nearest ¼ cent) would be rounded down to the nearest lower cent. For the 1996–1997 school year, the rate would be frozen at the rate for the 1995–1996 school year (as rounded down to the nearest lower cent). For the 1997–1998 school year, the rate would be the unrounded rate for the 1995–1996 school year, adjusted for inflation over the most recent 12-month period and rounded down to the nearest lower cent. For following school years, the rate would be the unrounded rate for the preceding year, adjusted for inflation over the most recent 12-month period and rounded down to the nearest lower cent. (p. 348)

[Note: Current-law rules as to the inflation-adjustment factor to be used (i.e., the Price Index for Food Used in Schools and Institutions) are not changed.]

*Conference agreement*

Senate recedes.

27. LUNCHES, BREAKFASTS, AND SUPPLEMENTS

*Present law*

''Paid'' lunches, breakfasts, and supplements are served to those with family income above 185 percent of the Federal poverty guidelines. Guaranteed Federal reimbursement rates for each paid lunch, breakfast, and supplement are indexed annually to reflect changes in the food away from home series of the Consumer Price Index. When indexed, all reimbursement rates (i.e., for paid, free, and reduced-price meals and supplements) are rounded to the nearest ¼ cent. [Sec. 11(a) of the National School Lunch Act]

*House bill*

No comparable provisions.

*Senate amendment*

Freezes (for two years) reimbursement rates for paid lunches, breakfasts, and supplements. Revises (by changing rounding rules) the method for calculating reimbursement rate for paid, free, and reduced-price lunches, breakfasts, and supplements. [Note: Reimbursement rates for meals and supplements served in family day care homes and the Summer Food Service program are and would be governed by separate provisions of law (see below).]

On January 1, 1996, reimbursement rates for paid, free, and reduced-price lunches, breakfasts, and supplements set under current law for the 1995–1996 school year (as rounded to the nearest ¼ cent) would be rounded down to the nearest lower cent. For

the 1996–1997 and 1997–1998 school years, the reimbursement rates for paid lunches, breakfasts, and supplements would be frozen at the rates for the 1995–1996 school year (as rounded down to the nearest lower cent). For the 1998–1999 school year, the reimbursement rates for paid lunches, breakfasts, and supplements would be the unrounded rates for the 1995–1996 school year adjusted for inflation over the most recent 12-month period for which data are available, and rounded down to the nearest lower cent. For following school years, the reimbursement rates for paid lunches, breakfasts, and supplements would be the unrounded rates for the preceding year adjusted for inflation over the most recent 12-month period, and rounded down to the nearest lower cent.

Reimbursement rates for free and reduced-price lunches, breakfasts, and supplements would continue to be indexed annually for inflation each school year (i.e., no two-year freeze), but would be rounded down to the nearest lower cent. [Note: Current-law rules as to the inflation-adjustment factor to be used (i.e., the food away from home series of the Consumer Price Index) are not changed.]

*Conference agreement*

Senate recedes.

28. SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

*Present law*

Under the Summer Food Service program, all meals and supplements served are federally subsidized at legislatively set, inflation-indexed rates that, for the 1995 summer (set in January 1995), were $2.12 for each lunch/supper, $1.18 for each breakfast, and 55.5 cents for each supplement. In addition, sponsors receive payments for administrative costs based on the number of meals/supplements served. Basic Federal payments for lunches, breakfasts, and supplements are indexed for inflation annually based on the food away from home series of the Consumer Price Index, and rounded to the nearest ¼ cent. [Sec. 13(b) of the National School Lunch Act]

*House bill*

No comparable provisions.

*Senate amendment*

Establishes new, lower reimbursement rates for meals and supplements served in the Summer Food Service program as follows: $2 for lunches/suppers, $120 for breakfasts, and 50 cents for supplements. The new rates would become effective January 1, 1996 (for the 1996 summer program), and be adjusted each January thereafter to reflect changes in the food away from home series of the Consumer Price Index (as under current law). However, while each adjustment would be based on the unrounded rates for the prior 12-month period, it would be rounded down to the nearest cent. [Note: Additional administrative-cost payment rates to sponsors are not affected.]

*Conference agreement*

House recedes with an amendment establishing new, lower rates for meals and supplements served in the Summer Food service program as follows: $1.82 for lunches served; $1.13 each breakfast served and $.46 for each meal supplement served. [Sec. 906(b)]

29. SPECIAL MILK PROGRAM

*Present law*

Under the Special Milk program, the minimum per-half-pint reimbursement rate is indexed annually to reflect changes in the Producer Price Index for Fresh Processed Milk, and rounded to the nearest ¼ cent. [Sec. 3(a) of the Child Nutrition Act]

*House bill*

No comparable provisions.

*Senate amendment*

Freezes (for one year) the minimum per-half-pint reimbursement rate and revises (by changing rounding rules) the method of calculating the reimbursement rate.

On Jan. 1, 1996, the minimum reimbursement rate set under current law for the 1995–1996 school year (as rounded to the nearest ¼ cent) would be rounded down to the nearest cent. For the 1996–1997 school year, the minimum reimbursement rate would be frozen at the rate for the 1995–1996 school year (as rounded down to the nearest cent). For the 1997–1998 school year, the minimum reimbursement rate would be the unrounded rate for the 1995–1996 school year adjusted for inflation over the most recent 12-month period for which data are available, and rounded down to the nearest lower cent. For following school years, the minimum reimbursement rate would be the unrounded rate for the preceding year adjusted annually for inflation, and rounded down to the nearest lower cent. [Note: Current-law rules as to the inflation adjustment factor to be used (i.e., the Producer Price Index for Fresh Processed Milk) are not changed.]

*Conference agreement*

Senate recedes.

30. FREE AND REDUCED PRICE BREAKFASTS

*Present law*

Reimbursement rates for free and reduced-price breakfasts are indexed annually for inflation and rounded to the nearest ¼ cent. [Sec. 4(b) of the Child Nutrition Act]

*House bill*

No comparable provision.

*Senate amendment*

Requires that annual adjustments to reimbursement rates for free and reduced-price breakfasts be based on the previous year's unrounded rates and, after adjustment for inflation, rounded down to the nearest lower cent.

*Conference agreement*

Senate recedes.

31. CONFORMING REIMBURSEMENT FOR PAID BREAKFASTS AND LUNCHES

*Present law*

The per-meal reimbursement for paid breakfasts (paid meals are those served to children with family income above 185 percent of the Federal poverty income guidelines) is higher than the reimbursement rate for paid lunches—by about 2 cents a meal for the 1995–1996 school year. [Sec. 4(b) of the Child Nutrition Act]

[Note: The paid breakfast reimbursement rate is roughly the same as the current-law paid lunch rate for schools with free and reduced-price participation of 60 percent or more. This special lunch rate would be eliminated under Sec. 401 of the Senate amendment (see item 25).]

*House bill*

No comparable provision.

*Senate amendment*

Requires that the reimbursement rate for paid breakfasts be the same as the rate for paid lunches.

*Conference agreement*

Senate recedes.

32. SCHOOL BREAKFAST STARTUP GRANTS

*Present law*

The Secretary is required to make competitive grants to help defray costs associated with starting or expanding school breakfast and summer food service programs. Funding of $5 million a year is provided through fiscal year 1997; $6 million is provided for fiscal year 1998; and $7 million a year is provided for fiscal year 1999 and each subsequent year. [Sec. 4(g) of the Child Nutrition Act]

*House bill*

No comparable provision.

*Senate amendment*

Repeals the startup/expansion competitive grant program.

*Conference agreement*

House recedes. [Sec. 923]

33. NUTRITION EDUCATION AND TRAINING PROGRAMS

*Present law*

The Secretary is required to make funding available to States for child nutrition program nutrition education and training activities. Funding of $10 million a year is provided. [See. 19(i) of the Child Nutrition Act]

*House bill*

No comparable provision.

*Senate amendment*

Reduces the amount that must be provided for nutrition education and training to $7 million a year.

*Conference agreement*

House recedes with an amendment eliminating mandatory status. Authorizes appropriations of $10 million per year. [Sec. 931]

34. EFFECTIVE DATE

*Present law*

Not applicable.

*House bill*

No comparable provision.

*Senate amendment*

Establishes Oct. 1, 1996 as the effective date for repeal of the startup/expansion competitive grant program and reduction of funding for nutrition education and training.

*Conference agreement*

Makes October 1, 1996 the effective date for reduction in funding authority for nutrition education and training. [Sec. 931(g)]

35. FREE AND REDUCED PRICE POLICY STATEMENT

*Present law*

[Note: See note under Senate amendment.]

*House bill*

No comparable provision.

*Senate amendment*

Provides that, after initial submission, schools may not be required to submit free and reduced-price policy statements for the School Lunch and School Breakfast programs to State education agencies—unless there is a substantive change in the school's policy. Implementation of routine changes (such as the annual adjustment in the income eligibility guidelines) would not be sufficient cause to require submission of a policy statement. [Note: Under current regulations, annual submission of policy statements is required.]

*Conference agreement*

House recedes. [Sec. 922]

36. SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

A. Permitting Offer versus Serve

*Present law*

No provision. [Note: The ''offer versus serve'' option is permitted in school meal programs.]

*House bill*

No comparable provision.

*Senate amendment*

Allows schools operating summer food service programs to permit children attending a site on school premises to refuse one item of a meal without affecting the Federal reimbursement for the meal.

*Conference agreement*

House recedes. [Sec. 906(g)]

B. Removing Mandatory Notice to Institutions

*Present law*

Under the Summer Food Service program, States must submit to the Secretary, by February 15 of each year, a plan and schedule for informing service institutions of the availability of the program. [Sec. 13(n) of the National School Lunch Act]

*House bill*

No comparable provision.

*Senate amendment*

Prohibits the Secretary from requiring States to submit their plans and schedules for informing institutions of the availability of the Summer Food Service program.

*Conference agreement*

House recedes. [Sec. 906(k)]

37. CHILD AND ADULT CARE FOOD PROGRAM

A. Payments to Sponsor Employees

*Present law*

No provision.

*House bill*

No comparable provision.

*Senate amendment*

Bars Child and Adult Care Food program sponsoring organizations with more than one employee from basing payments to employees on the number of family/group day care homes recruited.

*Conference agreement*

House recedes. [Sec. 908(b)]

B. Improved Targeting of Day Care Home Reimbursements

*Present law*

Federal reimbursement rates for meals and supplements served in family/group day care homes are standard for all homes, established separately from those for day care centers, not differentiated by the participating children's family income (as is the case for day car centers), and set approximately half-way between reimbursements for free and reduced-price meals/supplements in day care centers. They are indexed for inflation each July 1 (see item 36B(2)), and for the period July 1995–June 1996, they are: $1.5375 for all lunches/suppers, 84.5 cents for all breakfasts, and 45.75 cents for all supplements. Family/group day care home sponsors also receive separate administrative cost reimbursements based on the number of homes sponsored. [Sec. 17(f) of the National School Lunch Act]

Meal and supplement reimbursements for family/group day care homes are indexed annually to reflect changes in the Consumer Price Index for food away from home and rounded to the nearest ¼ cent. [Sec. 17(f) of the National School Lunch Act]

*House bill*

No comparable provisions.

*Senate amendment*

Restructures reimbursements for meals and supplements served in family/group day care homes. In general, homes would be divided into two ''tiers,'' one of which would receive current-law reimbursements (with indexing adjustments, see item 37B(2) for changes in inflation indexing rules) and the other which would receive lower reimbursements as set out under the Senate amendment. [Note: Separate payments to sponsors based on the number of homes sponsored are not changed, and current rules barring certain documents requirements and reimbursements for meals/supplements served to providers' children are retained.]

Tier I homes would be paid the meal/supplement reimbursements for family/group homes in effect on the date of enactment, adjusted on August 1, 1996, and each July 1 thereafter, to reflect inflation for the most recent 12-month period for which data are available.

Tier I homes would be those (1) located in areas, as defined by the Secretary based on Census data, in which at least half of the children are members of households with income below 185 percent of the Federal poverty income guidelines, (2) located in an area served by a school enrolling elementary students in which at least 50 percent of those enrolled are certified eligible for free or reduced-price school meals (i.e., have family income below 185 percent of the Federal poverty guidelines), or (3) operated by a provider whose family income is verified by its sponsoring organization to be below 185 percent of the poverty guidelines.

In general, tier II homes would be paid reimbursements of $1 for each lunch/supper, 30 cents for each breakfast, and 15 cents for each supplement (all substantially below tier I rates), adjusted on July 1, 1997, and each July 1 thereafter, to reflect inflation for the most recent 12-month period for which data are available.

Tier II homes would be homes that do not meet the tier I low-income area/provider standards.

Tier II homes could, at their option, claim higher tier I reimbursement rates under certain conditions: Tier II homes could elect to receive tier I reimbursements for meals/supplements served to children in households with income below 185 percent of the poverty guidelines, if the sponsoring organization collects the necessary income information and makes the appropriate eligibility determinations (in accordance with the Secretary's rules). Tier II homes also could receive tier I reimbursements for children in or subsidized under (or children of parents in or subsidized under) federally or State supported child care or other benefit programs with an income limit that does not exceed 185 percent of the poverty guidelines, and could restrict their claim for tier I reimbursements to these children if they opt not to have income statements collected from parents/caretakers.

The Secretary would be required to prescribe ''simplified'' meal counting/reporting procedures for use by tier II homes (and their sponsors) that elect to claim tier I reimbursements for children meeting the income or program participation requirements noted above. These procedures could include: (1) setting an annual percentage of meals/supplements to be reimbursed at tier I rates based on the family income of children enrolled during a specific month or other period, (2) placing a home in a reimbursement category based on the percentage of children with household income below 185 percent of poverty, or (3) other procedures determined by the Secretary.

The Secretary also would be permitted to establish minimum requirements for verifying income and program participation for children in tier II homes opting to claim tier I reimbursement rates.

Requires that reimbursements for family/group day care homes be indexed annually to reflect changes in the Consumer Price Index for food at home, based on the unrounded rates for the preceding 12-month period, and then rounded down to the nearest lower cent.

Requires the Secretary to reserve, from amounts available for the Child and Adult Care Food program in fiscal year 1996, $5 million—to provide grants for (1) training, materials, computer and other assistance to sponsoring organization staff and (2) training and other aid to family/group day care homes in implementing the new reimbursement-rate structure directed by the Senate amendment. The funds would be allocated among the States based on their proportion of participating homes, with a minimum of $30,000 as a State's base funding share, and State would not be allowed to retain more than 30 percent of their grant at the State level (passing the remainder to sponsors and providers).

Requires (1) the Secretary to provide State agencies with Census data necessary for determining homes' tier I status and (2) State agencies to provide the data to day care home sponsoring organizations.

Requires State agencies administering school meal programs to provide approved day care home sponsoring organizations a list of schools serving elementary school children in which at least half those enrolled are certified to receive free or reduced-price meals (one test for an area eligible for tier I reimbursements). The data for the list must be collected annually and provided on a timely basis to any requesting approved sponsoring organization.

Provides that, in determining homes' tier I status, State agencies and sponsoring organizations must use the most current data available.

Provides that a determination that a home is located in an area that qualifies it as a tier I home be in effect for three years, unless the State agency determined the area no longer qualifies the home. In the case of a determination made in on the basis of Census data, the determination is to be in effect until more recent data are available.

Makes conforming technical amendments recognizing the new structure of family/group day care home reimbursement rates.

*Conference agreement*

House recedes with an amendment accepting Senate provisions and establishing new lower reimbursement rates for tier II homes for meals and supplements as follows: $90 for each lunch and supper; $.25 for each breakfast; and $.10 for supplements. [Sec. 908(e)]

C. Disallowing Meal Claims

*Present law*

No specific provision.

*House bill*

No comparable provision.

*Senate amendment*

Makes clear that States and sponsoring organizations may recoup reimbursements to day care home providers for improperly claimed meals/supplements.

*Conference agreement*

Senate recedes with an amendment that deletes advance payments to sponsors. [Sec. 908(f)]

D. Elimination of State Paperwork and Outreach Burden

*Present law*

Provisions of the National School Lunch Act require (1) States to take affirmative action to expand availability of the Child and Adult Care Food program's benefits (including annual notification of all nonparticipating family/group day care home providers), (2) the Secretary to conduct demonstration projects to test approaches to removing or reducing barriers to participation by homes that operate in low-income areas or primarily serve low-income children, (3) the Secretary and States to provide training and technical assistance to sponsoring organizations in reaching low-income children, and (4) the Secretary to instruct States to provide information/training about child health and development through sponsoring organizations. [Sec 17(k) of the National School Lunch Act]

*House bill*

No comparable provision.

*Senate amendment*

Repeals existing ''outreach'' requirements noted under present law and requires that (1) States provide sufficient training, technical assistance, and monitoring to facilitate effective operation of the Child and Adult Care Food Program and (2) the Secretary assist States in carrying out this obligation.

*Conference agreement*

House recedes. [Sec. 908(h)]

E. Study of Impact of Amendments on Program Participation and Family Day Care Licensing.

*Present law*

No provision.

*House bill*

No comparable provision.

*Senate amendment*

Not later than two years after the date of enactment, requires the Secretary of Agriculture, in conjunction with the Secretary of Health and Human Services, to study the impact of the revisions to the Child and Adult Care Food program under the Senate amendment on:

(1) the number of participating family day care homes, day care home sponsoring organizations, and day care homes that are licensed, certified, registered, or approved by each State;

(2) the rate of growth in the number of participating homes, sponsors, and licensed, certified, registered, or approved homes;

(3) the nutritional adequacy/quality of meals served in family day care homes that no longer receive reimbursements or no longer receive ''full'' reimbursements: and

(4) the proportion of low-income children participating in the program. (p. 377)

Requires each State agency to submit data on (1) the number of participating family day care homes on July 31, 1996, and July 31, 1997, (2) the number of licensed, certified, registered, or approved family day care homes on July 31, 1996, and July 31, 1997, and (3) other matters needed to carry out the study as required by the Secretary.

*Conference agreement*

House recedes. [Sec. 908(n)]

F. Effective Date and Regulations

*Present law*

Not applicable.

*House bill*

No comparable provisions.

*Senate amendment*

Establishes the effective date for changes in the family/group day care home reimbursement structure—August 1, 1996. Other changes affecting the Child and Adult Care Food program would be effective on enactment (e.g., grants to assist in implementation of the changes, limits on payments to sponsors' employees).

Requires that, by February 1, 1996, the Secretary issue interim regulations to implement (1) the changes in the family/group day care home reimbursement structure and (2) existing provisions of law for the use of sponsoring organizations' administrative expense payments for startup/expansion and outreach and recruitment activities. Final regulations would be required by August 1, 1996.

*Conference agreement*

House recedes. [Sec. 908(m)]

38. REDUCING REQUIRED REPORTS TO STATE AGENCIES AND SCHOOLS

*Present law*

Not applicable.

*House bill*

No comparable provisions.

*Senate amendment*

Directs the Secretary to review all existing reporting requirements placed on local providers (e.g., schools) under the National School Lunch and Child Nutrition Acts and notify the appropriate committees of Congress of those requirements that are mandated by law, with recommendations as to whether any should be eliminated because their contribution to program effectiveness is not sufficient to warrant the paperwork burden imposed. The Secretary also would be required to provide justification for those reporting requirements established solely by regulation. The review and report would be due no later than one year after enactment.

*Conference agreement*

House recedes.

39. CATEGORICAL ELIGIBILITY

*Present law*

In general, children are categorically income eligible for child nutrition programs, and women, infants, and children for the WIC program, if they are recipients of AFDC benefits. [Sec. 9(b) of the National School Lunch Act and Sec. 17(d) of the Child Nutrition Act]

*House bill*

No comparable provisions.

*Senate amendment*

Amends the National School Lunch and Child Nutrition Acts to (1) technically conform citations to the new family assistance block grant (rather than the AFDC program) and (2) make categorically eligible for child nutrition and WIC programs only those recipients in family assistance block grant programs that comply with standards established by the Secretary of Agriculture to ensure that a State's family assistance block grant program standards are comparable to or more restrictive than those in effect for the AFDC program on June 1, 1995.

*Conference agreement*

House recedes. [Sec. 109]

TITLE X. FOOD STAMPS AND COMMODITY DISTRIBUTION

*Food Stamp Reform*

1. DECLARATION OF POLICY

*Present law*

The Food Stamp Act's declared policy is to safeguard the health and well-being of the Nation's population by raising levels of nutrition among low-income households. To alleviate hunger and malnutrition among low-income households with limited food purchasing power, the Act authorizes the food stamp program to permit low-income households to obtain a more nutritious diet through normal channels of trade by increasing the food purchasing power of all eligible households who apply. [Sec. 2]

*House bill*

No comparable provision.

*Senate amendment*

Adds to the existing Food Stamp Act declaration of policy a statement that Congress intends that the food stamp program support the employment focus and family strengthening mission of public welfare and welfare replacement programs by facilitating transition to economic self-sufficiency through work, promoting employment as the primary means of income support and reducing barriers to employment, and maintaining and strengthening healthy family functioning and family life.

*Conference agreement*

The Conference agreement follows the House bill.

2. SHORT TITLE

*Present law*

No provision.

*House bill*

Cites this subtitle as ''The Food Stamp Simplification and Reform Act of 1995.''

*Senate amendment*

No comparable provision.

*Conference agreement*

The Conference agreement follows the House bill.

3. ESTABLISHMENT OF SIMPLIFIED FOOD STAMP PROGRAM

*Present law*

The Secretary is directed to establish uniform national standards of eligibility for food stamps (with certain variations allowed for Alaska, Hawaii, Guam, the Virgin Islands, and certain administrative rules.). States may not impose any other standards of eligibility as a condition for participation in the program. [Sec. 5(b)]

*House bill*

Permits States to operate a ''simplified food stamp program,'' either statewide or in any political subdivision. Under this program, households receiving regular cash benefits under the Temporary Assistance for Needy Families (TANF) block grant established by title I of the Personal Responsibility Act (replacing the current Aid to Families with Dependent Children (AFDC) program) could be provided food stamp benefits using the rules and procedures established by the State for its TANF block grant program, as an alternative to using regular food stamp rules.

*Senate amendment*

Explicitly permits non-uniform standards of eligibility. [*Note:* Also see item 38]

*Conference agreement*

The Conference agreement follows the Senate amendment.

4. SIMPLIFIED FOOD STAMP PROGRAM

A. Basic State Option

*Present law*

Households composed entirely of AFDC recipients are automatically eligible for food stamps, with few exceptions (e.g., aliens who do not meet the Food Stamp program's more stringent rules barring illegal aliens). [Sec. 5(a)]

As with other households, food stamp benefits for AFDC households are determined under Food Stamp program rules governing counting of income, expense deductions, and procedural requirements.

*House bill*

[Note: Sec. 542(a) of the House bill adds a new section 24 to the Food Stamp Act containing rules for the Simplified Food Stamp Program.]

If a State elects to exercise its option to use its TANF block grant rules and procedures for food stamp benefits, requires that (1) households in which all members receive regular cash benefits under a TANF block grant program be automatically eligible for food stamps and (2) food stamp benefits for them be determined under rules and procedures established by the State or locality under the State's TANF block grant program or the regular food stamp program.

*Senate amendment*

[Note: Sec. 342(a) of the Senate amendment adds a new section 24 to the Food Stamp Act containing rules for the Simplified Food Stamp Program]

Permits a State to exercise an option to use rules and procedures established for its family assistance block grant (under title I of the Senate amendment) to determine food stamp benefits for households in which all members receive family assistance block grant aid: (1) households in which all members receive aid under a family assistance block grant program would be automatically eligible for food stamps; and (2) their food stamp benefits could be determined by using

rules and procedures established by the State for its family assistance block grant program, regular food stamp program rules and procedures, or a combination of the two. States also would be allowed to apply a single ''shelter standard'' to households that receive a housing subsidy and another to households that do not.

*Conference agreement*

The Conference agreement follows the Senate amendment with an amendment deleting the specific reference to use of a single shelter standard.

B. Federal Cost Control

*Present law*

No comparable provisions.

*House bill*

Requires that, when approving a State's plan to exercise its option for a simplified food stamp program, the Secretary certify that the average per-household food stamp benefit received by participating TANF households is not expected to exceed the average food stamp benefit level for AFDC or TANF recipients in the preceding fiscal year—adjusted for any changes in the ''Thrifty Food Plan'' (the basis for food stamp benefit levels). The Secretary also is required to compute the ''permissible'' average per-household benefit for each State or locality exercising the simplified program option.

Requires that, if average food stamp benefits under the simplified program exceed the permissible level (the Thrifty-Food-Plan-adjusted prior year amount), the State must pay the Federal Government the benefit cost of the excess within 90 days of notification.

*Senate amendment*

Provides that a State may not operate a simplified food stamp program unless it has an approved plan and requires the Secretary to approve any State plan if the Secretary determines it complies with the provisions of law governing the simplified food stamp program option and would not increase Federal costs under the Food Stamp Act. Federal costs for this purpose are defined to exclude research, demonstration, and evaluation costs.

Requires the Secretary to determine whether a State's simplified food stamp program is increasing Federal costs under the Food Stamp Act. In making the determination, the Secretary (1) could not required States to collect or report any information on households not included in the simplified food stamp program and (2) could approve State requests to use alternative accounting periods. If the Secretary determines that a simplified food stamp program has increased Federal costs, the State must be notified by January 1 of the succeeding fiscal year.

If the Secretary determines that a simplified program has increased Federal costs for a two-year period, the State must pay the Federal Government the amount of any increased costs within 90 days of the determination (or have amounts due it for administrative costs reduced).

*Conference agreement*

The Conference agreement follows the Senate amendment with an amendment. The Secretary must, for each fiscal year, determine whether a simplified program is increasing Federal costs above those incurred under the food stamp program in the fiscal year prior to implementation of the simplified program, adjusted for changes in participation, the non-public-assistance income of participants, and the cost of the Thrifty Food Plan. The Secretary must notify the State of a determination of increased Federal costs, and the State must submit for approval a corrective action plan designed to prevent increased Federal costs. If a State fails to submit a plan or carry out an approved plan, the Secretary must terminate approval of the State's simplified program, and the State is ineligible for future participation under simplified program rules.

C. Disqualification

*Present law*

Households penalized for an intentional failure to comply with a Federal, State, or local welfare program may not, for the duration of the penalty, receive an increased food stamp allotment because their welfare income has been reduced. [Sec. 8(d)]

[Note: This has been interpreted by regulation to apply only to reductions in welfare income due to repayment of overpayments resulting from a welfare violation, although a revision of the regulation is scheduled.]

*House bill*

Provides that (1) households receiving food stamps under the simplified program option who are sanctioned (disqualified or have their benefits reduced) under a State's TANF program may have the same penalty applied for food stamp purposes and (2) food stamp benefits to households participating under the simplified program option may not be increased as the result of a reduction in their TANF benefits caused by a sanction. Any household disqualified from food stamps as the result of a TANF program sanctions would be eligible to apply for food stamps (as a new applicant) after the disqualification period has expired.

*Senate amendment*

[Note: See items 10 and 43.]

*Conference agreement*

The Conference agreement follows the Senate amendment.

D. Extending Rules to ''Mixed'' Households

*Present law*

No comparable provisions.

*House bill*

Allows States the further option of applying their TANF rules and procedures to food stamp households in which some, but not all, members receive TANF benefits. These households would not be automatically eligible for food stamps (they would have to meet normal food stamp eligibility rules), but their benefits could be determined under the State's TANF rules and procedures, so long as the Secretary ensures that the State's plan provides for an ''equitable'' distribution of benefits among all household members.

*Senate amendment*

No comparable provisions.

*Conference agreement*

The Conference agreement follows the Senate amendment. The conferees encourage the Secretary to work with States to test methods for applying a single set of rules and procedures to households in which some, but not all, members receive cash welfare benefits under State rules.

E. Cash Assistance

*Present law*

No comparable provisions.

*House bill*

Allows States exercising the simplified program option to pay food stamp benefits in cash to some participating households. Cash benefits could be paid to households with 3 or more consecutive months' earned income of at least $350 a month from a private sector employer.

Provides that: (1) cash assistance in lieu of food stamps be considered the food stamp benefit of the earner's household, (2) the value of food stamp benefits provided in cash be treated as food stamp coupons for taxation and other purposes (i.e., disregarded), and (3) the State opting for cash payments increase the payments (at State expense) to offset the effect of any food sales taxes, unless the Secretary determines it unnecessary because of the limited nature of items taxed (sales taxes on food purchases with food stamp benefits are barred by existing law).

Requires States electing the cash benefit option to submit a written evaluation the effect of cash assistance after 2 years' operation.

*Senate amendment*

[Note: See item 55.]

*Conference agreement*

The Conference agreement follows the Senate amendment.

F. Federal Food Stamp Rules

*Present law*

The Federal Government shares 50% of any State food stamp administrative costs (except that certain States with very low rates of erroneous benefit and eligibility determinations can receive up to 60%). States also may retain certain proportions of any overissued benefits they recoup. Special Federal cost-sharing rules apply in the case of employment and training programs for food stamp recipients. States are subject to a quality control system under which the extent of erroneous benefit and eligibility decisions is measures. Those with high rates of erroneous benefit and eligibility decisions are subject to fiscal sanctions. [Sec. 16]

*House bill*

Requires States exercising the simplified program option to, at a minimum, comply with certain rules mandated under the Food Stamp Act:

(1) requirements governing issuance procedures for food stamp benefits;

(2) the requirement that benefits be calculated by subtracting 30% of a household's income (as determined by state-established, not Federal, rules under the simplified program option) from the maximum food stamp benefit;

(3) the bar against counting food stamp benefits as income or resources in other programs;

(4) the requirements that State agencies assume responsibility for eligibility certification and issuance of benefits and keep records for inspection and audit;

(5) the bar against discrimination by reason of race, sex, religious creed, national origin, or political beliefs;

(6) requirements related to submission and approval of plans of operation and administration of the food stamp program on Indian reservations;

(7) limits on the use and disclosure of information about food stamp households;

(8) requirements for notice to and fair hearings for aggrieved households (or comparable requirements established by the State under its TANF program;)

(9) requirements for submission of reports and other information required by the Secretary;

(10) the requirement to report illegal aliens to the Immigration and Naturalization Service;

(11) requirements for use of certain Federal and State data sources in verifying recipients' eligibility;

(12) requirements to take measures to ensure that households are not receiving duplicate benefits; and

(13) requirements for the provision of social security numbers as a condition of eligibility and for their use by State agencies.

States electing the simplified program option would be subject to normal food stamp program cost-sharing rules.

States electing the simplified option would be subject to the food stamp quality control system (including fiscal sanctions).

*Senate amendment*

Permits States exercising the option for a simplified food stamp program to apply rules and procedures under their family assistance block grant, the rules/procedures of the regular food stamp program, or the rules/procedures of one program to certain matters and those of the other in remaining matters. Permits States to standardize food stamp expense ''deductions,'' but, in doing so, States would be required to give consideration to the work expenses, dependent car costs, and shelter costs of participating households.

Otherwise, the Senate amendment is the same as the House bill, except that it also would (1) require that States follow the revised rule in the Senate amendment (see item 43) as to not increasing food stamp benefits when other public assistance benefits are decreased (see item 4C in the House bill), (2) require that eligible households be certified and receive benefits not later than 30 days after application (as now required under the regular food stamp program), and (3) require that States issue ''expedited'' benefits to very low-income households (as required under the regular food stamp program).

*Conference agreement*

The Conference agreement follows the House bill with an amendment (1) allowing States to standardize deductions and (2) requiring States to follow the revised rule in the Senate amendment as to not increasing food stamp benefits when other public assistance benefits are decreased.

G. State Plans

*Present law*

No comparable provision.

*House bill*

Requires that State plans for those States electing to exercise the simplified program option include the rules and procedures to be followed in determining benefits under the option, whether the program will include households in which not all members receive TANF grant benefits, and the method by which the State or political subdivision participating in the simplified program will carry out its quality control obligations.

*Senate amendment*

Requires that State plans for those States electing to exercise the simplified program option include the rules and procedures to be followed in determining benefits under the option, how the States will address the needs of households with high shelter costs, and a description of the method by which the State will carry out its quality control obligations.

*Conference agreement*

The Conference agreement follows the Senate amendment.

5. CONFORMING AMENDMENTS: SIMPLIFIED FOOD STAMP PROGRAM

*Present law*

Allows the Secretary to operate pilot projects similar to the simplified food stamp program State option proposed in the House bill. [Sec. 8(e) and Sec. 17(i)]

*House bill*

Deletes provisions for pilot projects similar to the simplified food stamp program State option.

*Senate amendment*

Same as the House bill.

*Conference agreement*

The Conference agreement follows the House bill with an amendment to add necessary conforming amendments.

6. THRIFTY FOOD PLAN

*Present law*

Maximum monthly food stamp benefits are defined as 103% of the cost of the Agriculture Department's ''Thrifty Food Plan,'' adjusted for food-price inflation each October according to the plan's cost in the immediately preceding June and rounded down to the nearest dollar by household size. [Sec. 3(o)]

*House bill*

Provides that current maximum monthly food stamp benefits (103% of the cost of the Thrifty Food Plan in June 1994) be increased by 2% a year, beginning with the October 1995 adjustment, and rounded down to the nearest dollar by household size.

*Senate amendment*

Sets maximum monthly food stamp benefits at 100% of the cost of the Thrifty Food Plan, effective October 1, 1995, adjusted annually, as under existing law and rounded down to the nearest dollar by household size. Requires that the October 1, 1995, adjustment not reduce maximum benefit levels.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment making it effective October 1, 1996.

7. INCOME DEDUCTIONS AND ENERGY ASSISTANCE

A. Energy Assistance

*Present law*

Payments or allowances for energy assistance provided by State or local law are, under rules set by the Secretary, disregarded (''excluded'') as income. [Sec. 5(d)(11) and 5(k)]

Payments or allowances for weatherization assistance are disregarded as energy assistance. [Sec. 5(d)(11) and 5(k)] [Note: Weatherization payments could otherwise be disregarded as lump-sum payments, vendor payments, or reimbursements.]

Federal Low-Income House Energy Assistance Program (LIHEAP) benefits are disregarded as income. [Sec. 5(d)(11) and 5(k) of the Food Stamp Act and sec. 2605(f) of the Low-Income Home Energy Assistance Act]

Certain utility allowances under Department of Housing and Urban Development (HUD) programs are disregarded. [Sec. 5(d)(11) and 5(k)]

Shelter expense deductions may be claimed for utility costs covered by LIHEAP benefits, but not in the case of other disregarded energy assistance unless the household has additional out-of-pocket expenses. [Sec. 5(e) of the Food Stamp Act and Sec. 2605(f) of the Low-Income Home Energy Assistance Act]

*House bill*

Requires that State/local energy assistance be counted as income.

Continues to disregard as income payments or allowances for weatherization assistance under a Federal energy assistance program. Other weatherization assistance could be disregarded as lump-sum payments, vendor payments, or reimbursements.

Bars claiming shelter expense deductions for utility costs covered either directly or indirectly by the LIHEAP and other disregarded energy assistance.

*Senate amendment*

Requires that State/local energy assistance be counted as income.

Requires an income disregard for one-time payments/allowances under a Federal or State law for the costs of weatherization or emergency repair/replacement of unsafe/inoperative furnaces or other heating/cooling devices.

Counts Federal LIHEAP benefits as income.

Counts HUD utility allowances as income.

Allows claiming shelter expense deductions for utility costs covered directly or indirectly by the LIHEAP and other counted energy assistance.

*Conference agreement*

The Conference agreement follows the Senate amendment.

B. Standard Deductions

*Present law*

For purposes of determining food stamp benefits and eligibility, applicant/recipient households may claim standard deductions from their otherwise countable income. Standard deductions are indexed annually (each October 1) for inflation based on the Consumer Price Index for items other than food and rounded down to the nearest dollar. For FY1995, standard deductions are set at: $134 a month for the 48 States and the District of Columbia, $229 for Alaska, $189 for Hawaii, $269 for Guam, and $118 for the Virgin Islands. For FY1996, they were ''scheduled'' to rise to: $138, $236, $195, $277, and $122, respectively, but this was barred by the FY1996 agriculture appropriations act. (Sec. 5(e)]

*House bill*

Sets standard deductions at their FY1995 levels, effective October 1, 1995

*Senate amendment*

Reduces standard deductions:

(1) for FY1996, they would be $132, $225, $186, $265, and $116; and

(2) for FY1997–2002, they would be $124, $211, $174, $248, and $109.

Inflation indexing of standard deductions would resume October 1, 2002 (using existing indexing rules).

*Conference agreement*

The Conference agreement follows the House bill and continues to set standard deductions at their FY1995 levels.

C. Earned Income Deduction

*Present law*

Households may claim a deduction for 20% of any earned income. This deduction is not allowed with respect to any income that a household willfully or fraudulently fails to report in a timely manner (as proven in a fraud hearing proceeding)—i.e., it is not allowed when determining the amount of a benefit overissuance. [Sec. 5(e)]

*House bill*

Denies an earned income deduction for the food stamp benefit portion of income earned under a work supplementation/support program. [Note: See item 15.]

*Senate amendment*

Disallows an earned income deduction for any income not reported in a timely manner—i.e., the deduction would not be allowed in determining the amount of any overissued benefits.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment denying an earned income deduction for the public assistance portion of income earned under a work supplementation/support program.

D. Excess Shelter Expense Deduction

*Present law*

For purposes of determining food stamp benefits and eligibility, applicant/recipient households may claim excess shelter expense deductions from their otherwise countable income—in the amount of any shelter expenses (including utility costs) above 50% of their countable income after all other deductions have been applied. For households with elderly or disabled members, these deductions are unlimited. For other households, they are limited by law through December 1996; limits are lifted as of January 1, 1997. For FY1995, excess shelter expense deductions were capped at: $231 a month for the 48 States and the District of Columbia, $402 for Alaska, $330 for Hawaii, $280 for Guam, and $171 for the Virgin Islands. For October 1995 through December 1996, the caps rose to $247, $248, $353, $300, and $182, respectively. [Sec. 5(e)]

States may use ''standard utility allowances'' (as approved by the Secretary) in calculating households' shelter expenses. However, households may claim actual expenses instead of the allowance and may switch between an actual expense claim and the standard allowance at the end of any certification period and one additional time during any 12-month period. [Sec. 5(e)]

*House bill*

Sets the limits on excess shelter expense deductions at FY1995 levels.

*Senate amendment*

Permits States to make the use of standard utility allowances mandatory for all households if (1) the State has developed separate standards that include the cost of heating and cooling and do not include these costs and (2) the Secretary finds that the standards will not result in increased Federal costs.

Removes the option for households to switch between a standard utility allowance and actual costs once during every 12-month period.

*Conference agreement*

The Conference agreement follows the Senate amendment with an amendment that establishes excess shelter expense deduction limits at the October 1995/December 1996 levels.

E. Homeless Shelter Deduction

*Present law*

For homeless households not receiving free shelter throughout the month, States may develop a homeless shelter expenses estimate (a standard amount) to be used in calculating an excess shelter expense deduction. States must use this amount unless the household verifies higher expenses. The Secretary may prohibit the use of the deduction for households with extremely low shelter costs. The amounts is inflation indexed, and, for FY 1995, it is limited to $139 a month; effective October 1, 1995, it is scheduled to rise to $143. [Sec. 11(e)(3)]

*House bill*

Sets the homeless shelter deduction at the FY 1995 $139 a month amount and requires that it be used in establishig homeless households' excess shelter expense deductions when they do not receive free shelter throughout the month.

*Senate amendment*

Same as the House bill, except that States may prohibit the use of the deduction for households with extremely low shelter costs.

*Conference agreement*

The Conference agreement follows the Senate amendment.

8. VEHICLE ALLOWANCE

A. Threshold for Counting a Vehicle's Value

*Present law*

In determining a household's liquid assets for food stamp eligibility purposes, a vehicle's fair market value in excess of $4,550 is counted. This threshold rose to $4,600 in October 1995 and is scheduled to be annually indexed for inflation beginning in fiscal year 1997. [Sec. 5(g)(2)] [Note: Eligible households may have liquid assets of no more than $2,000 ($3,000 for households with elderly members).]

*House bill*

Sets the threshold above which the fair marekt value of a vehicle is counted as an assets at $4,550.

*Senate amendment*

Eliminates the October 1, 1995, increase in the increase in the threshold to $4,600 and reqires that the $4,550 threshold begin to be inflation adjusted on October 1, 1996.

*Conference agreement*

The Conference agreement follows the House bill, with an amendment setting the threshold at $4,600.

B. Vehicles Carrying Fuel or Water

*Present law*

In determining a household's liquid assets for food stamp eligibility purposes, the value of a vehicle that the household depends on to carry fuel for heating or water for home use is excluded. [Sec. 5(g)(2)

*House bill*

Deletes the asset exclusion for vehicles used to carry fuel or water.

*Senate amendment*

No provision.

*Conference agreement*

The conference agreement follows the Senate amendment.

9. WORK REQUIREMENTS

Non-exempt recipients between 16 and 60 are ineligible for food stamps if they refuse to register for employment, refuse to participate in an employment/training program when required to do so by the State, or refuse a job offer meeting minimum standards. [Sec. 6(d)]

Exempt individuals are: (1) those who are not physically or mentally fit, (2) those subject to and complying with a work/training requirement under the AFDC program or the unemployment compensation system (although failure to comply with an AFDC/unemployment system requirement is treated as a failure to comply with food stamp rules, if the requirement is ''comparable''), (3) parents and other household members with the responsibility for care of a dependent child under age 6 or an incapacitated person, (4) postsecondary students enrolled at least half-time (separate rules bar eligibility for most postsecondary students who are not working or do not have dependents), (5) regular participants in drug addiction or alcoholic treatment programs, (6) persons employed at least 30 hours a week or receiving the minimum wage equivalent, and (7) persons between 16 and 18 who are not head of household and are in school at least half time. [Sec. 6(d) (1) and (2)]

In addition, if a non-exempt head of household fails to comply with one of the above-noted requirements or voluntarily quits a job without good cause, or if any non-exempt household member is on strike, the entire household is ineligible for food stamps. [Sec. 6(d) (1) & (3)]

A. Job Search

*Present law*

As noted above, non-exempt individuals refusing to participate in an employment/training program when required to do so by the State are ineligible for food stamps (if they are head of household, the entire household is ineligible). State-designed employment and training programs may include a requirement to perform job search activities. [Sec. 6(d) (1) & (2)]

*House bill*

Makes ineligible non-exempt individuals (and their households if they are head of household) who refuse to participate in a State-established job search program. [Note: Able-bodied non-elderly adults without dependents would be subject to new work requirements, see below.]

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

B. Comparable Work Requirements

*Present law*

As noted above, individuals are exempt from food stamp employment/training requirements if they are subject to and complying with an AFDC or unemployment compensation work/training requirement, and failure to comply with such an AFDC or unemployment compensation requirement is treated as failure to comply with food stamp employment/training requirements, if the requirement is ''comparable.'' [Sec. 6(d)(2)]

*House bill*

Requires that failure to comply with an TANF or unemployment compensation system work/training requirement be treated as failure to comply with a food stamp employment/training requirement, whether or not the requirement is ''comparable.''

*Senate amendment*

Same as the House bill.

*Conference agreement*

The Conference agreement follows the House bill.

C. New Work Requirement

*Present law*

As noted above, non-exempt individuals are ineligible for food stamps if they refuse to participate in an employment/training program when required to do so by the State. [Sec. 6(d)(1)]

*House bill*

Deletes provisions of law barring eligibility to those refusing to participate in State-established employment/training programs.

In their place, adds a new work requirement: non-exempt recipients (see below) would be disqualified if they are not employed a minimum of 20 hours a week or are not participating in the work program newly established under the House bill (see below) within 90 days of certification of eligibility.

Allows individuals who have been disqualified under the new work requirement to reestablish food stamp eligibility if they become exempt (under the rules noted immediately below), become employed at least 20 hours a week during any consecutive 30-day period, or participate in a work program (see below).

Exempt from the new requirement would be: (1) those under 18 or over 50, (2) those medically certified as physically or mentally unfit for employment, (3) parents or other household members responsible for the care of a dependent child, and (4) those who are otherwise exempt from work registration and job search rules (see present law description above).

Upon a State's request, allows the Secretary to waive application of the new work requirement for some or all individuals in all or part of a State if the Secretary determines that the area (1) has an unemployment rate over 10% or (2) does not have sufficient jobs to provide employment for those subject to the new requirement. The Secretary would be required to report to the Agriculture Committees the basis for any waiver based on lack of sufficient jobs.

*Senate amendment*

Adds a new work requirement: non-exempt persons (see below) would be ineligible if, during the preceding 12-month period, they received food stamps for 6 months or more while not working 20 hours or more a week (averaged monthly) or participating in and complying with a work/training program (see *note* regarding exemptions below) for at least 20 hours a week.

Exempt from the new requirement would be: (1) those under 18 or over 50, (2) those certified by a physician as physically or mentally unfit for employment, (3) parents or other household members responsible for the care of a dependent, (4) those participating a minimum of 20 hours a week in (and complying with the requirements of) a Job Training

partnership Act (JTPA) program, a Trade Adjustment Assistance Act training program, or a State or local government employment or training program meeting Governor-approved standards, and (5) those otherwise exempt from work registration and job search rules (see present law description above.) [Note: The new work requirement could be met by those participating in and complying with (for 20 hours a week or more) a JTPA program, a Trade Adjustment Assistance training program, or a State/local employment or training program meeting Governor-approved standards (including a food stamp program employment/training activity other than job search or job search training).]

As in the House bill, waivers are allowed, except that the unemployment rate threshold is 8% and the Secretary must report the basis for *any* waiver.

Provides for a transition to the new work requirement. Prior to October 1, 1996, administrators would not ''look back'' a full 12 months in determining whether a recipient had been receiving food stamps and not meeting the new requirement; they would look back only to October 1, 1995.

*Conference agreement*

The Conference agreement follows the House bill, with an amendment. Non-exempt persons (see below) are ineligible if, during the preceding 12-month period, they received food stamps for 4 months or more while not working 20 hours or more a week (averaged monthly), participating in and complying with a work program (see below) for at least 20 hours a week, or participating in a workfare program.

Exempt from the new requirement are: (1) those under 18 or over 50, (2) those medically certified as physically or mentally unfit for employment, (3) parents or other household members responsible for the care of a dependent child, (4) those otherwise exempt from work registration or job search rules (e.g., those caring for incapacitated persons), and (5) pregnant women.

Work programs allowing an exemption are programs under the JTPA or the Trade Adjustment Assistance Act, or employment/training programs operated or supervised by a State or locality meeting standards approved by the Governor (including a food stamp employment/training program)—except for job search or job search training programs.

Waiver reports are required for any waiver based on unemployment rates (over 10%) or lack of sufficient jobs.

The disqualification imposed by the new work requirement ceases to apply if, during a 30-day period, an individual works 80 hours or more, participates in and complies with a work program for at least 80 hours, or participates in a workfare program. In the subsequent 12-month period, an individual is eligible for food stamps for up to 4 months while not working for at least 20 hours a week, participating in a work program for at least 20 hours a week, or participating in a workfare program.

As in the Senate amendment, a transition to the new work requirement is provided.

D. Disqualification

*Present law*

[Note: See present law description above. In addition, disqualification periods for failure to fulfill work requirements are (1) 2 months or until compliance (whichever is first) for most failures and (2) 90 days in case of a voluntary quit.]

*House bill*

No comparable provisions. [Note: The House bill creates new disqualification penalties for those covered by its new work requirement.]

*Senate amendment*

Rewrites and adds to rules governing disqualification for violation of work and employment/training requirements (other than those for the new work requirement noted above).

In addition to existing provisions for disqualification (e.g., job refusal, failure to participate in an employment/training program), makes ineligible (1) individuals who refuse without good cause to provide sufficient information to allow a determination of their employment status or job availability, (2) all individuals (in addition to heads of household) who voluntarily and without good cause quit a job, and (3) individuals who voluntarily and without good cause reduce their work effort (and, after the reduction, are working less than 30 hours a week).

Establishes a new household ineligibility rule: if any individual who is head of household is disqualified under a work rule, the entire household would, at State option, be ineligible for the lesser of the duration of the individual's ineligibility or 180 days—as determined by the State.

Establishes new mandatory minimum work-rule disqualification periods for individuals. For the first violation, individuals would be ineligible until the later of the date they fulfill work rules, for 1 month, or a period (determined by the State) not to exceed 3 months. For the second violation, individuals would be ineligible until the later of the date they fulfill work rules, for 3 months, or a period (determined by the State) not to exceed 6 months. For a third or subsequent violation, individuals would be ineligible until the later of the date they fulfill work rules, 6 months, a date determined by the State, or (at State option) permanently. These disqualification period also would apply to those failing to meet workfare requirements

In establishing good cause, voluntary quits, and reduction of work effort, the Secretary would determine the meaning of the terms. States would determine the meaning of other terms and the procedures for making compliance decisions, but could not make a determination that would be less restrictive than a comparable one under the State's family assistance block grant program.

States would be required to include the standards and procedures they use in making work-rule disqualification/compliance decisions in their State plan.

*Conference agreement*

The Conference agreement follows the Senate amendment

E. Caretaker Exemption

*Present law*

Parents or other household members with responsibility for the care of a dependent child under age 6 or of an incapacitated person are exempt from food stamp work rules [Sec. 6(d)(2)]

*House bill*

No provision.

*Senate amendment*

Permits States to lower the age at which a child ''exempts'' a parent/caretaker from 6 to not under the age of 1.

*Conference agreement*

The Conference agreement follows the Senate amendment.

F. Work and Employment/Training Programs

*Present law*

States must operate employment and training programs for non-exempt food stamp recipients and place at least 15% of those covered in a program component. Exempt are those listed above and those States opt to exempt under Federal rules. Program components can range from job search or education activities to work experience/training and ''workfare'' assignments. [Sec. 6(d)(4)]

Work experience/training program components must limit assignments to projects serving a useful public purpose, use the prior training/experience of assignees, not provide work that has the effect of replacing others, and provide the same benefits and working conditions provided to other comparable employees. [Sec. 6(d)(4)(B)]

States and political subdivisions also may operate workfare programs under which non-exempt recipients may be required to perform work in return for the minimum wage equivalent of their household's monthly food stamp allotment. In general, those exempt are those listed above (p. 16). [Sec. 20]

Workfare assignments may not have the effect of replacing or preventing the employment of others and must provide the same benefits and working conditions provided to other comparable employees. [Sec. 20(d)]

The total hours of work required of a household under an employment/training program (including workfare) cannot in any month exceed the minimum wage equivalent of the household's monthly food stamp benefit. The total hours of participation in an employment and training program required of any household member cannot in any month exceed 120 hours (when added to other work). And, workfare hours (when added to other work) cannot exceed 30 hours a week for a household member. [Sec. 6(d)(4)(F) and Sec. 20(c)]

Under employment and training programs for food stamp recipients, States must provide or pay for transportation and other costs directly related to participation (up to $25 a month for each participant) and necessary dependent care expenses (in general, up to $175 or $200 a month for each dependent, depending on the dependent's age). Under workfare programs, States must reimburse participants for transportation and other costs directly related to participation (up to $25 a month for each participant). [Sec. 6(d)(4)(I) and Sec. 20 (d)(3)]

*House bill*

Deletes the requirement for States to operate employment and training programs and current provisions for work experience/training and workfare programs.

Instead, requires the Secretary to permit any State that applies and submits a plan in compliance with the Secretary's guidelines to operate a work program for food stamp recipients subject to the new work requirement (see above) in the State or any political subdivision. A State's work program would require those accepting an offer of a work position in order to maintain food stamp eligibility to perform work on the State or local jurisdiction's behalf, or on behalf of a private nonprofit entity. The Secretary's guidelines would be required to allow States and localities to operate a work program that is consistent and compatible with similar programs they might operate.

Requires that, in order to be approved, a State's work program provide that participants work no more than the minimum wage equivalent of their household's monthly food stamp benefit (i.e., the number of hours equivalent to their household's monthly benefit divided by the minimum wage).

Limits the degree to which a State or locality can assign participants to replace other workers. No State/locality could replace an employed worker with a work program participant, but participants could be placed in (1) new positions, (2) positions that became available during the normal course of business, (3) positions that involve performing work that would otherwise be performed on an overtime basis, or (4) positions

that became available by shifting current employees to an alternate position. [Note: States would receive Federal costsharing for work program participant expenses (see below).]

*Senate amendment*

Revises the existing requirements for State-operated employment/training programs for food stamp recipients:

(1) makes clear the work experience is a purpose of employment/training programs;

(2) requires that each component of an employment/training program be delivered through a ''statewide workforce development system,'' unless the component is not available locally;

(3) expands the existing State option to apply work rules to applicants at application to all work requirements, not only job search;

(4) removes specific rules governing job search components (i.e., tied to those for the AFDC program);

(5) removes provisions for employment/training components related to work experience requiring that they be in public service work and use (to the extent possible) recipients' prior training and experience;

(6) removes specific Federal rules as to States' authority to exempt categories and individuals from employment/training requirements;

(7) removes the requirement to serve volunteers in employment/training programs;

(8) removes the requirement for ''conciliation procedures'' for resolution of disputes involving participation in an employment or training program;

(9) limits employment/training funding provided by the food stamp program for services to AFDC or family assistance block grant funding recipients to the amount used by the State for AFDC recipients in FY1995; and

(10) removes Federal performance standards on States for employment/training programs for food stamp recipients.

*Conference agreement*

The Conference agreement follows the Senate amendment.

G. Funding Work and Employment/Training Programs

*Present law*

To support employment and training programs for food stamp recipients, States receive a formula share of $75 million a year (based partially on their share of food stamp recipients not exempt from work registration and employment/training requirements and partially on their share of those placed in employment/training program components). Minimum State annual allocations are $50,000.

In addition to its portion of the $75 million annual grant, each State is entitled to (1) 50% of any additional costs incurred, (2) 50% of any transportation or other participant costs paid or incurred up to half of $25 a month for each participant, and (3) 50% of any dependent care costs paid or incurred up to half of certain limits (generally, $175/$200 a month for each dependent, depending on the dependent's age). [Sec. 16(h)]

*House bill*

To support work programs for food stamp recipients, requires the Secretary to allocate among States and localities operating them $75 million a year, based on their share of recipients subject to the new work requirement (see above). Minimum State allocations would be $50,000.

Requires States to notify the Secretary as to their intention to operate a work program, and requires the Secretary to reallocate unclaimed portions of the $75 million annual grant to other States, as the Secretary deems appropriate and equitable.

Requires that, in addition to its portion of the $75 million annual grant, the Secretary pay each State (1) 50% of any additional costs incurred and (2) 50% of any transportation or other participant costs paid or incurred up to half of $25 a month for each participant.

Allows the Secretary to suspend or cancel some or all payments made to States for the work program, or withdraw approval, on a finding of noncompliance.

*Senate amendment*

To support employment/training programs for food stamp recipients, requires the Secretary to ''reserve for allocation'' to States: $77 million for FY1996, $80 million for FY1997, $83 million for FY1998, $86 million for FY1999, $89 million for FY2000, $92 million for FY2001, and $95 million for FY2002. Allocations would be based on a ''reasonable formula'' (determined by the Secretary) that gives consideration to States' shares of the population affected by the new work requirement (see above). Minimum State allocations would be $50,000.

Requires reallocations as in the House bill.

Continues existing provisions for payments for additional costs, but adds explicit permission for a 50% Federal share of State case management costs.

*Conference agreement*

The Conference agreement follows the Senate amendment with an amendment. The amounts ''reserved for allocation'' to states are: $77 million for FY 1996; $79 million for FY 1997; $81 million for FY 1998; $84 million for FY 1999; $86 million for FY 2000; $88 million for FY 2001; and $90 million for FY 2002.

H. Conforming Amendment

*Present law*

There is authorized a demonstration project similar to the new work requirement in the House bill; it has not been implemented. [Sec. 17(d)]

*House bill*

Deletes authorization for a demonstration project similar to the new work requirement in the House bill.

*Senate amendment*

Makes several technical and conforming amendments to employment and training provisions.

*Conference agreement*

The Conference agreement follows the House bill and makes technical and conforming amendments.

10. COMPARABLE TREATMENT OF DISQUALIFIED INDIVIDUALS

*Present law*

[Note: See item 4C.]

*House bill*

Requires that individuals who have been disqualified for noncompliance with requirements under a TANF program not be eligible to participate for food stamps during the disqualification period.

*Senate amendment*

If an individual is disqualified for failure to perform an action required under a Federal, State, or local welfare/public assistance program, permits States to impose the same disqualification for food stamps.

If a disqualification is imposed under the family assistance block grant, permits States to use the family assistance block grant's rules and procedures to impose the same disqualification for food stamps.

Permits individuals disqualified from food stamps because of failure to perform a required action under another welfare/public assistance program to apply for food stamps as new applicants after the disqualification period has expired—except that a prior disqualification under food stamp work requirements must be considered in determining eligibility.

Requires States to include the guidelines they use in carrying out food stamp disqualification for failure to perform a required action in another welfare/public assistance program in their State plans.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment changing references to welfare or public assistance programs to references to needs-tested public assistance programs.

11. ENCOURAGE ELECTRONIC BENEFIT TRANSFER SYSTEMS

A. Regulation E

*Present law*

The Federal Reserve Board has ruled that, as of March 1997 and with some minor modifications, its ''Regulation E'' will apply to electronic benefit transfer systems. Regulation E provides certain protections for consumers using cards to access their accounts. It limits the liability of cardholders for unauthorized withdrawals (to $50, if notification is made) and requires periodic account statements and certain error resolution procedures. [Federal Register of Mar. 7, 1994]

*House bill*

[Note: See item 56 for optional block grants for States fully implementing electronic benefit transfer systems.]

Provides that Regulation E not apply to any electronic benefit transfer program (distributing needs-tested benefits) established or administered by States or localities.

*Senate amendment*

Provides that Regulation E not apply to food stamp benefits delivered through any electronic benefit transfer system.

*Conference agreement*

The Conference agreement follows the House bill.

B. Charging for Electronic Benefit Transfer Card Replacement

*Present law*

No specific provision.

*House bill*

No provision.

*Senate amendment*

Provides that States may charge recipients for the cost of replacing a lost or stolen electronic benefit transfer card and may collect the charge by reducing the recipient's food stamp benefit.

*Conference agreement*

The Conference agreement follows Senate amendment.

C. Photographic Identification

*Present law*

No provision.

*House bill*

Requires that each electronic benefit transfer card bear a photograph of the members of the household to which the card is issued.

*Senate amendment*

Permits States to require that electronic benefit transfer cards contain a photograph of 1 or more household members and requires that, if a State requires a photograph, it shall establish procedures to ensure that other appropriate members of the household and authorized representatives may use the card.

*Conference agreement*

The Conference agreement follows the Senate amendment.

D. Rules for Electronic Benefit Transfer Systems

*Present law*

State agencies, with the Secretary's approval, may implement on-line electronic benefit transfer systems for delivering food stamp benefits, in lieu of coupons. No State may implement or expand an electronic benefit transfer system without prior approval from the Secretary. States are responsible for 50% of any electronic benefit transfer system costs (as with any benefit issuance system), including equipment and electronic benefit transfer cards. [Sec. 7(i)]

The Secretary's regulations for approval must (1) include standards that require that, in any one year, the operational cost of an electronic benefit transfer system does not exceed costs of prior issuance systems and (2) include system security standards. [Sec. 7(i)]

*House bill*

Deletes requirements for the Secretary's prior approval, ''encourages'' State agencies to implement on-line electronic benefit transfer systems for delivering food stamp benefits, and authorizes States to procure and implement these systems (under terms, conditions and designs that the State deems appropriate).

Allows the Secretary to waive, on a State's request, any provision of the Food Stamp Act that prohibits effective implementation of an electronic benefit transfer system for food stamp benefits.

Requires re-issuance and revision of regulations governing food stamp electronic benefit transfer systems (current regulations for approval of these systems were issued in April 1992).

Deletes the requirement that the Secretary's regulations for electronic benefit transfer systems require that costs of the electronic benefit transfer system in any one year not exceed costs of prior issuance systems.

Adds requirements that the Secretary's standards for electronic benefit transfer systems include (1) measures to maximize system security using the most recent technology the State considers appropriate (including personal identification numbers, photographic identification on electronic benefit transfer cards, and other measures to protect against fraud and abuse) and (2) effective not later than 2 years after enactment, measures that permit electronic benefit transfer systems to differentiate food items that may be acquired with food stamp benefits from those that may not.

*Senate amendment*

Permits States to implement EBT systems under rules separate from those in existing law as amended, if a State notifies the Secretary of its intent to convert to a statewide system within 3 years of enactment. The Secretary may not provide coupons to a State beginning 3 years after the chief executive gives notification of intent to convert under the EBT option—but the State may extend this deadline by 2 years and the Secretary may grant a waiver of up to 6 months for good cause. [Note: The Secretary is authorized to provide coupons for disaster relief.]

Places requirements on the Secretary under the EBT option. The Secretary must:

(1) assist States in converting to an EBT system and (in consultation with the Inspector General and the Secret Service) inform States about proper security features, management techniques, and counterfeit deterrence;

(2) reimburse States for purchasing and issuing EBT cards [Note: The Secretary may charge recipients (through allotment reduction or otherwise) for the cost of replacing lost or stolen cards, unless stolen by force or threat of force];

(3) assign additional employees to investigate and monitor compliance with EBT and retailer participation rules;

(4) establish a Transition Conversion Account (TCA) to be funded with transaction fees of no more than 2 cents a transaction (maximum of 16 cents a month) taken from each EBT household's benefits [Note: Fees would be imposed during the 10-year period beginning with the first full fiscal year after enactment. They would be imposed to the extent necessary to not increase the Secretary's costs under the EBT option and could not be greater not be greater than needed for the purposes of the TCA (see below). Fees could be reduced for households receiving maximum benefits.]

(5) from the TCA and, to the extent necessary, from food stamp appropriations, provide funds to States choosing the EBT option for (1) reasonable purchase and installation costs (including reimbursements to retailers) of single-function point-of-sale equipment to be used only for Federal/State assistance programs, (2) reasonable start-up purchase and installation costs for telephone equipment and connections to the point-of-sale equipment, and (3) modification of existing EBT systems to the extent necessary to operate Statewide or interstate;

(6) from the TCA, provide funds to implement the EBT option and for (1) start-up training, (2) reasonable one-time costs of converting to a system capable of interstate and law enforcement functions, (3) liabilities assumed by the Secretary under the EBT option (e.g., for replaced replaced benefits), and (4) implementing and expanding a nationwide program for compliance with EBT and retailer rules; and

(7) consult with government, food industry, financial services, and food advocacy representatives in the conversion to EBT as to (1) integrating EBT systems into commercial networks, (2) EBT system security, (3) use of laser scanner technology to ensure that only eligible items are purchased, (4) use of EBT system data to identify fraud (5) means of ensuring confidentiality, (6) using existing terminals and systems top reduce costs (7) using EBT systems for multiple benefits.

Places requirements and conditions on States under the EBT option. States:

(1) must take into account generally accepted operating rules based on commercial technology and the need to permit interstate operations and law enforcement monitoring and investigations;

(2) may use paper-based and other benefit transfer approaches for special-need retailers (located in very rural areas, without access to dependable electricity or regular telephone service, farmers' markets, and house-to-house trade routes);

(3) must purchase and install (or reimburse for) single-function point-of-sale (and related telephone) equipment, usuable only for Federal/State assistance, for retailers that do not have point-of-sale EBT equipment and do not intend to obtain it in the near future [Note: Equipment must be capable of interstate operations (based on commericial operating principles) that permit law enforcement monitoring and be capable of giving recipients access to multiple benefits.];

(4) must purchase (or reimburse for) point-of-sale paper-based or alternative benefit transfer equipment for special-need retailers without this equipment who do not intend to obtain it in the near future (equipment would be usuable only for Federal/State assistance);

(5) must be competitive bidding systems in purchasing EBT equipment and cards [Note: States may not have purchase agreements conditioned on buying additional services or equipment, the Secretary must monitor prices paid, and the Inspector General must investigate possible wrongdoing,];

(6) must advise recipients how to promptly report lost, stolen, damaged, improperly manufactured, dysfunctional, or destroyed EBT cards;

(7) must not (following the Secretary's regulations) replace benefits lost due to unauthorized use an EBT card, but recipients would receive replacement benefits for losses caused by (1) force or threat of force, (2) unauthorized use after the State gets notice by (1) force or threat of force, (2) unauthorized use of the State and gets notice a card was lost/stolen, or (3) problems with the EBT system [Note: Except for losses caused by force or threat of force, States must reimburse the Secretary for benefit replacements, and States may obtain reimbursement from service providers for losses caused by system problems.];

(8) may require an explanation from recipients on occasions where they report lost or stolen cards or cards are used for an unauthorized transaction;

(9) must, in appropriate circumstances, investigate and act on (through administrative disqualification or court referral) cases of lost or stolen cards or unauthorized use;

(10) must (1) take into account the needs of law enforcement personnel and the need to permit and encourage technological/scientific advances, (2) ensure security is protected, (3) provide for recipient privacy, ease of EBT card use, and access to and service by retailers, (4) provide for financial accountability and system capability for interstate operations and law enforcement monitoring, (5) prohibit retailer participation unless appropriate equipment is operational and reasonably available to recipients, and (6) provide for monitoring and investigation by law enforcement agencies;

(11) must, on a recipient's request, provide, once a month, a statement of benefit transfers and balances for the preceding month; and

(12) must design systems to timely resolve disputes over errors. [Note: Recipients able to obtain error corrections under the system would not be entitled to a fair hearing.]

Provides that retailers may return equipment provided by the State and obtain equipment with their own funds and that the cost of documents or systems under the EBT option may not be imposed on retailers.

Provides that EBT retailer fraud and related activities be governed by the Food Stamp Act and 18 U.S.C. 1029.

Makes technical and conforming amendments and defines electronic benefit transfer system, retail food store, special-need retail food store, and electronic benefit transfer card.

*Conference agreement*

The Conference agreement follows the House bill, with an amendment. States are required to implement an electronic benefit transfer system (''on-line'' or ''off-line'') before October 1, 2002, unless the Secretary waives the requirement because a State agency faces unusual barriers to implementation, and State are encouraged to implement an electronic benefit transfer system as soon as practicable. Subject to Federal standards, states are allowed to procure and implement an electronic benefit transfer system under terms, conditions, and design that they consider appropriate, and a new requirement for Federal procurement standards is added. A requirement is added for electronic benefit transfer standards following generally accepted standard operating rules based on commercial technology, the need to permit interstate operation and law enforcement, and the need to permit monitoring and investigations by authorized law

enforcement officials. A requirement that regulations regarding replacement of benefits under an electronic benefit transfer system be similar to those in effect for a paper food stamp issuance system is added. The Conferees intend that regulations issued by the Secretary regarding the replacement of benefits and liability for replacement of benefits under an EBT system will not require greater replacement of benefits or impose greater liability than those regulations in effect for a paper-based food stamp issuance system. Provisions in the House bill that are retained are: a provision deleting the requirement that electronic benefit transfer systems be cost-neutral in any one year, requirements as to measures to maximize security, and a provision requiring measures to permit electronic benefit systems to differentiate among food items (to the extent practicable). The House bill provision allowing the Secretary to waive Food Stamp Act provisions that prohibit effective implementation of electronic benefit transfer systems is deleted.

12. VALUE OF MINIMUM ALLOTMENT

*Present law*

The minimum monthly allotment for 1- and 2-person households is set at $10. It is scheduled to rise to $15 in FY 1997 or 1998 (depending on food-price inflation). [Sec. 8(a)]

*House bill*

Sets the minimum monthly allotment for 1- and 2-person households at $10.

*Senate amendment*

Same as the House bill.

*Conference agreement*

The Conference agreement follows the House bill.

13. INITIAL MONTH BENEFIT DETERMINATION

*Present law*

Recipient households not fulfilling eligibility recertification requirements in the last month of their certification period are allowed a 1-month ''grace period'' in which to fulfill the requirements before their benefits are pro-rated (reduced) to reflect the delay in meeting recertification requirements. [Sec. 8(c)(2)(B)]

*House bill*

For those who do not complete all eligibility recertification requirements in the last month of their certification period, but are then determined eligible after their certification period has expired, requires that they receive reduced benefits in the first month of their new certification period (i.e., their benefits would be pro-rated to the date they met the requirements and were judged eligible).

*Senate amendment*

Same as the House bill.

*Conference agreement*

The Conference agreement follows the Senate amendment.

14. IMPROVING FOOD STAMP MANAGEMENT

A. Quality Control Fiscal Sanctions

*Present law*

States are assessed fiscal sanctions if their ''quality control'' combined (overpayment and underpayment) error rate for a given fiscal year is higher than the national average for that year. The amount of each State's sanction is determined by using a ''sliding scale'' so that its penalty assessment reflects the degree to which its combined error rate exceeds the national average tolerance level. In effect, the current system requires that States be sanctioned for a portion of every benefit dollar that exceeds the tolerance level. For example, if the tolerance level were 10% and the State's combined error rate were 12%, or 2 percentage points (20%) above the tolerance level, the State would be assessed a penalty of .2% of benefits issued in the State that year (i.e., 20% of the excess above the threshold). [Sec. 16(c)]

*House bill*

Requires the assessment of fiscal sanctions if a State's combined error rate is above a tolerance level set at the lowest national average combined error rate ever achieved, plus 1 percentage point. States would be assessed a dollar penalty for each dollar in error above the tolerance level. For example, if a State's combined error rate were 2 percentage points above the lowest ever national average tolerance level, plus 1 percentage point, it would be assessed a penalty of 2% of benefits issued in the State that year.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

B. Quality Control Administrative Rules

*Present law*

Errors resulting from the application of new regulations are not included in a State's error rate for assessing sanctions during the first 120 days from required implementation of the regulations. [Sec. 16(c)(3)(A)]

Specific time frames are set out for completion of quality control reviews, determining final error rates, and various steps of the appeals process. Administrative law judges are required to consider all grounds for denying a sanction claim against a State, including contentions that a claim should be waived for good cause. [Sec. 16(c)(8)]

For judging to what degree a State should be sanctioned, ''good cause'' is defined as including: (1) a natural disaster or civil disorder that adversely affects food stamp operations, (2) a strike by State employees who are necessary for food stamp operations, (3) a significant growth in food stamp caseload, (4) a change in the Food Stamp program (or other Federal or State program) that has a substantial adverse impact on the management of the Food Stamp program, and (5) a significant circumstance beyond the control of a State agency. [Sec. 16(c)(9)]

If a State appeals a quality control sanction claim, interest on any unpaid portion of the claim accrues from the date of the decision on the administrative appeal or from a date that is 1 year after the date a bill for the sanction is received, whichever is earlier. [Sec. 13(a)(1)]

*House bill*

Bars inclusion of errors resulting from the application of new regulations for 60 days (or 90 days at the Secretary's discretion).

Deletes specific time frames for reviews, error rates, and the appeals process. Deletes the directive that administrative law judges consider all grounds for denying a sanction claim against a State.

Deletes the Act's definition of good cause for the quality control system.

Requires that interest on sanction claims begin to accrue from the date of the administrative appeal decision or 2 years after the sanction bill is received, whichever is earlier.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

15. WORK SUPPLEMENTATION OR SUPPORT PROGRAM

*Present law*

No provisions.

*House bill*

Permits States having a work supplementation or support program (under which public assistance benefits are provided to employers who hire public assistance recipients and then used to pay part of their wages) to include the cash value of a recipient's household food stamp benefits in the amount paid the employer to subsidize wages paid. Work supplementation/support programs would be required to meet standards set by the Secretary in order to avail themselves of the option to include food stamp benefits. The food stamp benefit value of the supplement could not be considered income for other purposes, and the household of the participating member would not receive regular food stamp allotments while the member was in a work supplementation/support program. States would be required to include any plans for including food stamp recipients in work supplementation or support programs in their State plans.

*Senate amendment*

Same as the House bill, except (1) a qualified work supplementation/support program may not allow participation of any individual for longer than one year (unless the Secretary approves a longer period), and (2) a qualified work supplementation/support program must be used for hiring and employing new employees.

*Conference agreement*

The Conference agreement follows the House bill, with an amendment to provide that (1) States must provide a description of how recipients in the program will, within a specific period of time, be moved to employment that is not supplemented or supported and (2) programs not displace employment of those who are not supplemented or supported.

16. OBLIGATIONS AND ALLOTMENTS

*Present law*

The Food Stamp Act authorizes to be appropriated such sums as are necessary for each FY1991–1995. [Sec. 18(a)]

*House bill*

Provides that the amount obligated under the Act will not be in excess of the cost estimate of the Congressional Budget Office for fiscal year 1996, with adjustments for additional fiscal year—in both cases reflecting amendments made by the Personal Responsibility Act.

Requires the Secretary to file reports (each February, April, and July) stating whether there is a need for additional obligational authority and authorizes the Secretary to provide recommendations as to how to equitably achieve spending reductions if allotments must be limited in any fiscal year.

*Senate amendment*

Authorizes such sums as are necessary through FY2002.

*Conference agreement*

The Conference agreement follows the House bill with the following amendments. Appropriations (such sums as are necessary) are authorized through FY2002. Annual obligations are limited to $25,443,000,000 in FY 1996; $24,636,000,000 in FY 1997; $25,319,000,000 in FY 1998; $26,307,000,000 in FY 1999; $27,568,000,000 in FY 2000; $28,602,000,000 in FY 2001; and $29,804,000,000 in FY 2002. On May 15 of each year, the Secretary must adjust that year's obligation limit based on the increase or decrease in participation during the first 6 months of the year. On October 1 each year (the beginning of the fiscal year), the Secretary also must adjust the upcoming year's obligation limit based on the degree to which the cost of the Thrifty Food Plan in the immediately preceding June (the basis for each

October's food stamp benefit adjustment) is higher or lower than projected by the Congressional Budget Office in its estimates made prior to enactment. If the Secretary finds that program funding requirements for a year will exceed allowed obligations, the Secretary must direct States to reduce allotments to the extent necessary to stay within the obligation limits for the year. The Secretary is required to report to the House and Senate Agriculture Committees.

17. REAUTHORIZATION OF PUERTO RICO NUTRITION ASSISTANCE PROGRAM

*Present law*

The Food Stamp Act requires the Secretary to pay specific sums for Puerto Rico's nutrition assistance block grant for FY1991–1995. The FY1995 amount is $1.143 billion. [Sec. 19(a)]

*House bill*

No provision.

*Senate amendment*

Requires the following payments for Puerto Rico's nutrition assistance block grant: $1.143 billion for each of FY1995 and FY1996, $1.182 billion for FY1997, $1.223 billion for FY1998, $1.266 billion for FY1999, $1.310 billion for FY2000, $1.343 billion for FY2001, and $1.376 billion for FY2002.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment to require the following payments for Puerto Rico's block grant: $1.143 billion for FY1996, $1.174 billion for FY1997, $1.204 billion for FY1998, $1.236 billion for FY1999, $1.268 billion for FY2000, $1.301 billion for FY2001, and $.1335 billion for FY2002.

18. AUTHORITY TO ESTABLISH AUTHORIZATION PERIODS

*Present law*

No provision.

*House bill*

Requires the Secretary to establish specific time periods during which retail food stores' and wholesale food concerns' authorization to accept and redeem food stamps coupons (or redeem food stamp benefits through an electronic benefit transfer system) will be valid.

*Senate amendment*

Permits the Secretary to issue regulations establishing specific time periods during which authorization to accept and redeem food stamp coupons will be valid.

*Conference agreement*

The Conference agreement follows the House bill.

19. CONDITION PRECEDENT FOR APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

*Present law*

No provision.

*House bill*

Provides that no retail food stores or wholesale food concerns be approved for participation in the Food Stamp program unless an Agriculture Department employee (or, whenever possible, a State or local government official designated by the Department) has visited it.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the House bill, with an amendment limiting stores and food concerns that must be visited to those of a type, determined by the Secretary, based on factors that include size, location, and type of items sold.

20. WAITING PERIOD FOR RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS THAT ARE DENIED APPROVAL TO ACCEPT COUPONS

*Present law*

No provision.

*House bill*

Provides that retail food stores and wholesale food concerns that have failed to be approved for participation in the Food Stamp program may not submit a new application for approval for 6 months from the date they receive a notice of denial. Current law provisions granting denied retailers and wholesalers a hearing on a refusal are retained.

*Senate amendment*

Same as the House bill, except that stores and concerns may not submit a new application for 6 months from the date of the denial.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment providing that stores and concerns denied approval because they do not meet the Secretary's approval criteria may not, for at least 6 months, submit a new application. The Secretary is allowed to establish longer waiting periods, including permanent disqualification, that reflect the severity of the basis for denial.

21. DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

*Present law*

No provision.

*House bill*

Requires that a retail food store or wholesale food concern that is disqualified from participation in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) also be disqualified from participating in the Food Stamp program for the period of time it is disqualified from the WIC program.

*Senate amendment*

Requires the Secretary to issue regulations providing criteria for disqualifying from food stamps retail food stores and wholesale food concerns disqualified from the WIC program. Disqualification must be for the same period as under the WIC program, may begin at a later date, and would not be subject to food stamp administrative/judicial review procedures.

*Conference agreement*

The Conference agreement follows the Senate amendment with a technical amendment.

22. AUTHORITY TO SUSPEND STORES VIOLATING PROGRAM REQUIREMENTS PENDING ADMINISTRATIVE AND JUDICIAL REVIEW

*Present law*

No provision.

*House bill*

Requires that, where a retail food store or wholesale food concern has been permanently disqualified (for its third offense or for certain instances of trafficking), the disqualification period will be effective from the date it receives notice of disqualification, pending administrative and judicial review.

*Senate amendment*

Permits regulations establishing criteria under which authorization of a retail food store or wholesale food concern may be suspended at the time the store/concern is initially found to have committed a violation that would result in permanent disqualification; the suspension may coincide with the period of administrative/judicial review. The Secretary would not be liable for the value of any lost sales during any suspension/disqualification period.

Requires notice in suspension cases. Stipulates that a suspension period remains in effect pending administrative/judicial review and that the suspension period be part of any disqualification imposed.

Removes provisions for courts temporarily staying administrative actions against stores, concerns, and States pending judicial appeal.

*Conference agreement*

The Conference agreement follows the Senate amendment with an amendment providing that any permanent disqualification of a store or concern be effective from the date the notice of disqualification is received. If the disqualification is reverse through administrative or judicial review, the Secretary is not liable for the value of lost sales during the disqualification period.

23. CRIMINAL FORFEITURE

*Present law*

''Administrative forfeiture'' rules allow the Secretary to subject property involved in a program violation to forfeiture to the United States. [Sec. 15(g)]

*House bill*

Establishes ''criminal forfeiture'' rules. Requires courts, in imposing sentence on those convicted of trafficking in food stamp benefits, to order that the person forfeit property to the United States (in addition to any other sentence imposed). Property subject to forfeiture would include all property (real and personal) used in a transaction (or attempted transaction) to commit (or facilitate the commission of) a trafficking violation (other than a misdemeanor); proceeds traceable to the violation also would be subject to forfeiture. An owner's property interest would not be subject to forfeiture if the owner establishes that the violation was committed without the owner's knowledge or consent. (p. 246).

Requires that the proceeds from any sale of forfeited properties, and any money forfeited, be used (1) to reimburse the Justice Department for costs incurred in initiating and completing forfeiture proceedings, (2) to reimburse the Agriculture Department's Office of Inspector General for costs incurred in the law enforcement effort that led to the forfeiture, (3) to reimburse Federal or State law enforcement agencies for costs incurred in the law enforcement effort that led to the forfeiture, and (4) by the Secretary to carry out store approval, reauthorization, and compliance activities.

*Senate amendment*

Removes provisions for administrative forfeiture for property ''intended to be furnished'' in trafficking cases.

Establishes ''criminal forfeiture'' rules similar to those in the House bill, but applied only in trafficking cases involving benefits of $5,000 or more. Property subject to forfeiture would include: (1) food stamp benefits, and any property constituting, derived from, or traceable to any proceeds obtained directly or indirectly as the result of the violation and (2) food stamp benefits, and any property used or intended to be used to commit or facilitate the violation.

Food stamp benefits and property subject to criminal forfeiture, any seizure or disposition of the benefits/property, and any administrative/judicial proceeding relating to the benefits/property would be subject to forfeiture provisions of the Drug Abuse Prevention and Control Act of 1970 (where consistent with Food Stamp Act provisions). [Note: No specific Food Stamp Act provisions for use of the proceeds from forfeited property are included]

*Conference agreement*

The Conference agreement follows the House bill.

24. EXPANDED DEFINITION OF ''COUPON''

*Present law*

The Act defines ''coupon'' to mean any coupon, stamp, or type of certificate issued under the provisions of the Food Stamp Act. [Sec. 3(d)]

*House bill*

In order to expand the types of items to which trafficking penalties apply, revises the current definition of ''coupon'' to include authorization cards, cash or checks issued in lieu of coupons, and ''access devices'' for electronic benefit transfer systems (including electronic benefit transfer cards and personal identification numbers).

*Senate amendment*

Same as the House bill.

*Conference agreement*

The Conference agreement follows the Senate amendment.

25. DOUBLED PENALTIES FOR VIOLATING FOOD STAMP REQUIREMENTS

*Present law*

The disqualification penalty for the first intentional violation of program requirements is 6 months. The penalty for a second intentional violation (and the first violation involving trading of a controlled substance) is 1 year. [Sec. 6(b)(1)]

*House bill*

Inreases the disqualification penalty for a first intentional violation to 1 year. Increases the disqualification penalty for a second intentional violation (and the first violation involving a controlled substance) to 2 years.

*Senate amendment*

Same as the House bill.

*Conference agreement*

The Conference agreement follows the Senate amendment.

26. DISQUALIFICATION OF CONVICTED INDIVIDUALS

*Present law*

Permanent disqualification is required for the third intentional violation of program requirements, the second violation involving trading of a controlled substance, and the first violation involving trading of firearms, ammunition, or explosives. [Sec. 6(b)(1)]

*House bill*

Adds a requirement for permanent disqualification of persons convicted of trafficking in food stamp benefits where the benefits trafficked have a value of $500 or more.

*Senate amendment*

No comparable provision.

*Conference agreement*

The Conference agreement follows the House bill, with a technical amendment.

27. CLAIMS COLLECTION

A. Federal Income Tax Refunds

*Present law*

Otherwise uncollected overissued benefits may, except for claims arising out of State agency error, may be recovered from Federal pay or pensions. [See 13(d) and Sec. 11(e)(8)]

*House bill*

Requires collection of otherwise uncollected overissued benefits, other than those arising out of State agency error, from Federal pay or pensions and from Federal income tax refunds.

*Senate amendment*

Permits collection of all otherwise uncollected overissued benefits from Federal pay or pensions and from Federal income tax refunds.

*Conference agreement*

The Conference agreement follows the Senate amendment.

B. Authority to Collect Overissuances

*Present law*

State collection of overissued benefits is limited in certain circumstances. In the case of overissuances due to an intentional program violation, households must agree to repayment by either a reduction in future benefits or cash repayment; States also are required to collect overissuances to these households through other means, such as tax refund or unemployment compensation collections (if a cash repayment or reduction is not forthcoming), unless they demonstrate that the other means are not cost effective. In cases of overissuance because of inadvertent household ''error,'' States must collect the overissuance through a reduction in future benefits—except that households must be given 10 days' notice to elect another means, and collections are limited to 10% of the monthly allotment or $10 a month (whichever would result in faster collection)—and may use other means of collection. In cases of overissuances because of State agency error, States may request repayment or use other means of collection (not including reduction in future benefits). [Sec. 13(b)] States may retain 25% of ''nonfraud'' collections not caused by State error and 50% of ''fraud'' collections (increased from 10% and 25% on October 1, 1995). [Sec. 16(a)]

*House bill*

No provisions

*Senate amendment*

Replaces existing overissuance collection rules with provisions requiring States to collect any overissuance of benefits by reducing future benefits, withholding unemployment compensation, recovering from Federal pay or income tax refunds, or any other means—unless the State demonstrates that all of the means are not cost effective. Bars the use of future benefit reductions as a claims collection mechanism if it would cause a hardship on the household (as determined by the State) and limits benefit reductions (absent intentional program violations) to the greater of 10% of the monthly benefit or $10 a month. Provides that States must collect overissued benefits in accordance with State-established requirements for notice, electing a means of payment, and setting a schedule for payment.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment (1) deleting the specific bar against collections in hardship cases and (2) setting the percentage of collections (other than in cases of State agency error) that a State may retain at a uniform 25%.

28. DENIAL OF FOOD STAMP BENEFITS FOR 10 YEARS TO INDIVIDUALS FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN BENEFITS SIMULTANEOUSLY IN 2 OR MORE STATES

*Present law*

Disqualification periods ranging from 6 months to permanent disqualification are prescribed for intentional violations of Food Stamp program requirements. [Sec. 6(b)]

*House bill*

Disqualifies from food stamps for 10 years an individual found to have fraudulently misrepresented the individual's place of residence in order to receive food stamp, Medicaid, TANF, or Supplemental Security Income (SSI) benefits in two or more States.

*Senate amendment*

Disqualifies from food stamps permanently an individual found to have fraudulently misrepresented the individual's place of residence in order to receive food stamps in two or more States.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment disqualifying from food stamps for 10 years an individual found by a State agency or court to have made a fraudulent misrepresentation of identity or residence in order to receive multiple benefits. The conferees note that State agency hearing processes have sufficient recipient protections to warrant a decision to impose a 10-year disqualification in these cases.

29. DISQUALIFICATION RELATING TO CHILD SUPPORT ARREARS

*Present law*

No provision.

*House bill*

Disqualifies individuals during any period the individual has an unpaid liability that is under a court child support order, unless the court is allowing delayed payments.

*Senate amendment*

Same as the House bill, except that States are permitted to apply a child support arrears disqualification and compliance with a child support agency payment plan also exempts individuals from disqualification.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment that requires disqualification.

30. ELIMINATION OF FOOD STAMP BENEFITS WITH RESPECT TO FUGITIVE FELONS AND PROBATION AND PAROLE VIOLATORS

A. Disqualification of Fleeing Felons

*Present law*

No provision.

*House bill*

Disqualifies individuals while they are (1) fleeing to avoid prosecution or custody after conviction for a crime (or crime attempt) which is a felony or (2) violating a condition of parole under Federal or State law.

*Senate amendment*

Same as the House bill.

*Conference agreement*

The Conference agreement follows the Senate amendment with a technical amendment.

B. Exchange of Information

*Present law*

Requires State agencies to immediately report to the Immigration and Naturalization Service a determination that a food stamp household member is ineligible for food stamps because the individual is present in the United States in violation of the Immigration and Nationality Act. [Sec. 11(e)(17)]

*House bill*

Requires State food stamp agencies to make available to law enforcement officers the address of a food stamp recipient if the officer furnishes the recipient's name and notifies the agency that (1) the individual is fleeing to avoid prosecution or custody for a felony crime (or attempt) or the individual has information necessary for the officer to conduct official duties, (2) the location or apprehension of the individual is within the officer's official duties, and (3) the request is made in the proper exercise of official duties.

*Senate amendment*

Similar to the House bill, requires State food stamp agencies to make available to law enforcement officers the address, social security number, and (when available) photograph of a food stamp recipient if the officer furnishes the recipient's name and notifies the agency as stipulated in the House bill.

Requires State agencies to furnish the Immigration and Naturalization Service with

the name of, address of, and identifying information on any individual the agency knows is unlawfully in the United States.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment (1) deleting the requirement for Immigration and Naturalization Service notification and (2) making clear that the requested information must be related to apprehension of a felon or parolee.

31. EFFECTIVE DATES

*Present law*

No provision.

*House bill*

Except for amendments dealing with the Food Stamp program's quality control system (effective October 1, 1994), the food stamp and commodity distribution program amendments made by the Personal Responsibility Act would be effective October 1, 1995.

*Senate amendment*

Provides that Food Stamp Act amendments would be effective October 1, 1995.

*Conference agreement*

The Conference agreement provides that (1) provisions affecting deduction levels are effective October 1, 1996. and (2) all other provisions are effective on enactment.

32. SENSE OF CONGRESS

*Present law*

No provision.

*House bill*

Provides that it is the sense of Congress the States operating electronic benefit transfer systems to provide food stamp benefits should operate systems that are compatible with each other.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the House bill.

33. DEFICIT REDUCTION

*Present law*

No provision.

*House bill*

Provides that it is the sense of the House Committee on Agriculture that reductions in outlays resulting from Food Stamp Act (and commodity distribution program) provisions of the Personal Responsibility Act not be taken into account for purposes of Section 252 of the Balanced Budget and Emergency Deficit Control Act (relating to enforcement of ''pay-as-you-go'' provisions of the Budget Act).

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

34. CERTIFICATION PERIOD

*Present law*

For households subject to periodic (monthly) reporting of their circumstances, eligibility certification periods must be 6–12 months, except that the Secretary may waive this rule to improve program administration. For households receiving federally aided public assistance or general assistance, certification periods must coincide with the certification periods for the other public assistance. For other households, certification periods generally must be not less than 3 months—but they can be (1) up to 12 months for those consisting entirely of unemployable, elderly, or primarily self-employed persons or (2) as short as circumstances require for those with a substantial likehood of frequent changes in income or other household circumstances and for any household on initial eligibility determination (as judged by the Secretary). The Secretary may waive the maximum 12-month limit to improve program administration. [See 3(c)]

*House bill*

No provision.

*Senate amendment*

Replaces existing provisions as to certification periods with a requirement that certification periods not exceed 12 months—but can be up to 24 months if all adult household members are elderly, disabled, or primarily self-employed.

Requires State agencies to have at least 1 personal contact with each certified household every 12 months.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment allowing certification periods of up to 24 months for households whose adult members are all elderly or disabled and deleting the reference to a ''personal'' contact.

35. TREATMENT OF CHILDREN LIVING AT HOME

*Present law*

Parents and their children 21 years of age or younger who live together must apply for food stamps as a single household (thereby reducing aggregate household benefits)—except for children who are themselves parents living with their children and children who are married and living with their spouses. [Sec. 3(i)]

*House bill*

No provision.

*Senate amendment*

Removes the existing exception for children who are themselves parents living with their children and children who are married and living with their spouses.

*Conference agreement*

The Conference agreement follows the Senate amendment.

36. OPTIONAL ADDITIONAL CRITERIA FOR SEPARATE HOUSEHOLD DETERMINATIONS

*Present law*

Certain persons who live together may apply for food stamps as separate households (thereby increasing aggregate household benefits) if they (1) are unrelated and purchase food and prepare meals separately or (2) are related but are not spouses or children living with their parents (See item 35). In addition, elderly persons who live with others and cannot purchase food and prepare meals separately because of a substantial disability may apply a separate households as long as their co-residents' income is below prescribed limits (165% of the Federal poverty income guidelines). [Sec. 3(i)]

*House bill*

No provision.

*Senate amendment*

Permits States to establish criteria that prescribe when individuals living together, and would otherwise be allowed to apply as separate households, must apply as a single household (without regard to common purchase of food and preparation of meals).

*Conference agreement*

The Conference agreement follows the Senate amendment.

37. DEFINITION OF HOMELESS INDIVIDUAL

*Present law*

For food stamp eligibility and benefit determination purposes, a ''homeless individual'' is a person lacking a fixed/regular nighttime residence or one whose primary nighttime residence is a shelter, a residence intended for those to be institutionalize, a temporary accommodation in the resident of another, or a public or private place not designed to be a regular sleeping accommodation for humans. [Sec. 3(s)]

*House bill*

No provision.

*Senate amendment*

Provides that persons whose primary nighttime residence is a temporary accommodation in the home of another may only be considered homeless if the accommodation is for no more than 90 days.

*Conference agreement*

The Conference agreement follows the Senate amendment.

38. STATE OPTIONS IN REGULATIONS

*Present law*

The Secretary is directed to establish uniform national standards of eligibility for food stamps (with certain variations allowed for Alaska, Hawaii, Guam, and the Virgin Islands) and in other cases (e.g., imposition of monthly reporting requirements). States may not impose any other standards of eligibility as a condition of participation in the program. [Sec. 5(b)]

*House bill*

No directly comparable provision. [Note: See item 3.]

*Senate amendment*

Explicitly permits non-uniform standards of eligibility.

*Conference agreement*

The Conference agreement follows the Senate amendment.

39. EARNINGS OF STUDENTS

*Present law*

The earnings of an elementary/secondary student are disregarded as income until the student's 22nd birthday. [Sec. 5(d)(7)]

*House bill*

No provision.

*Senate amendment*

Requires that earnings of an elementary/secondary student be counted as income once the student turns age 20.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment requiring that earnings be counted for students who are 20 or older.

40. BENEFITS FOR ALIENS

A. Deeming Sponsors' Income and Resources

*Present law*

A portion of the income and resources of the sponsor of a lawfully admitted alien must be deemed as available to the sponsored alien for 3 years after the alien's entry. Income is deemed to the extent it exceeds the appropriate food stamp income eligibility limit (130% of the Federal income poverty guidelines); liquid resources are deemed to the extent they exceed $1,500. [Sec. 5(i)]

*House bill*

No directly comparable provision.

*Senate amendment*

Extends the deeming period for sponsored legal aliens to 5 years from lawful admittance or the period of time agreed to in the sponsor's affidavit, whichever is longer. [Note: See conference comparison for title IV in the House bill and title V in the Senate amendment.]

*Conference agreement*

The Conference agreement follows the House bill.

B. Counting Aliens' Income and Resources

*Present law*

The income (less a pro rata share) and all resources of aliens who are ineligible for food

stamps under provisions of the Food Stamp Act are counted as income/resources to the rest of the household living with the alien. [Sec. 6(f)]

*House bill*

No provision.

*Senate amendment*

Permits States to count all of the income and resources of aliens ineligible for food stamps under the provisions of the Food Stamp Act as income/resources to the rest of the household.

*Conference agreement*

The Conference agreement follows the Senate amendment.

41. COOPERATION WITH CHILD SUPPORT AGENCIES

A. Custodial Parents

*Present law*

No provisions.

*House bill*

No provisions.

*Senate amendment*

Permits States to disqualify custodial parents of children under the age of 18 who have an absent parent unless the custodial parent cooperates with the State child support agency in establishing the child's paternity and obtaining support for the child and the custodial parent. Cooperation would not be required if the State finds there is good cause (in accordance with Federal standards taking into account the child's best interest). Fees or other costs for services could not be charged.

*Conference agreement*

The Conference agreement follows the Senate amendment.

B. Non-custodial Parents

*Present law*

No provisions.

*House bill*

No provisions.

*Senate amendment*

Permits States to disqualify putative or identified non-custodial parents of children under 18 if they refuse to cooperate with the State child support agency in establishing the child's paternity and providing support for the child. The Secretary and the Secretary of Health and Human Services would develop guidelines for what constitutes a refusal to cooperate, and States would develop procedures (using these guidelines) for determining whether there has been a refusal to cooperate. Fees or other costs for services could not be charged. States would be required to provide safeguards to restrict the use of information collected by the child support agency to the purposes for which it was collected.

*Conference agreement*

The Conference agreement follows the Senate amendment.

42. OPTIONAL COMBINED ALLOTMENT FOR EXPEDITED HOUSEHOLDS

*Present law*

For households applying after the 15th day of the month, States may provide an allotment that is the aggregate of the initial (pro-rated) allotment and the first regular allotment—but combined allotments must be provided to households applying after the 15th of the month who are entitled to expedited service. [Sec. 8(c)(3)]

*House bill*

No provision.

*Senate amendment*

Makes provision of combined allotments a State option both for regular and expedited service applicants.

*Conference agreement*

The Conference agreement follows the Senate amendment.

43. FAILURE TO COMPLY WITH OTHER WELFARE AND PUBLIC ASSISTANCE PROGRAMS

*Present law*

Households penalized for an intentional failure to comply with a Federal, State, or local welfare program may not, for the duration of the penalty, receive an increased food stamp allotment because their welfare income has been reduced. [Sec. 8(d)]

[Note: This has been interpreted by regulation to apply only to reductions in welfare income due to repayment of overpayments resulting from a welfare violation, although a revision of the regulation is scheduled.]

*House bill*

[Note: See item 4C.]

*Senate amendment*

Bars increased food stamp allotments because the benefits of a household are reduced under a Federal, State, or local welfare or public assistance program for failure to perform a required action. In carrying out this requirement, States may, in determining food stamp allotments for the duration of the public assistance reduction, use the household's pre-reduction welfare benefits.

Permits States also to reduce the household's food stamp allotment by up to 25%. If the allotment is reduced for failure to perform an action required under a family assistance block grant program, the State may use the rules and procedures of that program to reduce the food stamp allotment.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment changing references to welfare or public assistance programs to references to mean-tested public assistance programs.

44. ALLOTMENTS FOR HOUSEHOLDS RESIDING IN INSTITUTIONS

*Present law*

Homeless shelters and residential drug or alcoholic treatment centers may be designated as recipients' authorized representatives. [Note: In the case of residential treatment centers, benefits generally are provided to the center.]

*House bill*

No provision.

*Senate amendment*

Permits States to divide a month's food stamp benefits between the shelter/center and an individual who leaves the shelter/center.

Permits States to require residents of shelters/centers to designate the shelter/center as authorized representatives.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment deleting homeless shelters from those institutions covered by the amendment.

45. OPERATION OF FOOD STAMP OFFICES

A. State Plan Requirements

*Present law*

States must:

(1) allow households contacting the food stamp office in person during office hours to make an oral/written request for aid and receive and file an application on the same day;

(2) use a simplified, uniform federally designed application, unless a waiver is approved;

(3) include certain, specific information in applications;

(4) waive in-person interviews under certain circumstances (they may use telephone interviews or home visits instead);

(5) provide for telephone contact and mail application by household with transportation or similar difficulties;

(6) require an adult representative of the household to certify as to household members' citizenship/alien status;

(7) assist households in obtaining verification and completing applications;

(8) not require additional verification of currently verified information (unless there is reason to believe that the information is inaccurate, incomplete, or inconsistent);

(9) not deny an application solely because a non-household member fails to cooperate;

(10) process applications if the household meets cooperation requirements;

(11) provide households (at certification and recertification) with a statement of reporting responsibilities;

(12) provide a toll-free or local telephone number at which households may reach State personnel;

(13) display and make available nutrition information; and

(14) use mail issuance in rural areas where low-income households face substantial difficulties in obtaining transportation (with exceptions for high mail losses). [Sec. 11(e)(2), (3), (14), & (25)]

*House bill*

No provisions.

*Senate amendment*

Replaces noted existing State plan requirements with requirements that the State:

(1) establish procedures governing the operation of food stamp offices that it determines best serve households in the State, including those with special needs (such as households with elderly or disabled members, those in rural areas, the homeless, households residing on reservations, and households speaking a language other than English);

(2) provide timely, accurate, and fair service to applicants and participants;

(3) permit applicants to apply and participate on the same day they first contact the food stamp office during office hours; and

(4) consider an application field on the date the applicant submits an application that contains the applicant's name, address, and signature.

Permits States to establish operating procedures that vary for local food stamp offices to reflect regional and local differences.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment that also (1) requires applicants to certify in writing as the truth of information on application (including citizenship status), (2) stipulates that the signature of a single adult will be sufficient to comply with any provision of Federal law requiring applicant's signatures, (3) requires that States have methods for certifying homeless households, (4) makes clear that nothing in the Food Stamp Act prohibits electronic storage of application and other information, and (5) makes technical amendments.

B. Application and Denial Procedures

*Present law*

A single interview for determining AFDC and food stamp benefits if required. Food stamp applications generally are required to be contained in public assistance applications, and applications and information on how to apply for food stamps must be provided local assistance applicants. Applicants (including those who have recently lost or been public assistance) must be certified eligible for food stamps based on the information in their public assistance casefile (to the extent it is reasonably verified).

No household may be terminated from or denied food stamps solely on the basis that it

has terminated from or denied other public assistance and without a separate food stamp eligibility determination.

*House bill*

No provisions.

*Senate amendment*

Deletes noted existing requirements for single interviews, applications, and food stamp determinations based on public assistance information.

Permits disqualification for food stamps based on another public assistance program's disqualification for failure to comply with its rules or regulations.

*Conference agreement*

The Conference agreement follows the Senate amendment.

46. STATE EMPLOYEE AND TRAINING STANDARDS

*Present law*

States must employ agency personnel doing food stamp certifications in accordance with current Federal ''merit system'' standards. States must provide continuing, comprehensive training for all certification personnel. States may undertake intensive training of certification personnel to ensure they are qualified for certifying farming households. States may provide or contract for the provision of training/assistance to persons working with volunteer or nonprofit organizations that provide outreach and eligibility screening activities. [Sec. 11(e)(6)]

*House bill*

No provision.

*Senate amendment*

Deletes noted existing provisions for merit system standards and training.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment retaining existing provisions for merit system standards.

47. EXPEDITED COUPON SERVICE

*Present law*

States must provide expedited benefits to applicant households that (1) have gross income under $150 a month (or are ''destitute'' migrant or seasonal farmworker households) and have liquid resources of no more then $100, (2) homeless households, and (3) households that have combined gross income and liquid resources less than the household's monthly shelter expenses.

Expedited service means providing an allotment no later than 5 days after application. [Sec. 11(e)(9)]

*House bill*

No provision.

*Senate amendment*

Deletes noted existing requirements to provide expedited service to the homeless and households with shelter expenses in excess of their income/resources.

Lengthens the period in which expedited benefits must be provided to 7 business days.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment providing that expedited benefits must be provided in 7 calendar days.

48. FAIR HEARINGS

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Permits households to withdraw fair hearing requests orally or in writing. If it is an oral request, the State must provide a written notice to the household confirming the request and providing the household with another chance to request a hearing.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment providing that permission for households to withdraw fair hearing requests orally or in writing is a State option.

49. INCOME AND ELIGIBILITY VERIFICATION SYSTEM

*Present law*

States must use the ''income and eligibility verification systems'' established under Sec. 1137 of the Social Security Act to assist in verifying household circumstances; this includes a system for verifying financial circumstances (IEVS) and a system for verifying alien status (SAVE). [Sec. 11(e)(19) of the Food Stamp Act and Sec. 1137 of the Social Security Act.]

*House bill*

No provision.

*Senate amendment*

Makes use of IEVS and SAVE optional with the States.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment making clear that the option applies to both IEVS and SAVE.

50. TERMINATION OF FEDERAL MARCH FOR OPTIONAL INFORMATION ACTIVITIES

*Present law*

If a State opts to conduct informational (''outreach'') activities for the food stamp program, the Federal Government shares half the cost. [Sec. 11(e)(1) & Sec. 16(a)]

*House bill*

No provision.

*Senate amendment*

Terminates the Federal share of optional State outreach activities. [Note: Sec. 333(b) makes a technical amendment to Sec. 16(g) of the Food Stamp Act.]

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment that does not terminate the Federal share of optional State outreach activities but bar a Federal share for ''recruitment activities.''

51. STANDARDS FOR ADMINISTRATION

*Present law*

The Secretary is required to (1) establish standards for efficient and effective administration of the program, including standards for review of food stamp office hours to ensure that employed individuals are adequately served, and (2) instruct States to submit reports on administrative actions taken to meet the standards. [Sec. 16(b)]

*House bill*

No provision.

*Senate amendment*

Deletes the noted existing requirements relating to Federal standards for efficient and effective administration.

*Conference agreement*

The Conference agreement follows the Senate amendment.

52. WAIVER AUTHORITY

*Present law*

The Secretary may waive Food Stamp Act requirements to the degree necessary to conduct pilot/demonstration projects, but no project may be implemented that would lower or further restrict food stamp income/resource eligibility standards or benefit levels (other than certain projects involving the payment of the average value of allotments in cash and certain work program demonstrations). [Sec. 17(b)(1)]

*House bill*

No provision.

*Senate amendment*

Replaces existing waiver authority with authority for the Secretary to waive Food Stamp Act requirements to the extent necessary to conduct pilot/experimental projects, including those designed to test innovative welfare reform, promote work, and allow conformity with other assistance programs.

Requires that any project involving the payment of benefits in the form of cash maintain the average value of allotments for affected households.

*Conference agreement*

The Conference agreement follows the Senate amendment. The Secretary is permitted to conduct pilot or experimental projects and waive Food Stamp Act requirements as long as the project is consistent with the goal of the food stamp program, to provide food to increase the level of nutrition among needy families. The Secretary is permitted to conduct projects that will improve the administration of the program, increase self-sufficiency of food stamp participants, test innovative welfare reform strategies, or allow greater conformity among public assistance programs than is otherwise allowed in the Food Stamp Act. The Secretary is not permitted to conduct projects that involve issuing food stamp benefits in the form of cash (beyond those approved at enactment), substantially transfer program benefits to other public assistance programs, or are not limited to specific time periods.

53. AUTHORIZATION OF PILOT PROJECTS

*Present law*

Existing pilot projects for the payment of food stamp benefits in the form of cash to households composed of elderly persons or SSI recipients are authorized to continue through October 1, 1995, if a State requests. [Sec. 17(b)(1)]

*House bill*

No provision.

*Senate amendment*

Extends the authorization for elderly/SSI cash-out projects through October 1, 2002.

*Conference agreement*

The Conference agreement follows the Senate amendment.

54. RESPONSE TO WAIVERS

*Present law*

No provisions.

*Present law*

No provisions.

*House bill*

No provision.

*Senate amendment*

Requires that, not later than 60 days after receiving a demonstration project waiver request, the Secretary (1) approve the request, (2) deny the request and explain any modifications needed for approval, (3) deny the request and explain the grounds for denial, or (4) ask for clarification of the request. If a response is not forthcoming in 60 days, the waiver would be considered approved. If a waiver request is denied, the Secretary must provide a copy of the waiver request and the grounds for denial to the House and Senate Agriculture Committees.

*Conference agreement*

The Conference agreement follows the Senate amendment.

55. PRIVATE SECTOR EMPLOYMENT INITIATIVES

*Present law*

No provision.

*House bill*

[Note: See item 4E.]

*Senate amendment*

Allows certain States to operate 'private sector employment initiatives'' under which food stamp benefits could be paid in cash to some participants households. States would be eligible to operate private sector employment initiatives if not less than 50% of the households that received food stamp benefits in the summer of 1993 also received AFDC benefits. Households would be eligible to receive cash payments if an adult member so elects and (1) has worked in unsubsidized private sector employment for not less than the 90 preceding days, (2) has earned not less than $350 a month from that employment, (3) is eligible to receive family assistance block grant benefits (or was eligible when cash payments were first received and is no longer eligible because of earned income), and (4) is continuing to earn not less than $350 a month from private sector employment. States operating a private sector employment initiative for 2 years must provide a written evaluation of the impact of cash assistance (the content of the evaluation would be determined by the State).

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment requiring States that select this option to increase benefits to compensate for State or local sales taxes on food purchases.

56. OPTIONAL BLOCK GRANTS

*Present law*

No provisions.

*House bill*

[Note: Sec. 556(b) of the House bill adds a new section 25 to the Food Stamp Act containing provisions for an optional block grant.]

Allows States that have fully implemented an electronic benefit transfer system to elect an annual block grant to operate a low-income nutrition assistance program in lieu of the food stamp program.

Grants funds to States electing a block grant.—States would receive (1) the greater of: the total fiscal year 1994 amount they received as food stamp benefits; or the fiscal years 1992–1994 average they received as food stamp benefits and (2) the greater of: the fiscal year 1994 Federal share of administrative costs; or the fiscal years 1992–1994 average they received as the Federal share of administrative costs. Grant payments would be made at times and in a manner determined by the Secretary.

Requires annual submission of a State plan specifying the manner in which the block grant nutrition assistance program will be conducted. The plan must:

(1) certify that the State has implemented a State-wide electronic benefit transfer system under Food Stamp Act conditions;

(2) designate a single State agency responsible for administration;

(3) assess the food and nutrition needs of needy persons in the State;

(4) limit assistance to the purchase of food;

(5) describe the persons to whom aid will be provided;

(6) assure that assistance will be provided to the most needy;

(7) assure that applicants for assistance have adequate notice and fair hearing rights comparable to those under the regular food stamp program;

(8) provide that there be no discrimination on the basis of race, sex, religion, national origin, or political beliefs; and

(9) include other information as required by the Secretary.

In general, permits block grant payments to be expended only in the fiscal year in which they are distributed to a State. States may reserve up to 5% of a fiscal year's grant to provide assistance in subsequent years, but reserved funds may not total more than 20% of the total grant received for a fiscal year.

Requires States to keep records concerning block grant program operations and make them available to the Secretary and the Comptroller General.

If the Secretary finds there is substantial failure by a State to comply, requires the Secretary to (1) suspend all or part of a grant payment until the State is determined in substantial compliance, (2) withhold all/part of a grant payment until the Secretary determines that there is no longer a failure to comply, or (3) terminate the State's authority to operate a nutrition assistance block grant program.

Requires States to provide for biennial audits of block grant expenditures, provide the Secretary with the audit, and make it available for public inspection.

Requires an annual ''activities report'' comparing actual spending for nutrition assistance in each fiscal year with the spending predicted in the State plan; the report must be made available for public inspection.

Requires that whoever knowingly and willfully embezzles, misapplies, steals, or obtains by fraud, false statement, or forgery any funds or property provided or financed under a nutrition assistance block grant be fined not more than $10,000, imprisoned for not more than 5 years, or both.

Requires that the State plan provide that there will be no discrimination on the basis of race, sex, religion, national origin, or political beliefs.

Requires that all assistance provided under the block grant be limited to the purchase of food. [Note: Because the State would have fully implemented an electronic benefit transfer system, benefits would be provided through these systems.]

*Senate amendment*

[Note: Sec. 343(a) of the Senate amendment adds a new section 25 to the Food Stamp Act containing provisions for an optional block grant.]

Requires the Secretary to establish a program to make grants to States, in lieu of the food stamp program, to provide food assistance to needy individuals and families, wage subsidies and payments in return for work for needy individuals, funds to operate an employment and training program for needy individuals, and funds for administrative costs incurred in providing assistance.

Grants funds to States electing a block grant—States would receive (1) the greater of: the total fiscal year 1994 amount they received as food stamp benefits; or the fiscal years 1992–1994 average they received as food stamp benefits and (2) the greater of: the fiscal year 1994 Federal share of administrative costs and employment/training program costs; or the fiscal years 1992–1994 average they received as the Federal share of administrative costs and employment/training program costs. If total allotments for a fiscal year would exceed the amount of funds made available to provide them, the Secretary is required to reduce allotments on a pro rata basis to the extent necessary. Grant payments would be made by issuing 1 or more letters of credit, with necessary adjustments for overpayments and underpayments.

Requires annual submission of a State plan containing information as required by the Secretary. The plan:

(1) must have an assurance that the State will comply with block grant requirements;

(2) must identify a ''lead agency'' responsible for administration, development of the plan, and coordination with other programs;

(3) must provide that the State will use grant funds as follows:

(a) to give food assistance to needy persons (other than certain residents of institutions);

(b) at State option, to provide wage subsidies and workfare for needy persons;

(c) to administer an employment and training program for needy persons (and provide reimbursement for support services); and

(d) to pay administrative costs incurred in providing assistance;

(4) must describe how the program will serve specific groups of persons (and how that treatment will differ from the regular food stamp program) including the elderly, migrants or seasonal farmworkers, the homeless, those under the supervision of institutions, those with earnings, and Indians;

(5) must provide that benefits be available statewide;

(6) must provide that applicants and recipients are provided with notice and fair hearing rights;

(7) may coordinate block grant assistance with aid under the family assistance block grant;

(8) may reduce food assistance or otherwise penalize persons or families penalized for violating family assistance block grant rules;

(9) must assess the food and nutrition needs of needy persons in the State;

(10) must describe the income and resource eligibility limits established under the block grant;

(11) must establish a system to ensure that no persons receive block grant benefits in more than 1 jurisdiction;

(12) must provide for safeguarding and restricting the use and disclosure of information about recipients; and

(13) must contain other information as required by the Secretary.

Same as the House bill, except that States may reserve up to 10% a year and reserve funds may not total more than 30% of the total grant received.

Requires the Secretary to review and monitor State compliance with block grant rules and State plans. If the Secretary (after notice and opportunity for a hearing) finds that there has been a failure to substantially comply with the State's plan or the provisions of the block grant, the Secretary must notify the State and no further payments would be made until the Secretary is satisfied that there is no longer a failure to comply or that noncompliance will be promptly corrected.

Allows the Secretary (in cases of noncompliance) to impose other appropriate sanctions on States in addition to, or in lieu of, withholding block grant payments; these sanctions may include recoupment of money improperly spent and disqualification from receipt of a block grant. The Secretary also is required to establish procedures for (1) receiving, processing, and determining the validity of complaints about States' failure to comply with block grant obligations and (2) imposing sanctions. In addition, the Secretary is permitted to withhold not more than 5% of a State's annual allotment if the State does not use an ''income and eligibility verification system'' established under Sec. 1137 of the Social Security Act.

Requires States to arrange for annual independent audits of block grant expenditures. Each annual audit must include an audit of payment accuracy based on a statistically valid sample and be submitted to the State legislature and the Secretary. States must repay any amounts the audit determines have not been expended in accordance with the State plan, or the Secretary can offset amounts against any other amount paid the State under the block grant.

Provides that a State that elects a food assistance block grant option may subsequently reverse that choice only once.

Finds that the Senate has adopted a resolution that Congress should not enact/adopt any legislation that will increase the number of hungry children, that it is not its intent to cause more children to be hungry, that the food stamp program serves to prevent child hunger, and that a State's election for a food assistance block grant should not serve to increase the number hungry children in the State.

Provides that a State's election for a food assistance block grant be permanently revoked 180 days after the Secretary of Health and Human Services has made 2 successive findings (over a 6-year period) that the ''hunger rate'' among children is significantly higher in a food assistance block grant State than it would have been if the State had not made the choice.

Specifies procedures for a finding that a State's child hunger rate has risen significantly. Every 3 years, the Secretary must develop data and report with respect to any significant increase in child hunger in States that have elected a food assistance block grant. The Secretary must provide the report to states that have elected a block grant and must provide States with a higher child hunger rate with an opportunity to respond. If the State's response does not result in a reversal of the Secretary's determination that the child hunger rate is significantly higher than it would have been without the State's block grant election, the Secretary must publish a determination that the State's block grant choice is revoked.

Requires States to designate a lead administrative agency. The agency must administer (either directly or through other agencies) the food assistance block grant aid, develop the State plan, hold at least 1 hearing for public comment on the plan, and coordinate food assistance block grant aid with other government assistance. In developing the State plan, the lead agency must consult with local governments and private sector organizations so that services are provided in a manner appropriate to local populations.

Provides that nothing in the new food assistance block grant section of the Food Stamp Act entitles anyone to assistance or limits the right of States to impose additional limits or conditions.

Requires that no funds under the food assistance block grant be spent for the purchase or improvement of land, or for the purchase, construction, or permanent improvement of any building/facility.

Requires that no alien otherwise ineligible to participate in the regular food stamp program be eligible to participate in a food assistance block grant program, and that the income of the sponsor of an alien be counted as in the regular food stamp program.

Requires that (1) no person be eligible to receive food assistance block grant benefits if they do not meet regular food stamp program work requirements and (2) that each State operating a food assistance block grant implement an employment and training program under regular food stamp program rules.

Bars the Secretary from providing assistance for any program, project, or activity under a food assistance block grant if any person with operational responsibilities discriminates because of race, religion, color, national origin, sex, or disability. Also provides for enforcement through title VI of the Civil Rights Act.

Requires that, in each fiscal year, at least 80% of Federal funds expended under a State's block grant be for good assistance and not more than 6% be for administrative expenses. A State could provide food assistance to meet the 80% requirement in any manner it determines appropriate (such as electronic benefit transfers, coupons, or direct provision of commodities), but ''food assistance'' would be limited to assistance that may only be used to obtain food (as defined in the Food Stamp Act).

Provides that the Secretary may conduct research on the effects and costs of a State food assistance block grant program.

*Conference agreement*

The Conference agreement follows the House bill with and amendment. States that meet one of three conditions may elect to receive an annual block grant to operate a food assistance program for needy persons in lieu of the food stamp program. Eligible States may opt for a block grant at any time, but, if the State chooses to withdraw from the block grant or is disqualified, it may not again opt for a block grant. Eligible States include: (1) those that have fully implemented a statewide electronic benefit transfer system, (2) those for which the dollar value of erroneous benefit and eligibility determinations (overpayments, payments to ineligibles, and underpayments) in the food stamp program or their food assistance block grant program is 6% of benefits issued or less (a ''payment error rate'' of 6% or less), and (3) those with a payment error rate higher than 6% that agree to contribute, from non-Federal sources, a dollar amount equal to the difference between their payment error rate and a 6% rate to pay for benefits and administration of their food assistance block grant program. A State's payment error rate for block grant purposes is the most recent rate available, as determined by the Secretary.

States electing a block grant would be provided an annual grant equal to: (1) the greater of the FY1994 amount they received as food stamp benefits, or the 1992–1994 average they received as food stamp benefits and (2) the greater of the FY 1994 Federal share of administrative costs, or the 1992–1994 average they received as the Federal share of administrative costs. However, grants to States with payment error rates above 6% would be reduced by the amount they are required to contribute (i.e., the dollar amount equal to the difference between their payment error rate and a 6% rate). In general, block grant payments must be expended in the fiscal year for which they were distributed; but States may reserve up to 10% a year, up to a total of 30% of the block grant. If total allotments for a fiscal year would exceed the amount of funds made available to provide them, the Secretary is required to reduce allotments or a pro rata basis to the extent necessary. Grant payments would be made by issuing letters of credit.

Block grant funding may only be used for food assistance and administrative costs related to its provision, and, in each fiscal year, not more than 6% of total funds expended (including State funds required to be spent) may be used for administrative costs.

Each participating block grant State is required to maintain a food stamp quality control program to measure erroneous benefit and eligibility determinations, and block grant States would continue to be subject to the food stamp program's quality control system (including eligibility for incentive payments and imposition of fiscal sanction for very high payment error rates). Each participating State is required to implement an employment and training program under Food Stamp Act terms and conditions and is eligible to receive Federal funding for employment and training activities (in addition to the food stamp block grant amount).

In order to receive a block grant, a State must annually submit a State plan for approval by the Secretary. The State plan must: (1) identify a lead administering agency, (2) describe how and to what extent the State's program serves specific groups (e.g., the elderly, migrant and seasonal farmworkers, the homeless, those with earnings, Indian) and how the treatment differs from their treatment under the food stamp program, (3) provide that benefits are available statewide, (4) provide for notice and an opportunity for a hearing to those adversely affected, (5) assess the food and nutrition needs of needy persons in the State, (6) describe the State's eligibility standards for assistance under the block grant program, (7) establish a system for exchanging information with other States to verify recipients' identity and the possible receipt of benefits in another State, (8) provide for safeguarding and restricting the use and disclosure of information about recipients, and (9) other information required by the Secretary.

Eligibility for assistance under the block grant is determined by the State, and there is not individual entitlement to assistance. However, certain Federal rules apply: (1) aliens who would not be eligible under the food stamp program are not eligible for block grant aid; (2) persons and households who would be ineligible under the food stamp program's work rules are not eligible for block grant aid; (3) disqualification of fleeing felons; and (4) disqualification for child support arrears.

If the Secretary finds that here has been a failure to comply with provisions of the block grant or the State's approved plan or finds that, in the operation of any program or activity for which assistance is provided, there is a State failure to comply substantially with block grant provisions—the Secretary must withhold funding, as appropriate, until satisfied there is no longer a failure to comply or that the noncompliance will be promptly corrected. In addition, the Secretary may impose other appropriate penalties, including recoupment of improperly spent money and disqualification from the block grant. States must be provided notice and an opportunity for a hearing in this process.

The Secretary is authorized to conduct research on the effects and costs of a State food assistance block grant.

57. SPECIFIC PERIOD FOR PROHIBITING PARTICIPATION OF STORES BASED ON LACK OF BUSINESS INTEGRITY

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Authorizes the Secretary to issue regulations establishing specific time periods during which retailers/wholesalers that have been denied approval or had approval withdrawn on the basis of ''business integrity and reputation'' may not submit a new application for approval. The periods established would be required to reflect the severity of the business integrity infractions on which the denial/withdrawal was based.

*Conference agreement*

See item 20 above.

58. INFORMATION FOR VERIFYING ELIGIBILITY FOR AUTHORIZATION

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Permits the Secretary to require that retailers and wholesalers seeking approval submit relevant income and sales tax filing documents. Permits regulations requiring retailers and wholesalers to provide written

authorization for the Secretary to verify all relevant tax filings and to obtain corroborating documentation from other sources in order to verify the accuracy of information provided by retailers and wholesalers.

*Conference agreement*

The Conference agreement follows the Senate amendment.

59. BASES FOR SUSPENSIONS AND DISQUALIFICATIONS

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Requires criteria for finding violations by retailers and wholesalers (and their suspension or disqualification) on the basis of evidence including on-site investigations, inconsistent redemption data, or electronic benefit transfer system transaction reports.

*Conference agreement*

The Conference agreement follows the House bill. The Conferees note that the Secretary currently has the authority contained in the Senate amendment.

60. PERMANENT DEBARMENT OF RETAILERS WHO INTENTIONALLY SUBMIT FALSIFIED APPLICATIONS

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Requires regulations permanently disqualifying retailers and wholesalers that knowingly submit an application or approval that contains false information about a substantive matter. A permanent disqualification or a knowingly false application would be subject to administrative and judicial review, but the disqualification would remain in effect pending the review.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment permitting the Secretary to disqualify a store or concern, including permanently, upon knowing submission of false information on an application.

61. CATEGORICAL ELIGIBILITY

*Present law*

Households in which all members are recipients of AFDC are categorically eligible for food stamps. [Sec. 5(a)]

Child support payments received by a household and excluded under the AFDC program may be disregarded for food stamps, at State option and expense. [Sec. 5(d)(13)]

Household members who are AFDC recipients are considered to have met food stamp resource (asset) eligibility standards. [Sec. 5(j)]

Persons who are AFDC recipients are exempt from food stamp rules barring eligibility to most postsecondary students. [Sec. 6(e)]

In general, food stamp eligibility is barred to those with total (gross) household income above 130% of the Federal income poverty guidelines. [Sec. 5(c)]

Political subdivisions electing to operate workfare programs for food stamp recipients may comply with food stamp requirements by operating a workfare program under title IV of the Social Security Act. [Sec. 20(a)]

Households exempt from food stamp work rules because of participation in an AFDC community work experience program are subject to a limit on the number of hours of work—their cash assistance plus food stamps, divided by the minimum wage (but no person can be required to work more than 120 hours a month). [Sec. 20(a)]

*House bill*

No provision. [Note: TANF households would presumably be categorically eligible for food stamps under existing provisions of law.]

No provision. [Note: TANF recipients would presumably be considered to have met food stamp resource standards under existing provisions of law.]

No provision. [Note: TANF recipients would presumably not be exempt from food stamp postsecondary student rules under existing provisions of law.]

*Senate amendment*

Provides that households in which all members are recipients of benefits under a State's family assistance block grant program be categorically eligible for food stamps, if the Secretary determines that the program complies with Secretarial standards that ensure that State program standards are comparable to or more restrictive than those in effect June 1, 1995.

Deletes the existing provision for a State-option child support disregard. [Note: A separate provision (Sec. 5(m) of the Food Stamp Act) providing for State funding of the disregard is not deleted.]

Provides that persons receiving benefits under a State's family assistance block grant program will be considered to have met food stamp resource eligibility standards, if the Secretary determines that the program complies with Secretarial standards that ensure that State program standards are comparable to or more restrictive than those in effect June 1, 1995.

Provides that persons receiving benefits under a State's family assistance block grant program are exempt from food stamp rules barring eligibility to most postsecondary students, if the Secretary determines that the program complies with Secretarial standards that ensure that State program standards are comparable to or more restrictive than those in effect June 1, 1995.

Provides that households may not receive food stamp benefits as the result of eligibility under a State's family assistance block grant program unless the Secretary determines that households with income above 130% of the poverty guidelines are not eligible for the State's program—notwithstanding any other provision of the Food Stamp Act.

Deletes the existing provision allowing compliance with food stamp workfare rules by operating a workfare program under title IV of the Social Security Act.

Deletes the existing rule placing limits on hours worked for food stamp recipients in community work experience programs.

Makes various technical amendments to the Food Stamp Act conforming its existing references to the AFDC program to cite the new family assistance block grant program.

*Conference agreement*

The Conference agreement follows the Senate amendment.

62. PROTECTION OF BATTERED INDIVIDUALS

*Present law*

No provision. [Note: Certain work rules contain a ''good cause'' exemption.]

*House bill*

No provision.

*Senate amendment*

In the case of individuals who were battered or subjected to extreme cruelty, permits states to exempt them from the following provisions of food stamp law (or modify their application) if their physical, mental, or emotional well-being would be endangered:

(1) the requirement that the income and resources of a sponsor of an alien be deemed to the sponsored alien;

(2) the requirement that custodial parents cooperate with child support agencies (as added by the senate amendment); and

(3) all work requirements (including the new work requirement added by the Senate amendment).

*Conference agreement*

The Conference agreement follows the House bill. The conferees note that the Food Stamp act already provides protection to battered individuals in the application of child support enforcement and work rules.

63. RECONCILIATION PROVISIONS

A. Transitional Housing

*Present law*

Payments from regular welfare benefits made on behalf of households in transitional housing are disregarded as income. [(Sec. 5(k)]

*House bill*

No provision.

*Senate amendment*

Deletes disregard of transitional housing payments.

*Conference agreement*

The Conference agreement follows the Senate amendment.

B. American Samoa

*Present law*

No provision. [Note: A food assistance program for American Samoa is supported under provisions of law granting Secretarial discretion to extend Agriculture Department programs to American Samoa.]

*House bill*

No provision.

*Senate amendment*

Provides for funding of not more than $5.3 million a year through FY2002 for a nutrition assistance program in America Samoa.

*Conference agreement*

The Conference agreement follows the Senate amendment.

C. Assistance for Community Food Projects

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Authorizes $2.5 million a year for community food project grants to meet the food needs of low-income people, increase the self-reliance of communities in providing for their own food needs, and promote comprehensive responses to local food, farm, and nutrition issues.

*Conference agreement*

The Conference agreement follows the Senate amendment, with an amendment making the funding for community food projects mandatory.

Commodity Distribution

1. SHORT TITLE

*Present law*

The Emergency Food Assistance Act (EFAA), the Hunger Prevention Act of 1988, the Commodity Distribution Reform Act and WIC Amendments, the Charitable Assistance and Food Bank Act of 1987, the Food Security Act of 1985, the Agriculture and Consumer Protection Act of 1973, and the Food, Agriculture, Conservation, and Trade Act of 1990.

*House bill*

Combines several existing commodity donation programs and authorities under one

title, the Commodity Distribution Act of 1995.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the House bill with an amendment striking the House provision and replacing it with a provision combining the emergency food assistance program (TEFAP) with the soup kitchen/food bank program into one program to be known as the TEFAP. The revised TEFAP is reauthorized through 2002, and the Secretary is required to purchase $300 million of commodities each year through 2002 for distribution through the TEFAP. The requirement to purchase $300 million of commodities is included in the Food Stamp Act authorization for appropriations.

2. AVAILABILITY OF COMMODITIES

*Present law*

Requires the Secretary to purchase a variety of nutritious and useful commodities using the resources of the CCC or Section 32 to supplement commodities acquired from the excess inventories of CCC for distribution to emergency feeding organizations. [Sec. 214(c) of Emergency Food Assistance Act (EFAA)]

In addition to commodities donated from excess CCC holdings, authorizes the Secretary to donate Section 32 commodities to eligible recipient agencies participating in TEFAP. [Sec. 202(c)]

Requires the Secretary to make available to eligible recipient agencies CCC commodities in excess of those needed to meet domestic and international obligations and market development and food aid commitments and to carry out farm price and income stabilization features of the AAA of 1938, the AA of 1949, and the CCC Charter. [Sec. 202(a), EFAA]

*House bill*

For fiscal years 1996–2000, authorizes the Secretary of Agriculture to purchase a variety of nutritious and useful commodities to distribute to the States for purposes laid out in the subtitle.

Similar to current law, but also authorizes the use of Section 32 *funds* not otherwise used or needed, to purchase, process, and distribute commodities for purposes under the new program.

Leaves current general authority untouched; maintains EFAA requirement but adds language stipulating that donations are to be in addition to authorized Section 32 donations.

*Senate amendment*

Extends existing law purchasing authorities through FY 2002.

*Conference agreement*

See item 1 above.

3. BASIS FOR COMMODITY PURCHASES

*Present law*

Requires that commodities made available under the EFAA include a variety of items most useful to eligible recipient agencies, including dairy products, wheat and wheat products, rice, honey, and cornmeal. [Sec. 202(d), EFAA]

*House bill*

Requires the Secretary to determine the types, varieties, and amounts of commodities purchased under this subtitle, and to make such purchases, to the maximum extent practicable and appropriate, on the basis of agricultural market conditions, State and distribution agency preferences and needs, and the preferences of recipients.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

4. STATE AND LOCAL SUPPLEMENTATION OF COMMODITIES

*Present law*

Requires the Secretary to establish procedures by which State and local agencies, charitable institutions, or other person may supplement the commodities distributed under TEFAP for use by emergency feeding organizations with donations of nutritious and wholesome commodities. [Sec. 203D(a), EFAA]

Allows States and emergency feeding organizations to use TEFAP funds, equipment, structures, vehicles, and all other facilities and personnel involved in the storage, handling, and distribution of TEFAP commodities to store, handle, or distribute commodities donated to supplement TEFAP commodities. [Sec. 203D(b), EFAA]

Requires States and emergency feeding organizations to continue to use volunteer workers and commodities and foods donated by charitable and other organizations, to the maximum extent practical, in operating TEFAP.

*House bill*

Similar to current law except that supplementation applies to all programs eligible to receive commodities under the new program, not just TEFAP.

Similar to current law except it allows use of these sources to all programs eligible to participate in the new program (not just TEFAP), and explicitly identifies the funds that States and eligible agencies may use to help with supplemental commodities as those appropriated for administrative costs under the new Section 519(b).

Same as current law, except substitutes recipient agencies for emergency feeding organizations to reflect expansion of provisions to cover other commodity donation programs as well as TEFAP.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

5. STATE PLAN

*Present law*

Requires Secretary to expedite the distribution of commodities to agencies designated by the Governor, or directly distribute commodities to eligible recipient agencies engaged in national commodity processing; allows States to give priority to donations to existing food bank networks serving low-income households. Requires States to expeditiously distribute commodities to eligible recipient agencies, and to encourage distribution to rural areas. Also requires States to distribute commodities only to agencies that serve needy persons and to set their own need criteria, with the approval of the Secretary. [Sec. 203B (a) and (c) of EFAA]

*House bill*

Requires that States seeking commodities under this program submit a plan of operation and administration every four years for approval by the Secretary and allows amendment of the plan at any time.

Requires that, at a minimum, the State receiving commodities include in its plan:

designation of the State agency responsible for distributing commodities;

the plan of operation and administration to expeditiously distribute commodities in amounts requested by eligible recipient agencies;

the standards of eligibility for recipient agencies; and

the individual or household eligibility standards for commodity recipients, which shall require that they be needy, and residing in the geographic location served by the recipient agency.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the House bill.

6. ADVISORY BOARD

*Present law*

No provision.

*House bill*

Requires the Secretary to encourage States to establish advisory boards consisting of representatives of all interested entities, public and private, in the distribution of commodities.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the House bill.

7. COOPERATIVE AGREEMENTS/TRANSFERS

*Present law*

Permits States receiving TEFAP commodities to enter into cooperative agreements with agencies of other States to jointly provide commodities serving eligible recipients from each State in a single area, or to transfer commodities [Sec. 203B(d)]

*House bill*

Similar to current law, except adds language specifying that the State may advise the Secretary of such agreements and transfers. Note: Because the new commodity distribution program covers more than TEFAP agencies, this represents a new provision for other recipient agencies now receiving commodities (e.g. CSFP, charitable institutions).

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

8. ALLOCATION OF COMMODITIES TO STATES

*Present law*

Requires Secretary to allocate commodities purchased for TEFAP to States in the following proportions:

60% of the value of commodities available based on each State's proportion of the national total of persons with incomes below the poverty line; and

40% based on each State's proportion of the national total of the average monthly number of unemployed persons.

*House bill*

Similar to current law as relates to allocation of TEFAP commodities. CSFP commodities are exempted from the allocation method, however, other recipient agencies currently receiving commodities under authority other than the EFAA (e.g. charitable institutions) are covered by the allocation formula.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

9. NOTIFICATION

*Present law*

Requires the Secretary to notify each State of the amount of commodities it is allotted to receive. Requires each State to notify the Secretary promptly if it will not accept commodities available to it, and requires the Secretary to reallocate and distribute such commodities as he deems appropriate and equitable. Further requires the Secretary to establish procedures to permit

State to decline portions of commodity allocations during each fiscal year and to reallocate and distribute such commodities, as deemed appropriate and equitable. [Sec. 214(g), EFAA]

*House bill*

Same as current law, except applies to all eligible agencies receiving commodities, not just TEFAP agencies.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

10. DISASTERS

*Present law*

Permits the Secretary to request that States consider assisting other States where substantial number of persons have been affected by drought, flood, hurricane or other natural disasters by allowing the Secretary to reallocate commodities to those States affected by such disasters. [Sec. 214(g), EFAA]

*House bill*

Same as current law.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

11. NATIONAL COMMODITY PROCESSING

*Present law*

Requires through FY1995 that the Secretary encourage agreements with private companies for reprocessing into end-use products those commodities donated at no charge to nutrition programs. [Sec. 1114(a)(2)(A) of Agriculture of Food Act of 1981]

*House bill*

No provision.

*Senate amendment*

Extends national commodity processing provision through FY2002.

*Conference agreement*

The Conference agreement follows the Senate amendment.

12. PURCHASES AND TIMING

*Present law*

Requires that in each fiscal year, the Secretary purchase commodities at times and under conditions determined appropriate; deliver such commodities at reasonable intervals to States (but no later than the end of the fiscal year), based on the allocation formula, and entitles each State to the additional commodities purchased for TEFAP in amounts based on the allocation formula. [Sec. 214(h), EFAA]

*House bill*

Similar to current law except for reference to CSFP, deletion of language relating to ''additional'' commodities, and requirement that commodities be delivered by December 31 of the following fiscal year.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

13. PRIORITY SYSTEM FOR STATE DISTRIBUTION OF COMMODITIES

A. Emergency Feeding Organizations

*Present law*

Requires States to give priority for commodities to emergency feeding organizations if sufficient commodities are not available to meet requests of all eligible agencies, and encourages States to distribute commodities to rural areas. [Sec. 203B(b), EFAA]

*House bill*

Requires that in distributing commodities allocated under this section for other than CSFP, the State agency offer its full allocation of commodities to emergency feeding organizations.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

B. Charitable Institutions

*Present law*

No provision.

*House bill*

Permits States agencies to distribute commodities that are not able to be used by emergency feeding organizations to charitable institutions (excluding penal institutions) that do not receive commodities as emergency feeding organizations.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

C. Other Eligible Agencies

*Present law*

No provision.

*House bill*

Permits the State agency to distribute commodities that are not able to be used by emergency feeding organizations or other charitable institutions to other eligible recipient agencies not receiving commodities under the previous distributions.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

14. INITIAL PROCESSING COSTS

*Present law*

Permits the Secretary to use CCC funds to pay the cost of initial processing and packaging of commodities distributed under this Act into forms and quantities the Secretary determines are suitable for use by individual households or institutional use. Permits payment in the form of commodities equal in value to the cost, and requires the Secretary to ensure that such payments in kind do not displace commercial sales. [Sec. 203A, EFAA]

*House bill*

Similar to present law, except substitutes term ''eligible recipient agencies'' for ''institutional use.''

*Senate amendment*

No provision.

*Conference agreement*

See item 1 above.

15. ASSURANCES; ANTICIPATED USE

*Present law*

Requires the Secretary to take precautions to assure that eligible recipient agencies and persons receiving commodities do not diminish their normal expenditures for food because of receipt of commodities, and to ensure that commodities made available under the Act do not displace commercial sales. Prohibits Secretary from donating commodities in a quantity or manner that will substitute for agricultural produce that otherwise would be purchased in the market. Requires Secretary to submit a report to the Congress each year on whether and to what extent displacement or substitution is occurring. [Sec. 203C(a)]

*House bill*

Similar to current law but does not refer to individual displacement or substitutions or prohibit donation in a quantity or manner that might interfere with market sales. Also sets December 1997, and at least every two years thereafter as the dates for displacement reports.

*Senate amendment*

No provision.

*Conference agreement*

See item 1 above.

16. WASTE

*Present law*

Requires that the Secretary purchase and distribute commodities in quantities that can be consumed without waste, and prohibits eligible recipient agencies receiving commodities under this Act from receiving commodities in excess of anticipated use (based on inventory records and controls), or in excess of their ability to accept and store. [Sec. 203C(b)]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

17. AUTHORIZATION OF APPROPRIATIONS

A. Commodity Purchases

*Present law*

Authorizes $175 million for FY 1991, $190 million for FY 1992, and $220 million for each of FY 1993–1995 to purchase, process and distribute additional commodities to TEFAP agencies. [Sec. 214(e)]

*House bill*

Authorizes $260 million annually for each of fiscal years 1996 through 2000 to purchase, process, and distribute commodities to States for distribution to eligible recipient agencies, which include charitable institutions and CSFP agencies, as well as TEFAP agencies.

*Senate amendment*

Extends funding authority for commodity purchases at $220 million annually through FY 2002.

*Conference agreement*

See Item #1 above.

B. Administrative Funding

*Present law*

Authorizes $50 million for FY 1991–95 for the Secretary to make available to States for State and local payments of costs associated with the distribution of commodities by eligible recipient agencies. Requires Secretary to allocate funds to States on advance basis in the same proportion as the proportion each State receives of allocated commodities, and requires the Secretary to reallocate funds not able to be used by a State to other States in an appropriate and equitable manner. Permits States to use funds for costs associated with the distribution of additional commodities purchased for the program and for soup kitchens and food banks. [See 204(a)(1)]

*House bill*

Authorizes $40 million annually for each of fiscal years 1996 through 2000 for payments to States and local agencies (except for the CSFP) for the costs associated with transporting storing, and handling commodities other than those distributed to CSFP agencies. Same as current law with respect to allocations and reallocations, and advanced funding. No specific reference to soup kitchens and food banks, which are included as eligible recipient agencies.

*Senate amendment*

Extends authority for administrative funding at $50 million annually through FY 2002.

*Conference agreement*

The Conference agreement follows the Senate amendment with an amendment providing that administrative funds may be used

for processing, transporting, or distributing commodities other than TEFAP commodities.

18. LOCAL ADMINISTRATIVE PAYMENTS

*Present law*

Requires each State to make available not less than 40% of the funds it receives for administrative costs in each fiscal year to pay for, or provide advance payments to eligible recipient agencies, for allowable expenses incurred by such agencies in distributing commodities to needy persons. Defines ''allowable expenses'' to include the costs of transporting, storing, handling, repackaging and distributing commodities after receipt by the eligible recipient agency; costs associated with eligibility, verification, and documentation of eligibility; costs of providing information to commodity recipients on appropriate storage and preparation of commodities; and costs of recordkeeping, auditing, and other required administrative procedures. [Sec. 204(a)(2), EFAA]

*House bill*

Same as current law except also applies to non-TEFAP agencies.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

19. STATE COVERAGE OF LOCAL COSTS

*Present law*

Requires that amounts of funding that States use to cover the allowable expenses of eligible recipient agencies be counted toward the amount a State must make available from administrative funding provided under this Act for eligible recipient agencies. [Sec. 204(a)(2), EFAA]

*House bill*

Same as present law except that it references the CSFP, which is excluded from this rule.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

20. FINANCIAL REPORTS

*Present law*

Requires States receiving funds to submit financial reports on a regular basis to the Secretary on the use of such funds and prohibits any such funds from being used by States for costs other than those used to the distribution of commodities by eligible recipient agencies. [Sec. 204(a)(3), EFAA]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

21. NON-FEDERAL MATCHING FUNDS

*Present law*

Requires that each State receiving administrative funds under this subsection provide cash or in-kind contributions from non-Federal sources in an amount equal to the amount of Federal administrative funds it receives that are not distributed to eligible recipient agencies or used to cover the expenses of such agencies. Permits States to receive administrative funding prior to satisfying the matching requirement, based on their estimated contribution, and requires the Secretary to periodically reconcile estimated and actual contributions to correct for overpayments and underpayments. [Sec. 204(a)(4), EFAA]

*House bill*

Same as present law, except excludes administrative funds distributed for the CSFP from the non-Federal matching requirements and rules.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

22. FEDERAL CHARGES

*Present law*

Prohibits any charge against the appropriations authorized by this section for the value of commodities donated for the purposes of this Act, or for the funds used by the CCC for the costs of initial processing, packaging, and delivery of program commodities to the States. [Sec. 204(b), EFAA]

*House bill*

Similar to present law except it applies the prohibition to bonus donations of Section 32 and CCC commodities, as well as those bought for the program.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

23. STATE CHARGES

*Present law*

Prohibits States from charging for commodities made available to eligible recipient agencies and from passing along the cost of matching requirements. [Sec. 204(a)(5), EFAA]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

See Item #1 above.

24. MANDATORY FUNDING FOR NUTRITION PROGRAM COMMODITIES

*Present law*

For each of fiscal years 1994–1996, requires $230,000 of Treasury funds not otherwise appropriated to be provided to the Secretary to purchase, process and distribute commodities that are low in saturated fats, sodium, and sugar, and a good source of calcium, protein, and other nutrients to 2 States, selected by the Secretary, to carry out a three year project to improve the health of low-income participants of TEFAP. Requires that commodities be easy for low-income families to store, use, and handle, and include low-sodium peanut butter, low-fat and low sodium cheese and canned meats, fruits, and vegetables. Also requires that $5000 of the amount provided be given to each of the participating States to help with administrative costs. [Sec. 13962 of OBRA, 1993]

*House bill*

No provision.

*Senate amendment*

Extends this requirement through FY2002.

*Conference agreement*

The Conference agreement follows the House bill.

25. COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)—AUTHORIZATION

*Present law*

For each of fiscal years 1991–1995, authorizes the Secretary to purchase and distribute sufficient agricultural commodities with appropriated funds to maintain the traditional level of assistance for food programs including the supplemental food programs for women, infants, children, and the elderly. [Sec. 4(a), Agriculture and Consumer Protection Act of 1973]

*House bill*

Requires that $94.5 million of the amount appropriated for programs under this subtitle for the period FY 1996–2000 be used each fiscal year to purchase and distribute commodities to supplemental feeding programs for women, infants, and children, or elderly individuals participating in the commodity supplemental food program.

*Senate amendment*

Extends present law authority through FY2002.

*Conference agreement*

The Conference agreement follows the Senate amendment.

26. CSFP ADMINISTRATIVE FUNDING

*Present law*

Requires the Secretary to provide administrative funds to State and local agencies administering the CSFP for each of fiscal years 1991–1995. Authorizes appropriations in an amount equal to not more than 20% of the value of commodities purchased for the program. [Sec. 5(a) Agriculture and Consumer Protection Act of 1973]

Defines administrative costs to include expenses for information and referral, operation, monitoring, nutrition education, start-up costs, and general administration (including staff, warehouse, and transportation personnel, insurance and administration of the State or local office. [Sec. 5(c), Agriculture and Consumer Protection Act of 1973]

*House bill*

Requires that not more than 20% of the funds made available for commodity purchase and distribution for the CSFP be made available to States for the State and local payments of costs associated with the distribution of commodities by CSFP agencies.

*Senate amendment*

Extends present law authority through FY2002.

*Conference agreement*

The Conference agreement follows the Senate amendment.

27. CSFP—COMMODITY PURCHASES AND ADVANCE WARNING

*Present law*

Permits the Secretary to determine the types, varieties, and amounts of commodities purchased for the CSFP, but requires the Secretary to report to the House and Senate Agriculture Committees plans for significant changes from commodities available or planned at the beginning of the fiscal year before implementing such changes.

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

28. CHEESE AND NONFAT DRY MILK

*Present law*

In each of fiscal years 1991–1995, the CCC is required to provide at least 9 million pounds of cheese and 4 million pounds of nonfat dry milk (to the extent inventory levels permit), for the Secretary to use, before the end of each fiscal year, to carry out the CSFP. [Sec. 5(d)(2), Agriculture and Consumer Protection Act of 1973]

*House bill*

Implements this present law provision for fiscal years 1996–2000, otherwise it is exactly the same as present law.

*Senate amendment*

Extends present law provision through FY2002.

*Conference agreement*

The Conference agreement follows the Senate amendment.

29. ADDITIONAL CSFP SITES

*Present law*

Requires the Secretary to approve additional sites each fiscal year, including sites serving the elderly, in areas where the program does not operate to the full extent that applications can be approved within the funding available, and without reducing participation levels (including the elderly) in areas where the program is in effect. [Sec. 5(f), Agriculture and Consumer Protection Act of 1973]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

30. ADDITIONAL RECIPIENTS

*Present law*

Permits a local agency to serve low-income elderly persons, with the approval of the Secretary, if it determines that the amount of assistance it receives is more than is needed to provide assistance to women, infants and children. [Sec. 5(g), Agriculture and Consumer Protection Act of 1973]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

31. COMMODITY PRICE INCREASES

*Present law*

Requires the Secretary to determine the decline in the number of persons able to be served by the CSFP if the price of one or more commodities purchased for the program is significantly higher than expected; to promptly notify State agencies operating programs of the decline; and ensure that State agencies notify local agencies of the decline. [Sec. 5(j)(1) and (2), Agriculture and Consumer Protection Act of 1973]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

32. AFFECT OF CSFP COMMODITIES ON OTHER RECIPIENT AGENCIES

*Present law*

No provision.

*House bill*

Stipulates that commodities distributed to CSFP agencies under this section not be considered when determining commodity allocations to States for other eligible recipient agencies receiving commodities under this Act, or in following the priority for distribution of commodities to such agencies.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

33. COMMODITIES NOT INCOME

*Present law*

Specifies that commodities distributed under this Act not be considered income or resources for any purposes under Federal, State, or local law. [Sec. 206, EFAA]

*House bill*

Similar to present law, but narrower. Specifies that receipt of commodities cannot be considered in ''determining eligibility for any Federal, State, or local ''means-tested program,'' instead of the broader ''any purposes'' outlined in present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

34. PROHIBITION ON STATE CHARGES

*Present law*

Prohibits States from charging eligible recipient agencies any amount that exceeds the difference between the State's direct costs of storing and transporting commodities to recipient agencies and the amount of funds provided for this purpose by the Secretary. [Sec. 208, EFAA]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

35. DEFINITIONS

A. Average Monthly Number of Unemployed Persons

*Present law*

The average monthly number of unemployed persons within a State in the most recent fiscal year for which information is available, as determined by the Bureau of Labor Statistics of the Department of Labor. [Sec. 2143(b), EFAA]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the House bill with an amendment providing that all definitions included in the TEFAP and soup kitchen/food bank program will be included in the revised TEFAP.

B. Elderly Persons

*Present law*

No provision.

*House bill*

Defines ''elderly persons'' to mean persons 60 years or older.

*Senate amendment*

No provision.

*Conference agreement*

See Item 35A above.

C. Eligible Recipient Agencies; Emergency Feeding Organizations

*Present law*

Combines definition of ''eligible recipient agencies'' and ''emergency feeding organizations, as follows: ''Eligible recipient agency'' means public or non-profit organizations that administer activities or projects providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons (including those in charitable institutions, food banks, hunger centers, soup kitchens, and similar non-profit recipient agencies (hereinafter referred to as ''emergency feeding organizations''); and school lunch, summer camps, and child nutrition meal service, elderly feeding programs, CSFP, charitable institutions for the needy, and disaster relief. [Sec. 201A, EFAA]

*House bill*

Similar to present law, but separates into two separate definitions, as follows: Defines ''eligible recipient agency'' to mean a public or non-profit organization that administers:

An institution operating a CSFP;

An emergency feeding organization (EFO);

A charitable institution (including a hospital and a retirement home, but excluding a penal institution) serving need persons;

A summer camp for children or a child nutrition food service program;

An elderly feeding program; or

A disaster relief program.

Defines ''emergency feeding organization'' to mean public or private organizations that administer activities and projects (including charitable institutions, food banks and pantries, hunger relief centers, soup kitchens, or similar non-profit eligible agencies) providing nutrition assistance to relieve situations of emergency and distress by providing food to needy persons, including low-income and unemployed persons.

*Senate amendment*

No provision.

*Conference agreement*

See Item 35A above.

D. Food Bank

*Present law*

The term ''food bank'' means a public and charitable institution that maintains an established operation providing food to food pantries, soup kitchens, hunger relief centers, or other feeding centers that provide meals or food to feed needy persons on a regular basis as an integral part of their normal activity. [Sec. 110, Hunger Prevention Act of 1988]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

See Item 35A above.

E. Food Pantry

*Present law*

Defines ''food pantry'' to mean a public or private nonprofit organization distributing food (including other than USDA food) to low-income and unemployed households to relieve situations of emergency and distress. [Sec. 110, Hunger Prevention Act of 1988]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

See Item 35A above.

F. Needy Persons

*Present law*

No provision.

*House bill*

Defines ''needy persons'' to mean individuals who have low incomes or are unemployed as determined by the State, as long as this is not higher than 185% of the poverty line; households certified as food stamp participants or individuals participating in other Federally-supported means-tested programs.

*Senate amendment*

No provision.

*Conference agreement*

See Item 35A above.

G. Poverty Line

*Present law*

The term ''poverty line'' is the same as the term used in Section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)). [Sec. 110, Hunger Prevention Act]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

See Item 35A above.

H. Soup Kitchen

*Present law*

The term ''soup kitchen'' means a public and charitable institution that, as an integral part of its normal activities, maintains an established feeding operation for needy homeless persons on a regular basis. [Sec. 110, Hunger Prevention Act]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

See Item 35A above.

36. REGULATIONS

*Present law*

Requires the Secretary to issue regulations within 30 days to implement this subtitle; to minimize to the extent practicable the regulatory, recordkeeping and paperwork requirements imposed on eligible recipient agencies, to publish in the Federal Register as early as feasible, but not later than the beginning of each fiscal year, an estimate of the types and quantitites of commodities anticipated to be available; and to include in regulations provisions that set standards relating to liability for commodity losses when there is no evidence of negligence or fraud, and establish conditions for payment to cover such losses, taking into account the special needs and circumstances of the recipient agencies. [Sec. 210, EFAA]

*House bill*

Similar to present law except provides 120 days for Secretary to issue regulations and includes reference to ''non-binding'' nature of Secretary's estimates of donations.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

37. FINALITY OF DETERMINATIONS

*Present law*

Specifies that determinations made by the Secretary concerning the types and quantities of commodities donated under this subtitle, when in conformance with applicable regulations, be final and conclusive and not reviewable by any other officer or agency of the Government. [Sec. 211, EFAA]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

38. PROHIBITION ON SALE OF COMMODITIES

*Present law*

Prohibits the sale or disposal of commodities in commercial channels in any form, except as permitted under Section 517 for in-kind payment of initial processing costs by the CCC. [Sec. 205(b), EFAA]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

39. SETTLEMENT OF CLAIMS

*Present law*

Gives the Secretary or designee authority to determine the amount of, settle and adjust any claim arising under this subtitle, and waive any claim when the Secretary determines it will serve the purposes of this Act. Specifies that nothing in this Act diminishes the authority of the Attorney General to conduct litigation on behalf of the United States. [Sec. 215, EFAA]

*House bill*

Same as present law.

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment.

40. REPEALERS AND AMENDMENTS

*Present law*

No provision.

*House bill*

Repeals the Emergency Food Assistance Act of 1983.

In the Hunger Prevention Act of 1988, strikes Section 110 (soup kitchens and food banks); Subtitle C of Title II (Food processing and distribution); and Section 502 (food bank demonstration project).

Stikes Section 4 of the Commodity Distribution Reform Act of 1987 (Food bank demonstration).

Strikes Section 3 of the Charitable Assistance and Food Bank Act of 1987.

Amends the Food Security Act of 1985 by striking Section 1571, and striking Section 4 of the Agriculture and Consumer Protection Act (CSFP) and inserting Section 110 of the Commodity Distribution Act of 1995.

In the Agriculture and Consumer Protection Act of 1973: In Section 4(a) strikes ''institutions (including hospitals and facilities caring for needy infants and children) supplemental feeding programs serving women, infants, and children, and elderly, or both, wherever located, disaster areas, summer camps for children'' and inserting ''disaster areas;'' In subsection 4(c) strikes ''the Emergency Food Assistance Act of 1983'' and inserts ''The Commodity Distribution Act of 1995''; and strikes Section 5.

In the Food Agriculture, Conservation, and Trade Act of 1990, strikes Section 1773(f).

*Senate amendment*

No provision.

*Conference agreement*

The Conference agreement follows the Senate amendment with an amendment repealing section 110 (soup kitchens and food banks), subtitle C of title III (food processing and distribution), and section 502 (food bank demonstration project) of the Hunger Prevention Act of 1988, and section 3 (food bank demonstration) of the Charitable Institution and Food Bank Act of 1987.

TITLE XI. MISCELLANEOUS

1. EXPENDITURE OF FEDERAL FUNDS IN ACCORDANCE WITH LAWS AND PROCEDURES APPLICABLE TO EXPENDITURE OF STATES FUNDS (SUBTITLE A—SECTION 1101)

*Present law*

According to the National Conference of State Legislatures, there currently are six States in which Federal funds go to the Governor rather than the State legislature. Those States are Arizona, Colorado, Connecticut, Delaware, New Mexico, and Oklahoma.

*House bill*

No provision.

*Senate amendment*

Stipulates that funds from certain Federal block grants to the States are to be expended in accordance with the laws and procedures applicable to the expenditure of the State's own resources, (i.e., appropriated through the State legislature in all States). This provision applies to the following block grants: temporary assistance to needy families block grant under title I, the optional State food assistance block grant under title III, and the child care block grant under title VI of the Senate amendment. Thus, in the States in which the Governor previously had control over Federal funds, the State legislatures now would share control according to State laws regarding State expenditures.

*Conference agreement*

The conference agreement follows the Senate amendment.

2. ELIMINATION OF HOUSING ASSISTANCE WITH RESPECT TO FUGITIVE FELONS AND PROBATION AND PAROLE VIOLATORS (SUBTITLE A—SECTION 1102)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Ends eligibility for public housing and Section 8 housing assistance of a person who is fleeing to avoid prosecution after conviction for a crime, or attempt to commit a crime, that is a felony where committed (or, in the case of New Jersey, is a high misdemeanor), or who is violating a condition of probation or parole. The amendment states that the person's flight shall be cause for immediate termination of their housing aid.

Requires specified public housing agencies to furnish any Federal, State, or local law enforcement officer, upon the request of the officer, with the current address, social security number, and photograph (if applicable) of any SSI recipient, if the officer furnishes the public housing agency with the person's name and notifies the agency that the recipient is a fugitive felon (or in the case of New Jersey a person fleeing because of a high misdemeanor) or a probation or parole violator or that the person has information that is necessary for the officer to conduct his official duties, and the location or apprehension of the recipient is within the officer's official duties.

*Conference agreement*

The conference agreement follows the Senate amendment.

3. SENSE OF THE SENATE REGARDING ENTERPRISE ZONES (SUBTITLE A—SECTION 1103)

*Present law*

No specific provision. However, as stated, the provisions outlined in the Sense of the Senate language already can be done under present law.

*House bill*

No provision.

*Senate amendment*

Outlines findings related to urban centers and empowerment zones and includes sense of the Senate language that urges the 104th Congress to pass an enterprise zone bill that provides Federal tax incentives to increase the formation and expansion of small businesses and to promote commercial revitalization; allows localities to request waivers to accomplish the objectives of the enterprise zones; encourages resident management of public housing and home ownership of public housing; and authorizes pilot projects in designated enterprise zones to expand the educational opportunities for elementary and secondary school children.

*Conference agreement*

The conference agreement follows the senate amendment.

4. SENSE OF THE SENATE REGARDING THE INABILITY OF THE NON-CUSTODIAL PARENT TO PAY CHILD SUPPORT (SUBTITLE A—SECTION 1104)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

It is the sense of the Senate that States should pursue child support payments under all circumstances even if the noncustodial parent is unemployed or his or her whereabouts are unknown; and that States are encouraged to pursue pilot programs in which the parent of a minor non-custodial parent who refuses or is unable to pay child support contribute to the child support owed.

*Conference agreement*

The conference agreement follows the Senate amendment.

5. FOOD STAMP ELIGIBILITY (SUBTITLE A—SECTION 1105)

*Present law*

For purposes of determining eligibility and benefits under the Food Stamp program, the income—less a pro rata share—and financial resources of an ineligible alien are included in the income and resources of the household of which the alien is a member. [Sec. 6(f) of the Food Stamp Act]

*House bill*

No provision.

*Senate amendment*

Permits States to include all of an ineligible alien's income and resource in the income and resources of the household of which the alien is a member. (Note: This provision applies only to those aliens made ineligible under present food stamp law, not to those who might be made ineligible for food stamps under new provisions in Senate amendment.)

*Conference agreement*

The conference agreement follows the Senate amendment.

6. SENSE OF THE SENATE ON LEGISLATIVE ACCOUNTABILITY FOR UNFUNDED MANDATES IN WELFARE REFORM LEGISLATION

*Present law*

P.L. 104–4, the Unfunded Mandates Reform Act of 1995, enacted March 22, 1995, responds to the concern of many State and local officials regarding costs placed upon them by ''unfunded mandates.'' The Act addresses this issue by requiring the Congressional Budget Office (CBO) to estimate the costs to State, local, and tribal governments and the private sector of unfunded intergovernmental mandates that exceed a specified amount and to make the information available to the Congress before a final vote on a given piece of legislation is taken.

*House bill*

No provision.

*Senate amendment*

Includes the ''purposes'' section of P.L. 104–4 as findings and states that it is the Sense of the Senate that before the Senate acts on the conference agreement on H.R. 4 (or any other welfare reform legislation), CBO include in its 7-year estimates the costs to States of meeting all work requirements (and other requirements) in the conference agreement, including those for single-parent families, two-parent families, and those who have received cash assistance for 2 years; the resources available to the State to meet these work requirements and what States are projected to spend under current welfare law; and the amount of additional revenue needed by the States to meet the work requirements. In addition, the Senate would like CBO to estimate how many States would pay a penalty rather than raise the additional revenue needed to comply with the specified work requirements.

*Conference agreement*

The conference agreement follows the House bill (no provision).

7. SENSE OF THE SENATE REGARDING COMPETITIVE BIDDING FOR INFANT FORMULA

*Present law*

Under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), States must carry out cost containment measures in procuring infant formula (and, where practicable, other foods). Cost containment must be by competitive bidding or another method that yields equal or greater savings. Any cost savings may be used by the State for WIC program purposes. [Sec. 17(b) and (h) of the Child Nutrition Act]

*House bill*

With respect to assistance provided to women, infants, and young children under the Family Nutrition Block Grant, States are required to establish and carry out a cost containment system for procuring infant formula. States must use cost containment savings for any of the activities supported under the Family Nutrition Block Grant and must report on their system and the estimated cost savings compared to the previous year.

*Senate amendment*

Includes findings on the success of the WIC program in: improving the health status of women, infants, and children, saving Medicaid expenditures, and establishing the importance of infant formula manufacture rebates in helping to fund the WIC program. The amendment states that it is the sense of the Senate that any legislation enacted by Congress must not eliminate or in any way weaken present competitive bidding requirements for the purchase of infant formula supported with Federal funds.

*Cjonference agreement*

The conference agreement is to drop the provision on competitive bidding for infant formula.

8. ESTABLISHING NATIONAL GOALS TO PREVENT TEENAGE PREGNANCIES (SUBTITLE A—SECTION 1106)

A. Goals

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Requires the Secretary of HHS to establish and implement by January 1, 1997, a strategy for:

(1) preventing an additional 2 percent of out-of-wedlock teenage pregnancies a year; and

(2) assuring that at least 25 percent of U.S. communities have teenage pregnancy programs in place.

HHS is required to report to Congress by June 30, 1998, on progress made toward meeting these 2 goals.

*Conference agreement*

The conference agreement follows the Senate amendment, but eliminates the reference to ''an additional 2 percent'' in (1).

B. Prevention Programs

*Present law*

The Social Services block grant (SSBG) (sec. 2002 of SSA, 42 USC 1397a) entitles States to an allotment for services not limited to, but including: child day care; protective services for children and adults; services for children and adults in foster care; home management services; adult day care; transportation; family planning services; training and related services; employment services; information, referral and counseling; meal preparation and delivery; health support services; and, combinations of services to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, alcoholics, and drug addicts. Also, Title XX of the Public Health Service Act establishes the Adolescent Family Life (AFL) program to encourage adolescents to delay sexual activity and to provide services to alleviate the problems surrounding adolescent parenthood. One-third of all funding for AFL program services go to projects that provide ''prevention services.'' The purpose of the prevention component is to find effective means within the context of the family of reaching adolescents, both male and female, before they become sexually active to maximize the guidance and support of parents and other family members in promoting abstinence from adolescent premarital sexual relations. (The FY 1995 appropriation for AFL was $6.7 million.)

*House bill*

No provision.

*Senate amendment*

Amends the Social Services block grant (SSBG) (sec. 2002 of the Social Security Act) to require the Secretary to conduct a study of the relative effectiveness of different State programs to prevent out-of-wedlock and teenage pregnancies and to require States conducting programs under this provision to provide data required by the Secretary to evaluate these programs.

*Conference agreement*

The conference agreement follows the House bill (no provision).

9. SENSE OF THE SENATE REGARDING ENFORCEMENT OF STATUTORY RAPE LAWS (SUBTITLE A—SECTION 1107)

*Present law*

No provision.

*House bill*

No provision.

*Senate amendment*

Includes Sense of the Senate that States and local jurisdictions should aggressively enforce statutory rape laws.

*Conference agreement*

The conference agreement follows the Senate amendment.

10. SANCTIONING FOR TESTING POSITIVE FOR CONTROLLED SUBSTANCES (SUBTITLE A—SECTION 1108)

*Present law*

Eligibility and benefit status for most of the Federal welfare programs are not affected by a recipient's use of illegal drugs. Even under the SSI program, as long as a recipient who is classified as a drug addict or alcoholic participates in an approved treatment plan when so directed and allows his or her treatment to be monitored, he or she is in compliance with the SSI rules, and in most cases the SSI benefit would continue without interruption.

*House bill*

No provision.

*Senate amendment*

Stipulates that States shall not be prohibited by the Federal Government from sanctioning welfare recipients who test positive for use of controlled substances.

*Conference agreement*

The conference agreement follows the Senate amendment.

11. ABSTINENCE EDUCATION (SUBTITLE A—SECTION 1109)

*Present law*

The Maternal and Child Health (MCH) block grants (title V of the SSA, 42 U.S.C. 701) provides grants to States and insular areas to fund a broad range of preventive health and primary care activities to improve the health status of mothers and children, with a special emphasis on those with low income or with limited availability of health services. Sec. 502 includes a set-aside program for projects of national or regional significance. (The FY 1995 appropriation for MCH was $684 million.) See also: Title XX of the Public Health Service Act establishes the Adolescent Family Life (AFL) program to encourage adolescents to delay sexual activity and to provide services to alleviate the problems surrounding adolescent parenthood. One-third of all funding for AFL program services goes to projects that provide ''prevention services.'' The purpose of the prevention component is to find effective means within the context of the family of reaching adolescents, both male and female, before they become sexually active to maximize the guidance and support of parents and other family members in promoting abstinence from adolescent premarital sexual relations. (The FY 1995 appropriation for AFL was $6.7 million.)

*House bill*

No provision.

*Senate amendment*

Amends the Maternal and Child Health (MCH) block grants (title V of the SSA) to set aside $75 million to provide abstinence education—defined as an educational or motivational program that has abstaining from sexual activity as its exclusive purpose—and to provide at the option of the State mentoring, counseling and adult supervision to promote abstinence with a focus on those groups most likely to bear children out-of-wedlock. Also increases the authorization level of MCH to $761 million.

*Conference agreement*

The conference agreement follows the Senate amendment.

12. PROVISIONS TO ENCOURAGE ELECTRONIC BENEFIT TRANSFER SYSTEMS (SUBTITLE A—SECTION 1110)

*Present law*

In 1978, Congress passed the Electronic Fund Transfer Act to provide a basic framework establishing the rights, liabilities, and responsibilities of participants in electronic fund transfer systems and required the Federal Reserve Board to develop implementing regulations, which generally are referred to as Regulation E.

*House bill*

The House bill exempts from Regulation E requirements any electronic benefit transfer program (distributing needs-tested benefits) established under State or local law or administered by a State or local government.

*Senate amendment*

See Sec. 320 in Senate amendment, which exempts from Regulation E any food stamp electronic benefit transfers.

*Conference agreement*

The conference agreement follows the House bill.

13. SOCIAL SERVICES BLOCK GRANT (SUBTITLE A—SECTION 1111)

*Present law*

The Social Services Block Grant (Title XX) provides funds to States in order to provide a wide variety of social services, including:

(1) Child care;

(2) Family planning;

(3) Protective services for children and adults;

(4) Services for children and adults on foster care; and

(5) Employment services.

States have wide discretion over how they use Social Services Block Grant funds. States set their own eligibility requirements and are allowed to transfer up to 10 percent of their allotment to certain Federal health block grants, and for low-income home energy assistance (LIHEAP).

States can also use their block grant funds for staff training in the field of social services. This includes training at workshops, conferences, seminars, and educational institutions.

Funding for the Social Services Block Grant is capped at $2.8 billion a year. Funds are allocated among States according to the State's share of its total population. No State matching funds are required to receive Social services Block Grant money.

*House bill*

No provision.

*Senate amendment*

Beginning in FY 1997, the Social Services Block Grant will be reduced by 20 percent.

*Conference agreement*

The House recedes to the Senate amendment, with the modification that the Social Services Block Grant will be reduced by only 10 percent.

BILL ARCHER,
BILL GOODLING,
PAT ROBERTS,
E. CLAY SHAW, Jr.,
JAMES TALENT,
JIM NUSSLE,
TIM HUTCHINSON,
JIM MCCRERY,
LAMAR SMITH,
NANCY L. JOHNSON,
DAVE CAMP,
GARY A. FRANKS,

As an additional conferee:

BILL EMERSON,

As an additional conferee:

RANDY ''DUKE'' CUNNINGHAM,

*Managers on the Part of the House.*

WILLIAM V. ROTH, Jr.,
BOB DOLE,
JOHN H. CHAFEE,
CHARLES GRASSLEY,
ORRIN HATCH,

From the Committee on Labor and Human Resources:

NANCY LANDON KASSEBAUM,
JIM JEFFORDS,
DAN COATS,
JUDD GREGG,

From the Committee on Agriculture, Nutrition, and Forestry:

JESSE HELMS,

*Managers on the Part of the Senate.*

## PROCEEDINGS OF DECEMBER 21, 1995

The House met at 10 a.m. and was called to order by the Speaker pro tempore [Mr. CHAMBLISS].

## DESIGNATION OF THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
*December 21, 1995.*

I hereby designate the Honorable SAXBY CHAMBLISS to act as Speaker pro tempore on this day.

NEWT GINGRICH,
*Speaker of the House of Representatives.*

## PRAYER

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

Our prayers reach out this day for all those whose lives know the anguish of separation from those they love or who experience the emptiness that comes when the meaning and purpose of life is dimmed. O gracious God, as You have given us Your word of assurance and comfort that we ever belong to You and Your grace is sufficient for every need, so minister to all Your people with Your words of promise and peace and hope. This is our earnest prayer. Amen.

## THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

## PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. The gentleman from New York [Mr. FRISA] will lead the House in the Pledge of Allegiance.

Mr. FRISA led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

## MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate had passed without amendment bills and joint resolutions of the House of the following titles:

H.R. 965. An act to designate the Federal building located at 600 Martin Luther King, Jr. Place in Louisville, Kentucky, as the ''Romano L. Mazzoli Federal Building'';

H.R. 1253. An act to rename the San Francisco Bay National Wildlife Refuge as the Don Edwards San Francisco Bay National Wildlife Refuge;

H.R. 2481. An act to designate the Federal Triangle Project under construction at 14th Street and Pennsylvania Avenue, Northwest, in the District of Columbia, as the ''Ronald Reagan Building and International Trade Center'';

H.R. 2527. An act to amend the Federal Election Campaign Act of 1971 to improve the electoral process by permitting electronic filing and preservation of Federal Election Commission reports and for other purposes;

H.R. 2547. An act to designate the United States courthouse located at 800 Market Street in Knoxville, Tennessee, as the ''Howard H. Baker, Jr. United States Courthouse'';

H.J. Res. 69. Joint Resolution providing for the reappointment of Homer Alfred Neal as a citizen regent of the Board of Regents of the Smithsonian Institution;

H.J. Res. 110. Joint Resolution providing for the appointment of Howard H. Baker, Jr. as a citizen regent of the Board of Regents of the Smithsonian Institution;

H.J. Res. 111. Joint Resolution providing for the appointment of Anne D'Harnoncourt as a citizen regent of the Board of Regents of the Smithsonian Institution; and

H.J. Res. 112. Joint Resolution providing for the appointment of Louis Gerstner as a citizen regent of the Board of Regents of the Smithsonian Institution.

The message also announced that the Senate had passed bills and a concurrent resolution of the following titles, in which the concurrence of the House is requested:

S. 1228. An act to deter investment in the development of Iran's petroleum resources;

S. 1340. An act to establish a Commission on Concentration in the Livestock Industry, and for other purposes;

S. 1429. An act to provide clarification in the reimbursement to States for federally funded employees carrying out Federal programs during the lapse in appropriations between November 14, 1995, through November 19, 1995; and

S. Con. Res. 34. Concurrent Resolution to authorize the printing of ''Vice Presidents of the United States, 1789–1993''.

## ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will now entertain fifteen 1-minutes per side.

## SAVING THE AMERICAN DREAM

Mr. BOEHNER. Mr. Speaker, the headline in the Washington Post this morning is wrong. It says, ''House Republicans Derail Budget Talks.'' We should make it perfectly clear that the person who derailed the budget talks was Vice President AL GORE when he came out to the microphones at the White House the other night after the Speaker and the majority leader in the Senate met with the President, and he poisoned the well by mischaracterizing the agreements that were made at the White House.

We are intent on balancing the budget, and we are intent on doing it now. We can give our children and our grandchildren the greatest Christmas present that anyone could ever leave to the next generation, and that is a balanced budget which means saving the American dream for our children and theirs.

We are going to do it, and we are going to do it now.

## LET US FIND CHRISTMAS

(Mrs. CLAYTON asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. CLAYTON. Mr. Speaker, it is easy to be hard. It is hard to be both caring and responsible.

Some of our colleagues on the other side of the aisle, not all, but some of our colleagues on the other side of the aisle are determined to demonstrate to all America how hard they can be, my way or no way. Scrooge was hard.

The Christmas season, however, challenges us to care, to consider others, to reach out to our human beings, to embrace them. To share, to be caring can be hard.

The fatal plane crash over the mountains of Colombia and the near fatal plane crash on the runway of New York reminds us how all of our lives are uncontrollable, how the perils of our lives, we do not control that. We have many natural problems. We need not create more.

The stalled budget problem is one we created. We created that. This Congress and the President can bridge that gap between Medicare and Medicaid and the CBO numbers. Those are problems we created. They are easy.

I say to my Republican freshmen and others, be determined not to be hard.

Guess what, even Scrooge found Christmas. Please find Christmas.

## MY MOM AND DAD: WHAT AMERICA IS ALL ABOUT

(Mr. CHABOT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CHABOT. Mr. Speaker, at a time when the President and this Congress are engaged in an historic battle over finally balancing this Nation's budget, I would like to take a moment to acknowledge the importance of this date, December 21, 1995, to me.

You see, 50 years ago today, December 21, 1945, a young soldier from Massachusetts who had just returned from the war in Europe and a young woman from North Carolina were married. Over that 50 years they raised four children. They now have 9 grandchildren and a 10th on the way. They are both now in their seventies. They are both on Social Security and Medicare, and they both realize, by the way, that we are not cutting Medicare or Social Security, despite what some in this House might allege.

They never had a lot of money, material goods, or that kind of wealth. But they did have something and they still have something that is more important. They have love. They are my mom and dad, and they are an example of what America is all about.

## THE BUDGET DEBATE: DO NOT FORGET THE SENIOR CITIZENS

(Mr. REED asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. REED. Mr. Speaker, we continue to resist a Republican budget with deep cuts in Medicare and Medicaid, a Republican budget which has already been repudiated by a broad cross-section of the American public.

And, as we continue to debate the Federal budget, I would like to remind my Republican colleagues that they should not lose sight of the budgets of thousands of senior citizens in their districts.

Today the elderly pay more out-of-pocket than ever before for Medicare coverage and supplemental insurance. In Rhode Island, they pay this with an average income of approximately $16,000.

Yesterday the New York Times reported that MediGap premiums for over 3 million seniors will increase an average of 30 percent next year. MediGap is the supplemental insurance which is necessary to cover nonhospital medical expenses. In Rhode Island, the average premium increase will be 35 percent.

These higher premiums would come on top of the proposed increases to beneficiaries in the Republicans budget.

The Republican budget will raise annual Medicare premiums by $264 for an elderly couple in 1996 and nearly double premiums by 2002.

And on top of these significant increases, the Republicans also propose to eliminate the Medicaid entitlement which serves as a critical safety net for thousands of seniors in Rhode Island.

I urge we repudiate these massive cuts in Medicare and Medicaid.

## ANOTHER STRATEGY FROM THE WHITE HOUSE

(Mr. FORBES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FORBES. Mr. Speaker, anybody who had the opportunity to watch the President's remarks yesterday, they would have seen the unveiling of yet another strategy at the White House. After backing away from the promise the President made 30 days ago to the American people to offer a balanced budget using real numbers, the President's latest strategy now has him labeling House Republican freshmen as being extremists and radical. Imagine that. The President of the United States, the leader of the free world, is now held hostage by the Republican freshman class.

Now, I have heard a lot of tall stories in my life, Mr. Speaker, but this one takes the cake. This latest attempt to tar and feather the Republicans as extremist boogeymen is just more proof Bill Clinton has no ideas and that he is becoming increasingly irrelevant.

You know, it was just about a year ago the liberal media said that Bill Clinton was irrelevant. Considering his opposition, his opposition to an honest 7-year balanced budget, I think we now have an answer.

## DO NOT WALK AWAY FROM OUR RESPONSIBILITY TO WORKING FAMILIES

(Ms. DELAURO asked and was given permission to address the House for 1

minute and to revise and extend her remarks.)

Ms. DELAURO. Mr. Speaker, I am holding a copy of an advertisement that ran in today's Washington Post paid for by a group of business leaders who are calling for a balanced budget. What they don't say is what they are willing to sacrifice to achieve that goal. Will they have the courage to say ''no'' to corporate welfare and tax breaks?

The sponsors of this ad are questionable spokesmen for tightening our belts. Let me tell you about one, Lawrence Bossidy, the CEO of AlliedSignal. Mr. Bossidy earned $12.3 million last year, while closing down a plant in my district, putting 1,400 people out of work.

Mr. Bossidy and the protectors of corporate subsidies could all learn a lesson from Aaron Feuerstein of Malden Mills. When his factory burnt to the ground earlier this month, Mr. Feuerstein did not walk away from his responsibility to his workers. This Congress should not walk away from our responsibility to America's working families by passing a Republican budget that protects corporate welfare, while cutting Medicare, Medicaid, and education for working families.

## REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 359

Mr. HEFLEY. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of H.R. 359.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Colorado?

There was no objection.

## WHOSE FAULT IS THE BUDGET STALEMATE?

(Mr. HEFLEY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HEFLEY. Mr. Speaker, well, you have seen the headlines in the New York Times and Washington Post. All I can say is consider the source. Two of the most liberal publications in America today naturally would want to blame the Republicans, someone like the Republican freshmen, for this.

What they did not do was watch the news conference of Vice President GORE the other night, two nights ago, when NEWT GINGRICH and BOB DOLE came back to this Capitol to brief us on what happened at the White House. There was a note of encouragement in their voices. It looked like we were on our way to getting something done.

At that very moment they were briefing us, AL GORE was in front of the cameras scuttling the whole deal, repudiating everything GINGRICH and DOLE thought they had heard.

Mr. Speaker, if anyone deserves the blame for the budget talks going south, it is Bill Clinton and his liberal Vice President, AL GORE. They refused to deal in good faith. They refused to honor their commitment that they made last month, and now they want to blame freshman Republicans. Absolutely silly.

Does this not strain credibility, Mr. Speaker? Bill Clinton and his liberal administration refused to honor their commitments, and they do not deal in good faith.

## PUNISH CRIMINALS, NOT THE TAXPAYERS

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute.)

Mr. TRAFICANT. Mr. Speaker, I want to talk about the budget deficits.

Serial killer Joel Rifkin admitted to killing 17 women. They found the bodies of those victims in nearby creeks, even in his pickup truck bed, folks.

Joel Rifkin was sentenced to 152 years in jail where he will get free food, free health care, free clothing, free heat, free electricity, television.

Beam me up, Mr. Speaker. It is time that America cuts this business out. The shallow graves of those 17 victims are crying out for justice. The only punishment here is the punishment to the American taxpayers.

Joel Rifkin should be put to death. Congress should say, ''Good night, sweet prince,'' and maybe we would balance around here.

Yield back the balance of all the money here.

## THE MOST POWERFUL MAN IN THE WORLD

(Mr. BALLENGER asked and was given permission to address the House for 1 minute.)

Mr. BALLENGER. Mr. Speaker, there is no longer any doubt in my mind that President Clinton is the most powerful man in the world. Did you see what happened yesterday? The President came out to give a speech to the press, going on and on about how distraught he was over those evil Republicans who are insisting we actually balance the budget.

While he was talking, in direct reaction to his speech, the stock market dropped 50 points, it dropped 50 points in 10 minutes, just like that, bam, a 50-point drop.

Do you know why? Because every investor in the country was scared to death the President was actually being honest for once and would continue to block a real balanced budget. You see, America, that is the problem. There is only one person standing between the American people and a balanced budget, and unfortunately it happens to be the one man who can make the stock market drop 50 points in 10 minutes. It happens to be Bill Clinton.

## THE GOVERNMENT SHUTDOWN

(Ms. VELÁZQUEZ asked and was given permission to address the House for 1 minute.)

Ms. VELÁZQUEZ. Mr. Speaker, today the Government is in the midst of its second shutdown. Not because Congress and the President cannot decide when and why to balance the budget. But because a radical minority does not care about the rest of America.

Speaker GINGRICH and company have chosen to inflict the maximum amount of pain on the American people, rather than offer solutions.

Last fall Republicans talked about a contract with the American people. I ask you, what about the contract with the elderly, the children, and the Americans in need?

These people will not be receiving the benefits checks that they were promised for food, shelter, and medicine—because this arrogant minority decided that it should be their way not the American way.

My colleagues, these contracts with the American people were in place well before any of us came to Congress. There is so much at stake for so many Americans. We cannot allow this extreme minority to keep stalling. Stop this irresponsible governing. Let us do our job and fund the Government.

☐ 1015

## DOING THE RIGHT THING

(Mr. THORNBERRY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. THORNBERRY. Mr. Speaker, all of my colleagues are anxious to get home for Christmas, and no one more so than this Member. But I recognize that the best Christmas present that we could give to all our children is to stop adding debt upon debt which they must repay.

I recognize that if we do not do it now, then it probably will not ever get done. And, while it may be more convenient to put it off yet again, as has been done so many times in the past, that would be wrong, and that would be going back to business as usual in Washington, DC, and that is what this Republican freshman ran to stop.

Mr. Speaker, we must act now to balance the budget for our kids. We must act now to save Medicare for our parents and grandparents. We must act now to reform welfare for all our sakes, and we must do so with or without the President. Whatever it takes, Mr. Speaker, we must do the right thing.

## MERRY CHRISTMAS, DEAR FRIENDS

Mr. WILLIAMS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WILLIAMS. Mr. Speaker, this first session of the 104th Congress has been characterized by anger and arrogance, meanness and hubris. The result of such negative emotions was perfectly predictable—year-end stalemate.

Perhaps in this Christmas week, with just 4 days remaining prior to that precious day, we should set aside the accusations, and try a little Christmas tolerance and generosity and kindness.

Merry Christmas, dear friends.

## LABOR GRINCH STEALS CHRISTMAS

(Mr. FUNDERBURK asked and was given permission to address the House for 1 minute.)

Mr. FUNDERBURK. Mr. Speaker, 3 weeks ago I stood outside a Harris-Teeter supermarket in Rocky Mount, NC, ringing the Christmas bell and collecting donations for the Salvation Army. Now, I come back to Washington, DC, to learn that many retail stores are no longer making room for kettle drives because of a recent ruling issued by the National Labor Relations Board. It seems that big labor unions—who are spending millions for TV ads against a balanced budget—feel discriminated against because the shopping centers that open their doors to the Salvation Army and other charitable organizations during the holiday season will not permit union picketing at their doorsteps. The NLRB, in its infinite wisdom, sided with the unions. Not surprisingly, many malls and shopping centers have told the Salvation Army that they would love to host kettle drives this year but they just cannot afford the enormous costs of being sued by labor unions.

Mr. Speaker, this is an outrage. This is yet another example of an out-of-touch, bloated Federal Government that doesn't care about the poor and needy who could receive a hand-up from the Salvation Army instead of a hand-out from the welfare state. Today, I am cosponsoring H.R. 2497 to stop this abuse of power by the Department of Labor. Let us stop labor unions from threatening businesses who invite bell ringers from the Salvation Army.

## NO WAY TO RUN A BUSINESS

(Mr. BARRETT of Wisconsin asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BARRETT of Wisconsin. Mr. Speaker, the Republicans claim they are going to run our Government like a business. Well, Mr. Speaker, I am still looking for one, just one business in this entire country, that would run itself like the Republicans are running this Government.

Think about it. They are so mad that they are not getting their own way that they are sending home 280,000 employees, with pay. That is right, they are sending them home with pay.

There is not a single business in this country that would do that if they were using their own money. Nobody in their right mind would do that using their own money. But they are using taxpayer money to do that. It is wrong. Those people should come back to work.

It reminds me of a kid in the neighborhood I grew up in. He was so mad he would pinch himself. He would say, ''I am going to keep pinching myself,'' and the rest of us would look at him in complete amazement, because he was only hurting himself.

The sad joke here is the Republicans are only hurting the taxpayers.

## BUDGET NEGOTIATIONS AFFECT CHILDREN

(Mr. KINGSTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KINGSTON. Mr. Speaker, my son John plays on a U–10 soccer team, the Budget Bombers. Now, judging from their names, you would think we were a bunch of Democrats, but actually they are a bunch of future taxpayers who will inherit Democrat deficits.

Their coach, Kurt Rodenberg, gave me this hat. I think it is appropriate for the season. It says ''Budget'' on it. I will call it the Kasich cap.

But there is another cap out here. This is the Clinton cap. Something for everybody. Fun, games, promises, and make-believe; SSI for prisoners; fear and demagoguery for senior citizens; rules, regulations, and red tap for bureaucrats; American jobs and benefits for illegal aliens. And, for the children, Clinton and Demo-Clauses would never forget the children, for the children have a $5 trillion debt. Higher interest rates, higher mortgages, less jobs. What a future for the young U–10 soccer team.

This is their compassion. This is their Christmas spirit. This is their love. Merry Christmas, Mr. President. But really and truly, fast forward them to ground-hog day.

## PUT AMERICAN FAMILIES FIRST

(Mr. GUTIERREZ asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GUTIERREZ. Mr. Speaker, compromise: It is a simple concept. A 7-year-old understands it. For a child, it might mean something like having an ice cream cone or a candy bar, but not both.

Well, maybe I should have a child explain this concept to some of the extremist Republicans in this house. Because even though they are all older than 7, they are acting a lot less mature than that. You see, they want it all. Tax giveaways to the wealthiest Americans. Cuts in student loans and Head Start. Gutting regulations that protect clean air and water. Making our seniors pay more for health care.

And they will not give up, no matter how much suffering they cause, until they impose their radical demands on every American family. It is too bad.

You see, if a 7-year-old insists on ice cream and a candy bar, it just means a little disagreement. But when the Republicans will not give up any of their anitfamily demands, every American, students, seniors, children—must pay.

Come on. It is time to grow up. Stop holding your breath and stomping your feet and join the fight for a decent budget that puts American family first.

## TIME TO WORK ON A BALANCED BUDGET

(Mr. FRISA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FRISA. Mr. Speaker, I am sure most Americans feel as I do that we have heard enough of the blah-blah and the yak, yak, yak. We have a job to do, Mr. Speaker.

When I ran for election to this great body, I promised I would be different. I would not be like the Democrats who controlled this House for 40 years, ran up America's charge cards, got ourselves into debt, so that so much of the budget now is just going to pay the interest on our national debt. And regardless of the President's crocodile tears and his empty words and his quivering bottom lip, we are not going to be intimidated, because the simple fact is, Mr. Speaker, we have done our job and put a balanced budget on the table. The President has nothing but empty words.

We are here to work. As soon as the President is prepared to really roll up his sleeves, get the political will and drop the posturing, then we will have a balanced budget.

## UPHOLD ETHICS COMMITTEE RECOMMENDATIONS

(Mr. POMEROY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. POMEROY. Mr. Speaker, these are difficult days for the House of Representatives. Portions of the Federal Government are shut down because the appropriations required have not even been enacted. Budget talks that could bring us to a balanced budget plan have not even really meaningfully begun; the parties are trapped in a meaningless standoff.

But something is afoot that is more serious, even more serious to this institution than either of these unfortunate developments. The House Committee on Ethics, in a unanimous bipartisan vote has recommended closing a loophole that allows Members of this institution to cash in through lucrative book deals. Efforts are now underway to prevent the Committee on Ethics recommendation from coming to the floor of this House for a vote. These efforts, apparently done with the blessing of the Speaker himself, pose a very serious threat to this Committee on Ethics.

If the committee on Ethics, operating in a bipartisan fashion, can no

longer speak and govern on issues relating to the integrity of this House, we will have forever damaged this institution.

I urge members to uphold the Committee on Ethics recommendation.

## BALANCE BUDGET FOR WORKING PEOPLE AND AMERICAN FAMILIES

(Mr. EWING asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. EWING. Mr. Speaker, this is the debt of the United States on December 19, almost $5 trillion. Now, I think there is one thing we agree with on both sides of the aisle, that the economy is very important; not only reducing the deficit and paying off the debt, but to American families.

Mr. Speaker, just a few facts that I think are very interesting: A recent study shows that the optimum level of government spending is 17.6 percent of the gross national product. Unfortunately, government spending is 4 percentage points higher than that. If we would reduce it, we could increase the amount of energy in our economy. For every dollar of Federal spend down to the optimum level, we could get $1.38 in growth.

This week, the Dow Jones dropped 50 points when the President scuttled the budget process. Let us get back to it. Let us balance the budget for our working people and for our families.

## RISK IN DELAYING AFDC CHECKS

(Mr. WATT of North Carolina asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WATT of North Carolina. Mr. Speaker, I have talked to some of my Republican colleagues in private about this matter, and I want to say it publicly to the balance of my colleagues. If we do not pass a continuing resolution today or tomorrow at latest, 4.7 million families who are on AFDC are in risk of not getting their AFDC checks come January 1 of next year.

There are consequences that go with that, and I want to remind my Republican colleagues that they are playing with fire, if they think people will sit by and idly wait on them to play budget games with their lives and their ability to eat.

They came forward with a continuing resolution for veterans yesterday, and I am calling on my colleagues today to come forward with a continuing resolution to address this serious problem.

## TIME TO GET SERIOUS ABOUT BALANCED BUDGET

(Mr. LEWIS of Kentucky asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LEWIS of Kentucky. Mr. Speaker, it is strange that day in and day out we keep hearing from the President and from his liberal friends that come to the well of the House and talk about how they want a balanced budget. But to hear them talk, $12 trillion over the next 7 years is not enough. They want a balanced budget, but they are not willing to balance it.

I think they want an unbalanced budget, just like they have had for the last 26 years. More spending, more spending. And let me say this: In the year 2012, what are they going to do when every tax dollar will be consumed by entitlement and interest on the debt, and there is no future for our children and grandchildren? What are they going to do then?

It is time we get serious about a $5 trillion debt. It is time that we get serious and not play these games. What are you willing to do to get a balanced budget?

## BUDGET GAMES

(Mr. GENE GREEN of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GENE GREEN of Texas. Mr. Speaker, this chart shows the headlines in the Wall Street Journal, the New York Times, and the Washington Post this morning. They cut straight to the chase. One reads ''GOP rebellion scuttles accord on the budget talks.'' Another reads ''House Republicans derail budget talks.'' The other one from the Wall Street Journal says ''The Republicans are revolting.'' They should read that Republicans keep government closed to give tax cuts for the few.

It appears as though there is a group that will not compromise and insists on holding not only government workers, but Social Security applicants hostage in keeping the Government shut down until they accept their harmful budget cuts and ill-advised budget-busting tax cuts for the few.

I am committed to balancing the budget, and I am also here to say I am committed to senior citizens, children, police officers, veterans, teachers, and students, and I will not sacrifice them to balance our budget.

We should remain committed to balancing the budget over 7 years, and doing so in a way that protects the priorities of Medicare, Medicaid, crime fighting, and education. Balancing the budget is not an agreement to do on Christmas eve. It is something you have to do all year.

## EXCUSES FOR NOT BALANCING BUDGET

(Mr. BAKER of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BAKER of California. Mr. Speaker, this Congress has not balanced the budget in 26 years, I would like to remind the gentleman, so let us just start out with the facts.

President Clinton vetoed the balanced budget passed by the House and Senate. Then 30 days ago, after his poll numbers dropped, he vowed to sign a balanced budget in 7 years using real numbers. He did nothing for 30 days.

Then the four leaders met and agreed to three things. First, we are going to balance the budget in 7 years using real numbers; second, it is nice that we can all agree; and third, we are going to do it by yearend.

Within 5 minutes, one of the four participants in the meeting, AL GORE, stepped outside and repudiated two of the three. ''No, we are not going to use real numbers and we are not going to do it by the end of the year.'' OK, AL, so much for the agreement.

Then the President yesterday found a new excuse why he could not go along with the balanced budget. Aliens had taken over the House and they would not let this nice guy NEWT GINGRICH sign a deal to reopen government. I could not believe it.

☐ 1030

The stock market did not believe it. While he was spinning that tale, it went down 50 points, but the liberal press bought it. Today's excuse: Aliens and unidentified flying objects will capture BOB DOLE and he will not be able to sign.

Folks, there are 236 Republicans on this floor that are for a balanced budget in 7 years with real numbers. Let us do it for our kids.

## REAL BUDGET IMPASSE IS TAX CUT FOR THE RICH

(Ms. JACKSON-LEE asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. JACKSON-LEE. Mr. Speaker, the real budget impasse is a $270 billion tax cut for the rich. NEWT GINGRICH calls it the crown jewel. That is where the budget impasse exists. That is why, Mr. Speaker, I am glad to be part of the reform-minded Democratic freshmen who believe we can balance the budget without taking away from our children, or making devastating cuts in Medicaid, Medicare, and the environment. This is where we are today.

And Mr. Speaker, we have another problem with the welfare bill to be proposed on the floor of the House today. This is an unfriendly Congress when it comes to children. There are no work programs in this proposed Republican welfare plan for the parents of these children. This legislation does not want the welfare recipients to be independent. The Republicans have cut the work programs out. We take away $14 billion from Medicaid so that women and children cannot get good health care that are on welfare, and then those children who are disabled, the severely disabled children, 320,000 of them, this welfare bill tells them that we do not care about you by cutting their needed SSI benefits.

Unfriendly, childless, careless, that is what the Republicans are doing with the budget impasse; $270 billion in tax cuts for the rich, and then a welfare bill that misrepresents to the American people that the Republicans want real welfare reform. No; this legislation will not correct the welfare crises. This Republican legislation takes the safety net away from innocent children.

Mr. Speaker, it is time to stand up for the children.

## LIBERAL EXTREMISM

(Mr. HOKE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOKE. Mr. Speaker, yesterday during special orders I heard the gentlewoman from Connecticut [Ms. DELAURO] call our 7-year, $245 billion tax cut massive. And I looked at the CONGRESSIONAL RECORD, Mr. Speaker, and I cannot find a single instance in which the gentlewoman used the word ''massive'' to describe Bill Clinton's 1993 7-year tax hike of $400 billion.

In fact, she was a vocal advocate of that plan. She described it as ''courageous, responsible, a bold initiative,'' and my favorite, ''serious change.''

Now, let me repeat this, Mr. Speaker, because I think it is important for the American people to understand where the Democrats are coming from philosophically. The liberal extremists criticize a $245 billion tax cut by calling it massive, but they call a $400 billion tax increase ''serious change.''

When it comes to letting the American people keep more of what they have earned, the liberal extremists are morally offended. But when it comes to the Government confiscating more and more money from those who have earned it, they pat themselves on the back for their courage.

## REPUBLICAN RHETORIC

(Mr. KLINK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KLINK. Mr. Speaker, to the previous speaker I would mention that we had in 1993 a $250 billion tax increase and a $250 billion cut in spending. And that did something very historical. It brought down the deficit for 3 consecutive years. We have cut in half what was almost a $300-billion-a-year deficit, without one Republican vote.

Now we are arguing about balancing the budget. We took the vote to bring the budget much closer to balance, and the stock market reacted correctly. Employment was created in this Nation. All of the things that the naysayers on the GOP side of this House were saying were going to happen after 1993 never occurred. Not one of them has occurred.

As a matter of fact, Mr. Speaker, I have noticed that since the GOP is in control of this House, not one of those massive tax increases that they complain about have they rescinded. Not one of them have they rescinded. So the rhetoric is getting a little thick and America is beginning to notice.

## PARTIAL SHUTDOWN II

(Mrs. MORELLA asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. MORELLA. Mr. Speaker, yesterday morning there was a ray of promise. Yesterday afternoon that promise evaporated. The country cries out for a balanced budget agreement now; 260,000 Federal employees have been furloughed.

The good news is that yesterday we obtained a commitment from the Speaker and the Senate majority leader that all furloughed employees, those who are not working, will be paid. And, indeed, that is correct and it is the proper thing to do. These employees and their families should not be the victims of budget gridlock. They want to work. This is not an extended vacation. They are frustrated and anxious about their fate.

I do want to point out there are a lot of other consequences to this partial shutdown. Important research grants at NIH are not being processed. I have heard from employees who are missing important deadlines because they cannot go to work. They are frustrated and point out important work is not being done.

Each day of the shutdown 2,500 families will not be able to close on their mortgages, 260 businesses that receive SBA loans will not receive the financing they have been counting on. So many examples. This says let us resolve this impasse and do the job we were sent here to do.

## 'TWAS THE HOLIDAY SEASON

(Mr. NADLER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. NADLER. Mr. Speaker:

'Twas the holiday season, and all through the House,
Any hopes for a budget, the Speaker did douse.
But the PAC checks were tacked to the chimney with care,
In hopes that a tax cut soon would be there.
With Bill in discussions, but Newt's jaws aflap,
Our nation's fine workers must just take a nap.
When what to our wondering eyes should appear,
But GOP leaders spreading more fear:
Senior citizens, women and children disabled,
It seems any help for you soon will be tabled.
Please don't be mad, but you're taking the fall,
So the wealthiest wealthy can soon have it all.
We Democrats greeted this warning with ire,
But Newt and his friends want cuts even higher.
So to every American watching tonight,
Be assured all this the Democrats will fight.

## SECRETARY OF LABOR NEEDS TO GET OUT IN THE REAL WORLD

(Mr. HOEKSTRA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOEKSTRA. Mr. Speaker, here is what the Secretary of Labor said this morning on C-SPAN. ''This debate is not being driven by economic issues.'' I now know why the Secretary works for the Government. Everybody in the real world knows that a $4.9 trillion debt, that $200 billion deficits and that deficits as far out as the eye can see, those are economic issues.

The Secretary then goes on to moan that Federal workers cannot volunteer, at the same time his department has been shutting down Salvation Army bell ringers. Let us have some consistency.

Mr. Secretary, get out of the Washington puzzle palace into the real world. It will give you a better perspective on the issues and the solutions that we need to be making in America today.

## SUPPORT THE COALITION BUDGET

(Mr. PAYNE of Virginia asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PAYNE of Virginia. Mr. Speaker, sometimes the answers to our problems are so obvious that we miss them entirely. That is exactly what is happening right now with this budget stalemate. The conservative Democratic coalition has created a budget that is simple. It eliminates the major stumbling blocks to a 7-year balanced budget. It asks each of us to do exactly what the American people want us to do, that is to compromise, to work together, to get the job done. It asks my Republican colleagues and the American people to forego tax cuts until we get at this balanced budget. It asks Medicare beneficiaries and their champions in Congress to recognize that Medicare has grown at an unsustainable rate and we must curb the growth of this and other entitlement programs. Yet it does not contain the kind of large Medicare cuts that have sparked so much partisan rancor here in Congress. It cuts the deficit faster and deeper than the Republican budget and it is the one budget that is balanced in 7 years according to CBO and occupies a sensible middle ground.

Mr. Speaker, that is where the American people are. So let us end this business as usual. Let us summon the political courage to do the right thing. Let us take some risks for a balanced budget. Let us pass this coalition budget.

## APPOINTMENT OF MEMBERS TO THE FRANKLIN DELANO ROOSEVELT MEMORIAL COMMISSION

The SPEAKER pro tempore (Mr. CHAMBLISS). Without objection, pursuant to the provisions of Public Law 84–372, the Chair announces the Speaker's appointment to the Franklin Delano Roosevelt Memorial Commission the following Members of the House:

Mr. ENGLISH of Pennsylvania and Mr. HINCHEY of New York.

There was no objection.

## CONFERENCE REPORT ON H.R. 1655, INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1996

Mr. GOSS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 318 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 318

*Resolved*, That upon adoption of this resolution it shall be in order to consider the conference report to accompany the bill (H.R. 1655) to authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes. All points of order against the conference report and against its consideration are waived. The conference report shall be considered as read.

Mr. GOSS. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentleman from California [Mr. BEILENSON], pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, this is an appropriate rule for a conference report and I am delighted to bring it to the House so that we may expeditiously consider the intelligence authorization conference report for fiscal year 1996. This rule waives all points of order against the conference report and against its consideration, and I would like to commend Chairman COMBEST and his staff for diligently providing our Rules Committee with detailed information about the types of waivers that this bill requires. In addition this rule provides that the conference report shall be considered as read.

Mr. Speaker, as a conferee who worked on this bill, I am very proud of our final product. Members should know that, despite all the partisan rhetoric that's been flying in this Capitol in recent weeks, this legislation is the product of bipartisan cooperation in the finest tradition of this House. Oversight of intelligence policy and implementation of crucial national security programs are very, very serious subjects and its oversight is taken very seriously. The Members of the House Committee on Intelligence, and our counterparts in the other body, sorted through a multitude of complex and vexing problems in order to complete this conference report. Although it is fashionable in today's environment to bash the intelligence agencies and complain about problems that have come to light, I think most Americans realize that today's highly complicated and chaotic world demands that our policymakers have accurate and timely information—perhaps more so in this modern information age than in any other time in our history. Of course, we must ensure that we learn from the mistakes of the past—the highly public mistakes we've all read about—so that we don't make such mistakes again. And we must also ensure that our finite resources are being put to their most effective and appropriate use and, frankly, that is what this bill is about. My colleagues, this process of review and assessment won't stop there. Our committee is undertaking a comprehensive review of our intelligence capabilities and how they can carry us into the next century; and I am proud to be a part of that effort under Mr. COMBEST's and ranking member DICK's leadership. Likewise, the former Aspin Commission—now known as the Brown Commission—is conducting a major review at direction of Congress. As a member of both those efforts, I assure my colleagues that this important subject is being carefully addressed and we will have reports to you back next spring. As an important piece of that whole picture, I urge my colleagues to support this rule and support the conference report on H.R. 1655.

Mr. Speaker, I reserve the balance of my time.

Mr. BEILENSON. Mr. Speaker, I yield myself such time as I may consume, and I thank the gentleman from Florida [Mr. GOSS] for yielding the customary 30 minutes of debate time to me.

Mr. Speaker, we support this rule for the consideration of the conference report for the Intelligence Authorization Act for fiscal year 1996. There was no objection from the minority on the Permanent Select Committee on Intelligence to the waivers that the rule provides for the conference report, and we do not oppose them.

Among the potential points of order that are protected against are those for violations of scope, germaneness requirements, prohibition on appropriations in a legislative bill, and the Budget Act requirements. The rule is, of course, waiving the 3-day layover requirement. We are reluctant, ordinarily, to provide that particular waiver, because we believe Members should have ample time to review the legislation they are voting on, but we did agree in this instance this particular waiver of the 3-day layover rule is not at all unreasonable.

□ 1045

Mr. Speaker, the minority on the Permanent Select Committee on Intelligence supports the substance of the conference agreements. I am sure we will hear more about the provisions of the agreement during the debate on the conference report itself that will follow.

The original House bill did, however, contain several controversial provisions, including the handling of certain National Reconnaissance Office activities. Because of their classified status, these issues cannot be discussed in detail, but Members should be aware that the chairman described those changes as the only major departure in the bill from the administration's request for the National Foreign Intelligence Program.

During House consideration of the bill, the minority on the Permanent Select Committee on Intelligence expressed the hope that the reservations about the NRO would be addressed in the conference on this legislation with the Senate. We trust that they were addressed satisfactorily.

We were also concerned about the limit the committee place on spending for carrying out the President's Executive order of April 17 of this year that prescribes a uniform system for classifying and declassifying national security information.

The President has properly recognized the need to ensure that Americans know about the activities of their Government, when it is possible to make that information public. We continue to believe that a carefully prescribed system is long overdue for declassifying documents that remain classified for no reason other than inertia.

The debate over the cost of compliance with the Executive order was the main obstacle to implementation of that Executive order. We understand that the conference agreement provides more flexibility than the House bill from the several intelligence agencies in carrying out this Executive order, and we support that decision.

We are also supportive of the conferees' decision to tighten up the change in the National Security Act that would allow the President to delay the imposition of economic sanctions against a foreign country in certain cases. We understand that minority Members who raised concerns about that provision agree with the conference report action in this respect.

Lastly, Mr. Speaker, we understand that the conference committee agreed to increase the authorization for the environmental task force, which has been successful in making environmental information derived from intelligence more accessible to the general public and to the scientific community.

We had been very concerned about the level of funding for the task force in the House bill, which had been a disappointing $5 million. We understand that the conferees agreed on a funding level of $15 million. We would have preferred the $17.6 million requested by the President, but the conference

agreement is certainly much better than the House version, and we welcome this improvement in the legislation.

The work of the task force, established in 1993, has been very impressive. We are pleased that the conferees agree that the outstanding accomplishments associated with it should be supported.

This initiative is another way to bring the information that is collected by intelligence assets, and that is proper to share to policymakers and scientists. It promises to help us better understand the consequences of long-term environmental change and help us better manage crisis situations involving natural and ecological disasters.

Mr. Speaker, this is an important bill that recognizes the significant challenges that the U.S. intelligence community continues to face in adapting to the post-cold-war world. The conference agreement reflects a slight decrease in the intelligence budget, which some Members will welcome and others decry.

Mr. Speaker, I would point out, however, especially to those who might be tempted to criticize the decrease in spending in this legislation, that the modest reduction is the result of cuts in the huge NRO special carry-over account that was made public earlier this year. I think all agree that the conferees made the correct and proper decision in following the appropriators' lead in cutting that NRO special account.

Mr. Speaker, we all want to help ensure that the United States maintains the ability to provide timely and reliable intelligence to its policymakers and military commanders, and we think the committee has developed a responsible budget for the intelligence agencies and activities.

Despite the demise of the Soviet Union, the world clearly remains an unpredictable and dangerous place; we know that all too well as we watch American servicemen and women enter Bosnia to help keep the peace there. There is, obviously, a great need for effective intelligence, especially in light of the worldwide reduction of U.S. military personnel.

The intelligence community should continue to be encouraged to review their operations, discarding those that are no longer necessary, strengthening those that remain important, and devising new ones when they are called for.

The appropriate missions of an intelligence agency will always be a controversial and most appropriate subject in a Nation founded on Democratic principles.

In closing, Mr. Speaker, I again congratulate the gentleman from Texas [Mr. COMBEST], chairman of the Permanent Select Committee on Intelligence, and the gentleman from Washington [Mr. DICKS], ranking minority member, for helping to guide this legislation through the conference committee, and for their excellent work in general in leading this committee in a very difficult time.

Mr. Speaker, to repeat, we support the rule, and we urge its adoption, so that we may proceed with consideration of the intelligence authorization bill.

Mr. DICKS. Mr. Speaker, will the gentleman yield?

Mr. BEILENSON. I yield to the gentleman from Washington.

Mr. DICKS. Mr. Speaker, I would like to commend my good friend and colleague, the gentleman from California [Mr. BEILENSON], who was a former chairman of the House Permanent Committee on Intelligence, for a very good statement.

Mr. Speaker, I thought the gentleman's statement fairly and very accurately summarized the bill and the provisions in it, and we appreciate the cooperation of the Committee on Rules and I want to commend the gentleman for his interest in intelligence, his leadership of this committee, and his continued fine work in this body.

Mr. BEILENSON. Mr. Speaker, reclaiming my time, I thank the gentleman from Washington very much for his kind comments.

Mr. Speaker, I again say that we strongly support this rule and the bill, and we thank especially the gentleman from Texas [Mr. COMBEST], the distinguished chairman of the committee, and the gentleman from Washington [Mr. DICKS], the distinguished ranking member, for all of their good work this year and in years past on this very difficult and important committee.

Mr. Speaker, I reserve the balance of my time.

Mr. GOSS. Mr. Speaker, I would associate myself with the remarks of the gentleman from Washington [Mr. DICKS] about the gentleman from California [Mr. BEILENSON]. I thought that was an excellent statement, and particularly compelling coming from the gentleman from California, given his experience and deep knowledge of this subject, and I would also say his commitment to it over the years.

Mr. Speaker, the only area I might take a little bit of exception, I think of Mark Twain when I think of the Soviet Union these days: The demise of the death being greatly exaggerated. After the elections last Sunday, I am not so sure that we are where we think we are, sometimes.

Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from Texas [Mr. COMBEST], chairman of the committee.

Mr. COMBEST. Mr. Speaker, I thank the gentleman from Florida [Mr. GOSS] for his support in pushing this rule. I also thank the Committee on Rules for granting the rule that was requested by myself and the ranking member, the gentleman from Washington [Mr. DICKS]. I also want to thank the gentleman from Florida for this active role in the Permanent Select Committee on Intelligence, where he as well sits, and the gentleman from California, former chairman of the committee, for his continued interest in intelligence activities; for his continued help in the rules process; and, for his continued friendship.

Mr. Speaker, I would certainly urge passage of this rule. I strongly support it.

Mr. BEILENSON. Mr. Speaker, I urge support of the rule, and I yield back the balance of my time.

Mr. GOSS. Mr. Speaker, we had other speakers, but they are not on the floor. Since the gentleman from California [Mr. BEILENSON] has yielded back all time, I will yield back all time also, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. COMBEST. Mr. Speaker, I call up the conference report on the bill (H.R. 1655) to authorize appropriations for fiscal year 1996 for the intelligence and intelligence-related activities of the U.S. Government, community management account, and the Central Intelligence Agency retirement and disability system, and for other purposes.

The Clerk read the title of the bill.

Mr. FRANK of Massachusetts. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. FRANK of Massachusetts. Mr. Speaker, I would inquire as to whether the gentleman from Washington [Mr. DICKS], the ranking Democrat, is in favor of this conference report and would yield to the gentleman for the purpose of answering that question.

Mr. DICKS. Mr. Speaker, I am in favor of the conference report.

Mr. FRANK of Massachusetts. Mr. Speaker, therefore, under the rules, I claim the 20 minutes to be allotted to a Member in opposition when both the other Members are in favor.

The SPEAKER pro tempore. Pursuant to rule XXVIII, the time will be divided three ways. The gentleman from Texas [Mr. COMBEST] will be recognized for 20 minutes, the gentleman from Washington [Mr. DICKS] will be recognized for 20 minutes, and the gentleman from Massachusetts [Mr. FRANK] will be recognized for 20 minutes.

The gentleman from Texas [Mr. COMBEST] is recognized for 20 minutes.

Mr. COMBEST. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of the conference report on H.R. 1655, the Intelligence Authorization Act for fiscal year 1996. The conference report, and the House and Senate bills that led up to it, were the product of a great deal of hard work. As I stated when we debated the original authorization bill, the House Permanent Select Committee on Intelligence held 11 hearings, 20 Member briefings, and even more staff briefings to craft this legislation.

I wish to take a moment to thank our staff for their hard work. In the course of this year, they have not only helped prepare an authorization bill that will lead us in new and positive directions, but also have had a full agenda of such issues as the Ames damage assessment—which remains the subject of wild claims and few concrete findings in terms of the effects of U.S. policy decisions; allegations about activities in Guatemala; and our major effort for the 104th Congress, ''IC21: The Intelligence Community in the 21st Century.'' I am pleased to report that IC21 is on time and on schedule, and we hope to be back before you next year with legislative proposals that will strengthen and modernize our intelligence community.

I want to thank our colleagues in the Senate. I have been engaged in ongoing negotiations with Chairman SPECTER and Vice Chairman BOB KERREY of the Senate Select Committee on Intelligence. They were always dedicated, gentlemanly, and forthcoming as we worked out the necessary compromises. It was a pleasure working with them and the rest of the Members and staff of that committee. I have enjoyed working with the ranking member, Mr. DICKS. Although we have had our differences, we have worked them out to present this report.

I would like to say a few words about the authorization we have just completed. This bill authorizes funds for all U.S. intelligence and intelligence-related activities. It is integral to our national security. As I said earlier this year, the original submission we got from the administration was a disappointment. It was a very static bill, preoccupied with this year's funding, but showing no sense of vision, no sense of where they would like the intelligence community to be as we enter the 21st century. That is why we are excited about the new directions we have forged in such areas as the national reconnaissance program.

As my colleagues know, a great deal of this authorization is, of necessity, classified. I once again urge my colleagues to take the time to visit our committee offices and go over the classified portions of the bill. You will not only come away better informed, but you will also have a much better sense of the breadth and depth of the intelligence community. What you will not get, unfortunately, is a sense of the thousands of dedicated employees who make it work. It was with some surprise and no little dismay that I read, only a few weekends ago, that the Director of Central Intelligence said he ''did not find many first class minds in the ranks.'' He said that ''compared to uniformed officers, [intelligence officers] certainly are not as competent, or as understanding of what their relative role is and what their responsibilities are.'' That may be the DCI's benighted view of the intelligence community, but it is not one that I or, I am sure, most of my colleagues share.

I want to highlight one provision of our bill that is in the classified annex only because of how the bill is structured, but is not classified in and of itself. Members may be aware of an agreement by the Director of Central Intelligence, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff to merge a large number of agencies and offices that deal with imagery, into something that they are calling the National Imagery and Mapping Agency, or NIMA.

This is a major proposal, involving as it does some of our most useful collection assets and a large amount of the intelligence budget. To date, we have not received any necessary details on what is involved, how this would operate, how this would affect all of the policy makers who rely on this valuable intelligence. I wish to assure my colleagues that we in the Intelligence Committee and they here on the floor will have a full opportunity to review and vote on any such major change. That is why my colleagues in the Senate and I inserted a provision in this bill requesting that no funds be used to begin implementation of such an agency until Congress has had the opportunity to review detailed plans.

Let me turn briefly to the prospects for the fiscal year 1997 intelligence authorization. As I said, the fiscal year 1996 administration proposal was lacking in vision and was a disappointment. I have made it very clear to the Vice President and to the Director of Central Intelligence that if the fiscal year 1997 authorization request is similarly lacking in vision for the next several years, then that bill will be dead on arrival.

I am also concerned by briefings that we have begun to receive about upcoming intelligence funding. The Director of Central Intelligence is apparently considering large cuts in his own budget in order to fund nonintelligence defense programs. Too often intelligence has been made a bill payer for these other programs. Earlier this week, DCI Deutch testified before our committee and stated that he disagreed ''with people who say where you take the money doesn't matter. It does matter.'' He also said that he wanted to see an ''honest competition between platforms in the defense budget.'' We intend to hold him to these views. Thus far, his actions speak louder than his words. I would hate to see the work we have begun to do on intelligence so quickly undone.

Mr. Speaker, the conference report for the fiscal year 1996 intelligence authorization gives the Nation a necessary beginning in reshaping and strengthening our intelligence capabilities. I urge all of my colleagues to support it.

□ 1100

Mr. Speaker, I reserve the balance of my time.

Mr. DICKS. Mr. Speaker, I yield myself such time as I may consume.

(Mr. DICKS asked and was given permission to revise and extend his remarks.)

Mr. DICKS. Mr. Speaker, I rise in support of the conference report on H.R. 1655, the intelligence authorization bill for fiscal year 1996.

I want to begin by commending Chairman COMBEST for his perseverance in pursuing a resolution to the several contentious issues which separated the House and Senate on this legislation. His commitment to completing action on this measure this year has resulted in an agreement which strengthens the bills previously considered by the House and Senate.

Largely because the conferees agreed to endorse a reduction, made earlier in the Defense Appropriations Act in certain funds available to the National Reconnaissance Office [NRO], the authorization level in this conference report is below the level not only in the House-passed bill and the President's request, but the amounts authorized and appropriated in fiscal year 1995 as well. The reduction in the NRO's carry-forward funds made possible some increases in intelligence activities in other agencies, without an increase in the overall size of the fiscal year 1996 intelligence authorization.

The conferees believed that the amount of carry-forward funds accumulated by the NRO was excessive, either to the needs of NRO programs in fiscal year 1996 or, at some level, to its programmatic needs in the future. I want to emphasize that there is uncertainty over how much of the carry forward funding will be necessary to complete the satellite architecture currently envisioned by the NRO, and the restoration of some of the funds eliminated in the conference report may be necessary in the future. Director of Central Intelligence [DCI] Deutch has made a commitment to resolve this uncertainty so that a better understanding of the NRO's financial needs can be defined. I want to caution against any further significant reductions in the carry-forward funds until the DCI has provided additional, clarifying information. He is also, by the way, putting in a new financial officer at the NRO, which I think is a good move and should be supported by the Congress.

The needs of the United States for intelligence collection systems, particularly those which present complex engineering challenges, are influenced by advances in technology, changes in requirements, and available resources. It is important that decisions on the acquisition of new systems, particularly those which will replace systems of proven capability, be made with a full appreciation of the ramifications of those decisions. The conference report ensures that judgments on the advisability of proceeding with a new satellite collection system will be made in a measured, deliberative manner. I believe that will ensure that the DCI will be able to make a much more informed judgment on collection architecture

options than might otherwise have been possible.

As important as collection is to our intelligence needs, it is just as important that the information collected be thoroughly processed and quickly disseminated. In my judgment, we have not devoted enough attention to these areas in the past, and I am pleased that DCI Deutch intends to commit more resources to them in the future. I look forward to working with Chairman COMBEST in the fiscal year 1997 budget cycle to make certain that processing and dissemination are adequately addressed.

Recently, the DCI, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff proposed the consolidation of imaging resources and management in a single agency within the Department of Defense. In their letter informing Congress of the proposal, these national security leaders promised to consult closely with Congress before proceeding with a comprehensive implementation plan. In fact, they have said in our meetings that legislation is required before the agency can be created. The consultation process has begun. I am pleased that the conferees recognized not only the importance of Congress being fully involved in working out the details of this proposal, but in allowing the necessary studies, planning, and coordination to take place while the process of consultation is underway. I believe this will ensure that the new agency is able to begin to function as soon as all necessary approvals are obtained.

Mr. Speaker, with United States Forces beginning a significant deployment in Bosnia, the importance of timely and accurate intelligence is underscored once more. This conference report authorizes many of the programs and activities on which the success of operations like the one in Bosnia will depend. I commend this legislation to my colleagues and urge that it be adopted.

Mr. Speaker, I also want to compliment the staff. Both the majority and minority staff on this committee have done a good job this year. I think they have worked very hard, and I am pleased that on a bipartisan basis we have been able to put together this bill and to work out some very difficult issues.

I would say to some of the other Members of this body that this may be a model for how the majority and minority work together to enact important legislation in a timely way. I want to again thank the chairman for his help, cooperation and his fair-minded approach to dealing with these controversial issues.

Mr. Speaker, I reserve the balance of my time.

Mr. FRANK of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am afraid I have to differ with my colleague who just spoke when he said this should be a model for how to deal with important legislation.

I do not think there is a less becoming example of how this Congress deals with fundamental issues than the way we have historically dealt with intelligence. First, let us underscore one point: One of the most important facts about this debate will go unuttered: How much are we authorizing? Because we have enforced upon ourselves an extraordinary stupid rule by which we cannot publicly say what the overall amount of the intelligence budget is, apparently because we think the enemy may know.

Now, of course, virtually any enemy interested in being an enemy knows. What we do here is to keep this from the average American. There will be figures presented in the newspaper. They will probably be accurate. We will look the other way.

It seems to me we bring a lot of disrespect when we wink at that. Actually, I was surprised when my friend from Washington said we were reducing the authorization this year. From what to what? We cannot tell you. How much? We cannot tell you.

The American people cannot be trusted with anything as potentially dangerous as a number, but we can tell then we are reducing it.

I am actually encouraged the Committee on Intelligence is telling us if we announced we were reducing it, we would be encouraging the enemy. I am pleasantly surprised. I do not think anything negative will happen. We are gong to see now. We have announced we are reducing it. I do not think the enemies are going to come forward.

Mr. DICKS. Mr. Speaker, will the gentleman yield?

Mr. FRANK of Massachusetts. I yield to the gentleman from Washington.

Mr. DICKS. I want to say to the gentleman, our former chairman, Congressman Glickman, and I both supported making this number public and have voted for it on several occasions. I think we have even joined with the gentleman from Massachusetts in that respect.

Mr. FRANK of Massachusetts. I agree

Mr. DICKS. I concur. I do not see a major national security problem with that number being made public.

Mr. FRANK of Massachusetts. I thank the gentleman. As you know our former colleague, Mr. Glickman, now Secretary of Agriculture, I understand he is interested in trying to hide the number of agricultural subsidies. That is, I think, one that angers many more Americans, what we are going to pay the farmers to do whatever they want anyway. That is probably one they ought to hide and not this one.

I acknowledge what the gentleman from Washington said. But the majority has enforced this rule. So the American people can know, I think I can say without fear of indictment, that we will be spending many billions of dollars in this bill. I think national security will survive by mentioning the figure, many billions. The American people will not know how many billions and how many less billions than we used to before.

Mr. DICKS. If the gentleman will yield further, the gentleman is right? It is many billions.

Mr. FRANK of Massachusetts. I thank the gentleman for that. I hope he has not endangered his standing as a member of the national security community prepared to help protect our secrets. But this is an example of the silliness.

There are further examples of how this is not the best way to deal with it. We are talking here about one of the most fundamental issues facing this country. We are about to adopt a budget which will severely limit spending over the next 7 years. We are going limit overall discretionary spending.

The amount we spend on national security, on intelligence and its various forms, on the military, and this is all intricately connected, will be a severe check on what we can spend elsewhere. The more we spend in this budget the less environmental protection we will have, the less we will have for education. It all becomes zero sum.

In the past we would say to ourselves, well, when it comes to the national security, we will err on the side of safety because, after all, the very security of the Nation is at stake.

We also have not been operating for many years in a limited zero-sum situation. We had a deficit, a continuing deficit. It was harder to argue then that an extra billion or two or three in this budget would come out of efforts at local enforcement where we supply money for communities to hire police officers, loans for people to go to college who could not otherwise afford to go, environmental protection. We use to be able to be more casual about this.

But today every dollar that we appropriate for this and other national security measures reduces our capacity as a society to deal with other important public problems.

Now, for many years we argued that we, if we were going to err, we should err on the side of spending money on national security because the very survival of the Nation was at stake. And it was. Beginning in the late 1930's, with the rise of Hitler and his allies and then after this Nation played a major role in defeating Hitler, beginning in 1945, with Stalin and his, not allies but vassals, we faced for 50 years outside powers that did not share our belief in freedom, that were regressive in their desire to diminish freedom elsewhere and which possessed the physical capacity to damage the United States.

Fortunately, for a combination of reasons, by the early 1990's, that situation had changed, and one thing that this budget reflects is the view, and Members have said it time and again here, the world is no less dangerous today than it was 10 years ago from the standpoint of the United States. I cannot think of a single proposition less

intellectually valid, less in consonance with the real facts in the world and more damaging to the social fabric of this country.

In fact, there has been a qualitative increase in our security in the world. Yes; there are in the world today very unpleasant people running countries. You look at Iran, you look at Iraq, you look at North Korea and in a rational world the people running those countries would not even be allowed to drive cars. Sadly, they are in charge of countries. They make miserable the lives of millions, and if they could they would do great damage. But, collectively, they simply do not rise to the level of a threat of the United States.

We fought a few years ago against Iraq. We were told, and some of us took that apparently more seriously than it turned out we had to, that there would be a terrible problem because Iraq had the fourth largest army in the world. We went to war against the fourth largest army in the world, and that war was over, fortunately, very quickly in a very, very one-sided win for the United States. Then we were told, even after Iraq, there are other countries that are a threat. There is Iran. Well, Iran is run by people who are appalling in their lack of respect for the rights of others. They are clearly people who, if they could, would substantially diminish freedom. But they have not got the capacity to threaten us physically.

Iran lost a war to Iraq, which suggests to me that our fear of their overall power has been exaggerated. Again, we are talking now not about whether the United States ought to be strong, not whether the United States ought to be by far the strongest nation in the world with the best intelligence in the world, the best weapons in the world; the question is, now the Soviet Union has collapsed, that Russia is now a small part of what the old Soviet empire was, now that Poland, Hungary, East Germany and Czechoslovakia and Bulgaria have moved away, now the Soviet Union itself has been broken into smaller parts, the nature of the threat has substantially diminished.

□ 1115

Yes, there are still problems in Russia, but the capacity, and people in the military have always said, you do not look at the intention of the enemy, you look at the capacity, that capacity is rapidly diminishing.

The Russians are now trying to sell their last remaining aircraft carrier to India, because they cannot afford to keep it up. Their fleet is in disuse and they are trying to sell that off. There has been denuclearization in Kazakhstan, Ukraine, and Belarus. The question is not whether America should be strong.

The question is, and this is, as I said, the central proposition, those who are looking to prop up excessive defense spending, which comes inevitably at the cost of environmental protection and education and health care and other important needs, local law enforcement, local transportation, their argument is the world is no safer.

They are wrong. There is a qualitative difference between the Soviet Union of 10 years ago, leading the Warsaw Pact, with its capacity to inflict absolutely terrible physical damage on this country, and, on the other hand, North Korea, Iran, and Iraq. Immoral societies, societies that oppose freedom, but which simply do not have the power.

Members have said, you know, the military budget has dropped since 1990. Yes, it has. But the point is that it has not dropped nearly enough, given the drop in the threat. If, in fact, we were lucky enough to see cancer as an illness diminish in its scope the way the Soviet Union has diminished, I would predict you would see a greater drop in the National Cancer Institute. We do not spend a lot of money today combating polio. It is a terrible thing, but fortunately, we have diminished it.

The problem is that military spending survives far after the threat has diminished, and the proof of that is that people who defend this level of spending, this relatively minor cut, talk about, and I really feel at a disadvantage, because, unlike the gentleman from Washington, the majority has insisted on keeping the number secret, so they are going to tell you they cut it, but they cannot tell you how much they cut it. But that is because they do not want to tell you how much they cut it, which is, of course, silly. But it also helps them keep it at a much higher number than it should be. We have got an overly inflated national security expenditure. The world is very different.

As a matter of fact, what we are suffering from is a severe case of cultural lag. For about 50 years, from 1940 to 1990, it is true, this Nation faced, first from the Nazis and then from the Communists, physical threats to our very existence.

Today the major international problem for Americans is not that we face a physical threat to our existence; it is that we face a threat to our ability to maintain the standard of life to which we have become accustomed in a world in which you can make anything anywhere with great technological change.

That is the challenge. That is the challenge that is destabilizing France. That is the challenge that is causing grave problems in America, as company profits go up and workers are treated worse.

The problem we have is that we are using tens of billions of dollars of our resources to act as if we were still under major physical threat from the Soviet Union or some comparable force, and depriving ourselves of the ability to deal with the current threat. It is a severe case of cultural lag.

So, I hope we will reject this particular budget, because it is a reflection of the mistaken policy that says the world is just about as dangerous as it used to be. Let me say this. They said, you know, the world is just as dangerous because we have Iran, Iraq, North Korea.

None of those countries, as I recall, sprang into existence for the first time in 1992. Eight or nine years ago we had the fully nuclear-armed Soviet Union and the Warsaw Pact, and Iran and Iraq and North Korea. Now we have these smaller nations and we continue to pump it up.

As far as the intelligence agencies are concerned, what are they doing? Well, they are into, we have talked about mission creep, they are into mission search. Mission creep is when you gradually begin to do more. Mission search is when you do not have enough things to do and you look for new things to do to justify your budget. So now we are being told we need them to do economic intelligence.

Where are the free enterprisers? You want to have the Federal Government now serving as the economic research bureau of corporate America? These are people who are charged with protecting our national security. The notion that we will now transfer over and pay them billions of dollars to do economic analysis is hardly consistent with free enterprise, and also not a very good use of our money, since they are not going to be the ones you would reply on. Paying our highly trained intelligence force to be market researchers does not make a great deal of sense, but that is the direction they are moving in.

I stress again that we do this at very specific cost to everything else. Every billion dollars we spend unnecessarily in this area means you cannot spend money on student loans, for working class young people to go to college; cleaning up Superfund sites, providing adequate transportation; providing health care.

My Republican colleagues have said with regard to some of the cuts that are being made, we do not like to make them, but we have to, because we have the goal of balancing the budget. You make it much harder with this kind of legislation. To the extent you continue to pump unnecessary funds into the national security apparatus and do not recognize the extent to which there has been a diminution in the threat of a qualitative sort, you cause your own problems when you reduce spending in many other places.

Mr. Speaker, I reserve the balance of my time.

Mr. COMBEST. Mr. Speaker, I yield 3 minutes to the gentleman from California [Mr. DORNAN].

Mr. DORNAN. Mr. Speaker, you can never do too much reconnaissance. That is General George S. Patton from his book ''War as I Knew It.''

This excellent intelligence conference report provides our military and our intelligence support troops what they need today in Bosnia and the intelligence capability we will need tomorrow and as far as we can recon into

the future in North Korea, Iran, South America, Eastern Europe, and everywhere else on an increasingly complicated global situation.

This report provides, as has been stated several times, a 4-percent increase in tactical intelligence funding. The gentleman from Texas [Mr. COMBEST] has made me the chairman of the Subcommittee on Tactical and Technical Intelligence, and in a situation like Bosnia, everything, from our highest satellite architecture, to unmanned aerial vehicles, to everything we can do technically to detect some very difficult-to-find land mines, a great percentage of them made just across the Adriatic in Italy, it is not all Chinese plastic mines, we need all the funding we can get to truly ''support our men and women in harm's way.''

This is direct intelligence for the war fighters, or peace forgers, or peace hammerers, or peacekeepers, or nation builders, whatever we call our young defenders in the field.

It increases funding for, as I said, unmanned aerial vehicle programs, UAV programs, including the highly successful Predator, already supporting operations in Bosnia. The staff of our committee and myself, together with a former member of the Permanent Select Committee on Intelligence, Col. GREG LAUGHLIN, the Congressman from Texas, we went to Albania, saw our growing friendship there, and how excellent this Predator program is.

It provides funding to reengine the existing workhorse of strategic manned reconnaissance, the RC–135 rivet joint aircraft. One of our staffers who went with me on that trip last August, Mike Meermans, spent many years on active duty in the Air Force in the infancy of this rivet joint incredible program.

Mr. Speaker, I can assure you, this is a great effort to enhance the tactical and technical intelligence capability of the U.S. military. I want a big and vigorous vote on this, to show that when you are drawing down your military to the tune of almost 700,000 patriotic men and women who planned on a career, you should be upping your intelligence.

A nation that suffered such drama in this Chamber on December 8 of this month 54 years ago, the last time we ever declared war on anybody, it was a result of Pearl Harbor, of course, I am speaking about, it was a result of a total breakdown of intelligence. We will never have that major a lapse again, but we are still now in a dangerous world where even fine tuning of intelligence makes the difference.

I encourage a massive vote by the Members of this Chamber for this excellent intelligence conference report.

Mr. Speaker, may I please add a few more key points. Our focus is to posture for the future without detriment to current fielded systems. Our intent is to invest in latest technologies to determine potential without sacrificing existing, proven programs, for example, new satellite technology initiative, while funding for existing programs; funds new UAV ACTD efforts while ensuring U–2 Dragon Lady upgrades.

Although the budget's total intel authorization is .08 percent less than the President's request, it actually, increases funding for every major national intel program except the NRO. The overall decrease is result of the large decrease in carry forward funds from NRO.

Our conference approved bill provides a 4 percent increase in TIARA-JMIP—direct warfighting—intelligence support. This reflects a turn around of continual decreases in direct military intelligence support funds since 1990.

I repeat, we fund many new UAV efforts.

We increase funding for the PREDATOR Medium Altitude endurance UAV—proven in Bosnia, where it provided direct operational support, with unprecedented real-time imagery, to NATO forces participating in the air campaign.

We increase funding for the Low Observable High Altitude Endurance UAV which will begin flight testing this January 1996.

We Fund Conventional High Altitude UAV.

I repeat, we provide funding, not included in President's request, for reengining the ''strategic manned reconnaissance workhorse'', the RC–135 rivet joint.

Much of this authorization focuses on processing and dissemination of collected intelligence. These have been where the intel community has been perceived as weak in the past.

This bill, Mr. Speaker, will ensure a continuing strong intelligence capability to support policymakers and our deployed military forces worldwide.

Mr. DICKS. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from New Mexico [Mr. Richardson], one of the senior members of the Committee on Intelligence, one of our most important Members of the House, one of our leadership Members, and a man who travels around the world bringing back people who are in trouble and does a great job for this country.

(Mr. RICHARDSON asked and was given permission to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Speaker, I thank the gentleman.

Mr. Speaker, let me say in these days of budget impasse, there is a lot of talk of bipartisanship that does not exist, but I think this committee is a model for bipartisanship. I want to commend the gentleman from Texas [Mr. COMBEST] and the gentleman from Washington [Mr. DICKS] for the way they handle this committee. I especially want to thank the gentleman from Texas [Mr. COMBEST] for the support he gives me on many of my trips and other initiatives.

Let me just say this conference report is a good one. There are some good bipartisan compromises on the National Recognizance Office, on some of the covert action programs. There are good initiatives here that deal with international terrorism, good initiatives allowing also the Department of Defense to get more into the intelligence areas, recruiting women and minorities. There are some good initiatives here that deal with Bosnia.

Let me just address some observations that I have had as probably the longest serving member of the Committee on Intelligence of anyone here.

First, I think we have a very good CIA director, John Deutch. I think we should support him. He is a reformer. He is trying to make things better. He has brought some good people in. He is trying to consolidate. I think we should support him as he tries to bring the Defense Intelligence Agency and the National Security Agency under his rubric. I think we should, because what we have is a Director of Central Intelligence, we should make him. We should give him the authority to appoint those people. He has dealt with the Ames problem effectively. He is trying to clean things up.

But in this effort of reforming the agency, we have to be sure we do not hurt morale over there. There are still a lot of good people that perform good intelligence work, that have been there for many years, that are either mid-career officers, that are younger officers. Let us support them. Let us reform the agency, anything can be done better. Let us made them justify their fund. I think the gentleman from Massachusetts [Mr. FRANK] brings in some very healthy skepticism. But at the same time, let us not decimate it.

It is an unsafe world out there, maybe not as unsafe as it used to be, but there are threats of nuclear proliferation, there are threats of terrorism, tribal ethnic conflicts, international narcotics. And we do have a need for economic intelligence. I want my trade negotiators to know what the position of another country is going to be before they get to the negotiating table. We are not talking about freebies for corporations. We are talking about implications, intelligence work that is valuable for our national security; that is, our trade negotiators.

Let me also say that I think the National Security Agency, the NSA, has too many people there. They have an effort that collects data with a very broad sweep. They do not target it. They need to do betters in that area.

I do think we need more human intelligence. We need more spies. We need more people getting us intelligence. Now, that may not be popular in some circles, but we do. We need more James Bonds. We need more people out there that perform services that sometimes are not the safest and sometimes are not considered the purest of objectives. But we need covert action. There are instances where we probably should have used it, and we did not.

It has got to be carefully monitored by the Congress. It has got to be approved by this body. Let me say also the new DCI, the Director of Central Intelligence, has consulted with the Congress a lot better than his predecessors. That has always been a problem. But I think the committee and the staff have a good system of knowing what is going on, disseminating the information, and finally acting on it.

Mr. Speaker, again, we should approve this vote with a strong margin. There is strong bipartisan support for this bill. We are downsizing our military. But that does not mean that we should not give our military that intelligence that they need to deal with threats. And the world is not safe. Perhaps it is not as unsafe as it used to be, but these new threats have to be dealt with by new initiatives, consolidation. They have to be dealt with with a stronger thrust, as I said, in the human intelligence areas, and that is people. That is people that know Arab countries, that know about North Korea, that know about some of the threats that the gentleman from Massachusetts [Mr. FRANK] posed, and he is right. The Soviet Union is not that much of a threat. We do not need to know how miserable the economy of the Soviet Union is. It already is. We know that. So we should know about the intentions of other nations.

So again, I think this is a good bill. We should support it, but with a good healthy skepticism that some of our colleagues have discussed.

□ 1130

Mr. FRANK of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from Vermont [Mr. SANDERS], because he will need that for his introductions.

Mr. DICKS. Mr. Speaker, I yield 1 minute to the gentleman from Vermont [Mr. SANDERS], and I want him to know I have enjoyed working with him on the defense appropriations subcommittee on some important issues there, and I am delighted to yield to him.

Mr. SANDERS. Mr. Speaker, I thank the gentlemen for yielding me this time.

Mr. Speaker, all over this country today, the American people are frightened and alarmed and upset that the Government has closed down. Last night at 10 o'clock on the floor of this House we managed to pass a bill that got checks out to wounded veterans, but yet right now we do not know whether 8 million low-income kids, whether their families will get checks so that they can eat this Christmas week.

People here are talking about major cuts in Medicare, forcing low-income elderly people to pay more for health insurance when they just do not have the money to do that. People in this Chamber are talking about savage cuts in Medicaid, which could throw millions of low-income kids, elderly people, working people off of health insurance.

In America today millions of working class families cannot afford to send their kids to college. Today, 22 percent of our children are in poverty, by far the highest rate of children in poverty in the industrialized world.

For God's sake, let us get our priorities straight. We do not need to be funding the CIA and the intelligence budget at anywhere near the level that we funded them at the end of the cold war.

The Soviet Union, in case some of my colleagues have not heard, no longer exists. The Warsaw Pact no longer exists. But our children are still hungry, our elderly people still cannot afford their prescription drugs. Millions of kids still cannot go to college because they lack the funds.

When we talk about moving toward a balanced budget, and every day I hear people coming up here and telling us how important it is to move toward a balanced budget and how we have to cut so much from the needs of the elderly and the low-income people, what happened to the discussion of the balanced budget today? How come it is not important today?

Forty years ago Dwight David Eisenhower, a conservative Republican, said watch out for the military industrial complex. Watch out for the military industrial complex, said Dwight Eisenhower, a conservative Republican President, and was he right.

This year, with the end of the cold war, President Clinton signed a Republican defense budget asking for $7 billion more than the Pentagon requested, and the children go hungry. Today we are asking for an inflated intelligence budget, inflated CIA budget, and the elderly people cannot get the health care that they need.

Mr. Speaker, let us get our priorities right. Let us say no to this bill. Let us keep faith with the American people.

Mr. DICKS. Mr. Speaker, I yield myself 1½ minutes.

I want to remind our colleagues that since 1985 the defense budget has been reduced by $100 billion. We take this year's budget and this year's dollars and compare it to 1985, and we have come down $100 billion. We have reduced the defense budget by 39 percent in real terms. There is no other area of the budget that has been cut in that dramatic fashion.

Mr. Speaker, I agree with my friend from Massachusetts, the world has changed and we have recognized that change, but I also would point out that there are still significant problems, not only in Russia, where we still have a lot of nuclear weapons that have not been dismantled; but in China, a very strong assertive power in Asia that we must be concerned about; and, in Iran, Iraq, and North Korea, and other former members of the Soviet Union that present intelligence challenges.

Mr. Speaker, the intelligence budget is part of the defense budget and it, too, has been reduced. It certainly has not been reduced to the level that my friend from Massachusetts would accept, but I think prudent people who look at this from all cross-sections, understand that this Congress has cut it more than George Bush wanted it cut and it has cut it more than Bill Clinton wanted it cut. I think we have done a responsible job on a bipartisan basis.

We had extensive hearings both in the authorization and appropriations process, and we made cuts. When we found excess spending, like we did at the NRO, we cut it out. But we also have very serious requirements that must be met. So I urge my colleagues to continue to support this committee and this bill.

Mr. COMBEST. Mr. Speaker, I reserve the balance of my time.

Mr. FRANK of Massachusetts. Mr. Speaker, I yield myself my remaining time.

My friend from Washington said they found some extra spending in the NRO and they dealt with it. They did. They spent it somewhere else in that same budget. That is a good example.

The intelligence community hid a billion dollars from them. A billion dollars was being spent by the intelligence community and they did not know about it. And then they found out about it after the fact. Well, first, how many Federal agencies have the capacity to hide a billion dollars from the appropriators and the authorizers? The intelligence people did.

and what was the penalty, Mr. Speaker? Well, the penalty was they could not spend it the way they wanted to. But that billion dollars did not go into deficit reduction or into other purposes, it went back into this cold system because they just think they need this money.

I believe, in the first place, that when we talk about a 39-percent reduction, let us understand that that is differential accounting. Because when the Republicans talk about cuts or increases in future programs, they do not use real dollars. They do not take inflation into account. They use nominal dollars. It is only the national security budget that gets the inflation factor put in.

But even if it is 39 percent, and let us just use that real dollar term elsewhere, and then some of the increases they talk about will become decreases in real dollars, but I believe the threat to the United States has dropped by more than 39 percent.

In 1985, a fully armed Soviet Union and Warsaw Pact, and that is gone, and Iran and Iraq and those other countries do not add up to 60 percent of the threat we had. Yet there has been a drop.

It is also the case that 1985 was a great base year because that was after Ronald Reagan and Caspar Weinberger and a very quiescent Congress gave the Pentagon literally more money than even they knew what to do with. 1985, of course, was the most inflated possible base year.

I want to close by talking again about that billion dollars they hid from the Congress at the NRO. We have people today cold, endangering their health, because this Congress has refused to appropriate adequate funds for low-income home energy assistance. Let us be very clear. We have cut this back.

There are elderly people and families in a panic because in this cold they could not heat their homes because we cut back the money. The billion dollars that they hid from us that we rewarded them by letting it be spent elsewhere is more than we are going to give people to heat their homes. Crumbs, small change in this budget are essential elsewhere, and this is an example of the worst kind of priority setting.

Mr. DICKS. Mr. Speaker, I yield 3 minutes to the distinguished gentlewoman from California [Ms. PELOSI], a valued member of our committee.

Ms. PELOSI. Mr. Speaker, I, too, want to commend the Chair and the ranking member of our committee for the bipartisan manner in which the business of the Permanent Select Committees on Intelligence has been conducted.

I particularly want to thank the gentleman from Texas [Mr. COMBEST] for his leadership and cooperation on the sanctions issue, on which we went into detail when the bill originally came to the floor. Simply said, if the administration chooses not to issue sanctions for reasons as are spelled out in the bill, this action would be rare and Congress would be looking closely at the actions they take.

I, too, agree with the gentleman from Massachusetts [Mr. FRANK], that as we cut spending across the board in the Congress of the United States, that our intelligence budget should be subjected to that same tightening of the belt. I wish that his amendment, which I thought was a very sensible one, because it left the discretion to the DCI and Secretary of Defense to do the cutting, was one that I had hoped this body would have accepted. It did not.

However, I still rise to support the legislation because I believe that the bill before us is one that, at least for this next year, is worthy of support. It is worthy of support, I believe, because of the work that has gone into it but also because of the new director of the Central Intelligence, Director Deutch. I believe he deserves the confidence of the Congress of the United States to attempt to change how the intelligence community relates to itself and to each other.

I also believe that we have to have appropriate funding in order to build the satellite architecture and make the determinations about the satellite architecture. I am concerned, Mr. Speaker, that the diversity issue be addressed more proactively in the Central Intelligence Agency, and I accept the director's assurances that that will take place.

I believe that our country is better served when all of its manifestations reflect the diversity of our country. It is very, very important in terms of intelligence. What country has greater diversity in terms of language, in culture, and representation than the United States? I think our needs in terms of intelligence are served by drawing upon that, diversity certainly not only in our recruiting, but in our advancement within the Central Intelligence Agency and the community. And in that I certainly include the participation of women. I am pleased with the appointment of Nora Slatkin as the executive director.

Mr. Speaker, I am concerned about the funding for their issues. We do need funds in order to declassify the material that we need to declassify. We need to prepare for a comprehensive test ban treaty verification. There are many reasons why we have to provide the resources to go forward, including the environment.

I share the concern of the gentleman from Massachusetts [Mr. FRANK] about economic espionage. I think that corporations should do their own intelligence. If the needs of the country are served by our economic intelligence, that is quite different than serving the needs of a particular company.

With that, Mr. Speaker, I again commend the chairman and the ranking member for their leadership. I, too, will fight again for cuts. I think we should have more declassification and more diversity in our intelligence services and will fight for that in the next year.

Mr. DICKS. Mr. Speaker, I yield myself 2 minutes.

I want to make clear the point on economic espionage. I think the DCI has made it very clear that we are not entering this on a company-by-company basis; that we are looking at agreements that have been entered into, economic agreements between the United States and other countries, to make sure that they are faithfully executed, sometimes using our intelligence resources for that purpose. We also verify on a government-to-government basis various negotiations that occur between countries. Some things are done there, obviously.

We have not engaged, and I think the DCI has been correct and the Congress has been correct to draw a line and say we will not go out and engage in these activities on behalf of any company. I wanted to make that point clear.

Ms. PELOSI. Mr. Speaker, will the gentleman yield?

Mr. DICKS. I yield to the gentlewoman from California.

Ms. PELOSI. Mr. Speaker, I would say to the gentleman that I have two concerns about the economic espionage. One is the one the gentleman just spelled out, that we are not here to be an extension of providing corporate welfare to corporations to help them do business internationally, and the gentleman makes the distinction very well in terms of what is in the interest of our country, trade, et cetera.

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But I have another concern, and that is how many of my colleagues remember when we were young, what was the March of Dimes against polio, and then all of a sudden one day, who knows, the day when the March of Dimes was to fight birth defects. It happened at a time very appropriately, and I am saying that with great positive admiration for the work that is done there.

Mr. Speaker, I do not want to see the intelligence community all of the sudden justifying its existence on the economic side, when what has been described by the gentleman from Texas [Mr. COMBEST] and by the gentleman from Washington [Mr. DICKS] as real threats. And as we know, if we send our troops out, we have to provide the best intelligence, but I do not want the justification for this big budget, which I think should be cut, to be now economic espionage. That is part of my concern with this new mission.

Mr. DICKS. Mr. Speaker, I completely concur with the gentlewoman on that.

Ms. PELOSI. Mr. Speaker, certainly, economic espionage does not require the type of money that we are talking about here.

Mr. COMBEST. Mr. Speaker, could you tell me what the remaining time is?

The SPEAKER pro tempore (Mr. CHAMBLISS). The gentleman from Texas [Mr. COMBEST] has 11 minutes remaining, the gentleman from Washington [Mr. DICKS] has 1½ minutes remaining, and the time of the gentleman from Massachusetts [Mr. FRANK] has expired.

Mr. COMBEST. Mr. Speaker, I yield myself such time as I may consume to make some general comments, not specific.

Mr. Speaker, I will never forget when I first had the opportunity, actually my first trip to Washington, DC, in my life in my mid-twenties, when I went to work for U.S. Senator John Tower. One of the things that we have certainly lost in this House, and that I would like to return to, and I think the relationship with the gentlewoman from California [Ms. PELOSI] and with the gentleman from California [Mr. BEILENSON] is exemplary, is in terms of the fact that we can work together. We may have some philosophical differences, but it is not a personal matter.

Mr. Speaker, I always had a great deal of respect for the fact that Hubert Humphrey, while I disagreed with him on many philosophical issues, there could be passionate debate in the Senate, and he and my boss, John Tower, would basically walk off the floor arm in arm because of a friendship that was there. They understood the passion with which people cared about issues.

Mr. Speaker, I have that same respect certainly for the gentleman from Massachusetts [Mr. FRANK] and the gentleman from Vermont [Mr. SANDERS]. They are very passionate in their beliefs.

This is one of those issues in which there are some differences in priorities. It certainly is not that we want to see children starving. We could take all of the money in defense and in intelligence and spend it on other programs, and to many that would not be enough. And, certainly, we cannot do that.

Mr. Speaker, we are concerned about a balanced budget. This Congress passed, and it may have been over the objection of many who have spoken, a budget earlier in the year and we conform to that budget. We fit within it. We will take those reductions as they come.

Mr. Speaker, I would say to the gentleman from Massachusetts that we are substantially below where we were when this House passed this bill some months ago.

Mr. Speaker, I want to comment on what the gentlewoman from California [Ms. PELOSI] said. There is no Member of the House that has more of a concern, a very dedicated concern in the areas that she has those concerns in our foreign relations policies. I have stated on this floor as well that we should not, and we cannot, justify expending money in the intelligence budget on economic intelligence. I would have a very difficult time coming and suggesting that that is what we ought to be doing.

Mr. Speaker, if there is information in the bigger national security issue that we would gain and glean from that, I think that is as well, as the gentleman from New Mexico [Mr. RCHARDSON] so ably pointed out, an area in which we can be very helpful to our own commerce. But it is not company-specific; it is not giving one company advantage over the other.

Mr. Speaker, it is not that just the agencies within the intelligence community are going out and searching for new roles in order to justify their existence. They are being asked to do these things.

The Vice President is very concerned about the role that intelligence can play, and past intelligence information that has come together, on the environment. And if there is information that we can get on the environment, and information we can get about economic intelligence and other areas, I think that is a very legitimate cause. I think it would be very difficult to justify expenditures solely for those purposes. They are not the major priority and role of the intelligence community. They are an offshoot. The country is better served by it. And as long as it does not infringe upon or become more significant or important than that dealing with national security and the intelligence community, I will continue as well to support it.

Mr. Speaker, the gentleman from Washington only had 1½ minutes remaining. Does the gentleman need additional time?

Mr. DICKS. Mr. Speaker, no. I yield back the balance of my time.

Mr. COMBEST. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

## GENERAL LEAVE

Mr. COMBEST. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the conference report just agreed to.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

## WAIVING POINTS OF ORDER AGAINST CONFERENCE REPORT ON H.R. 4, PERSONAL RESPONSIBILITY ACT OF 1995

Mr. SOLOMON. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 319, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 319

*Resolved*, That upon adoption of this resolution it shall be in order to consider the conference report to accompany the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence. All points of order against the conference report and against its consideration are waived. The conference report shall be considered as read.

The SPEAKER pro tempore (Mr. TORKILDSEN). The gentleman from New York [Mr. SOLOMON] is recognized for 1 hour.

Mr. SOLOMON. Mr. Speaker, for the purposes of debate only, I yield 30 minutes to the gentleman from Ohio [Mr. HALL], pending which I yield myself such time as I may consume.

Mr. Speaker, during consideration of this resolution, of course, all time yielded is for the purposes of debate only.

Mr. Speaker, House Resolution 319 waives points of order against the conference report accompanying H.R. 4, the Personal Responsibility and Work Opportunity Act of 1995; that is, the Welfare Reform Act, and against its consideration. The resolution provides, further, that the conference report shall be considered as read.

Mr. Speaker, this is a traditional rule for conference reports and I know of no controversy about the rule. It was voted out of the Committee on Rules last night around midnight by a voice vote.

Mr. Speaker, today this rule will allow the House to vote on legislation which literally overhauls the Nation's dilapidated and failed welfare system. When I opened the debate on this measure back on March 21 of 1995, many months ago, I suggested then that the American people should measure welfare reform proposals based on how they would affect the status quo. That is what this debate is all about here today: the status quo. Do we want the status quo? Has it worked, or do we want to change it?

Mr. Speaker, most everyone in this country agrees the current system has failed. It has failed our families. It has failed our children. And they also agree it has not been for a lack of spending.

Mr. Speaker, over the last 35 years, taxpayers have spent $5.4 trillion in Federal and State spending on welfare programs. This welfare reform bill honestly and compassionately addresses the key problems of poverty in America, and that is illegitimate births, welfare dependency, child support enforcement, and putting low-income people back to work. That is one of the basics of this legislation, putting welfare people back to work; giving them the work ethic that literally is what built this great country of ours over all the years.

Mr. Speaker, not only does this legislation encourage responsibility and work among single mothers that are the vast majority of welfare recipients, and that is the saddest thing in the world, but this bill contains tough measures to crack down on these deadbeat fathers who have deserted their families.

The conference agreement before us today establishes uniform State tracking procedures for those who owe child support and refuse to pay it. It promotes automated child support procedures in every State of this Union; contains strong measures to ensure rigorous child support collection services; and, according to the testimony in the Committee on Rules last night by the very able gentleman from Texas [Mr. ARCHER] and the gentleman from Florida [Mr. SHAW], the child support title of their conference agreement enjoys broad bipartisan support in this Congress and, incidentally, in the Clinton administration as well, which is why this President ought to sign this bill.

Mr. Speaker, on this particular title of the bill, I would like to relate a conversation I had recently with a constituent of mine to emphasize its importance. A member of my district office staff informed me that she had received a call from a woman who explained, in between sobs, she was literally crying, that she desperately needed to speak with me.

Mr. Speaker, I have been tied up down here for several weeks and have not been able to get home. But when I went back to my office late that night, I reached my constituent by telephone and she explained to me that she was holding down two jobs to support an 8-year-old son who had a learning disability. She told me public schools do not provide her son with adequate attention to that particular disability and he needed the care of a special tutor, but, she said, that her two small salaries that she has worked at, and she has never taken 1 day or taken 1

penny of welfare payments, she said that her two small salaries do not allow her to pay the additional expense for her young son, who is now beginning to fall behind all of his peer in the third grade.

Mr. Speaker, the problem, of course, is that the boy's father provides no child support whatsoever and her efforts to track him down and force him to pay his share were to no avail.

Mr. Speaker, the sad part about all of this is the father is a college graduate. He lives in a nearby State. He holds down an excellent job, and he refuses to pay child support at all. Not a nickel. This is an absolutely heart-wrenching story, Mr. Speaker, and it is typical of the lack of responsibility that many men have demonstrated in our society today.

In an age in which some in our society find it fashionable to blame anyone but themselves, this bill, and my colleagues ought all to pay particular attention to it, this bill truly emphasizes responsibility among fathers. It is going to hold them responsible.

The child support title in this bill will help ensure that all persons are held responsible for the consequences of their actions. As we close a yearlong debate on this subject today, let us ask the President of the United States a question that this House and this Senate has already courageously answered in this legislation: Which is the truly compassionate public choice for the children trapped in poverty today? To sign this landmark reform legislation, or to do nothing at all and leave the status quo, a failed status quo?

Mr. Speaker, I urge the President to uphold the promise he made to the American people in the 1992 election campaign, which is written in his book, in which he pledged to reform welfare as he knows it today.

Mr. Speaker, this is a very serious matter. It is the most important piece of legislation that will come before this body this year. It truly will help the people in this country who have been saddled by welfare all these years to recuperate, to return to the work ethic, and to be good citizens in this community. That is why I urge support of this bill.

Mr. Speaker, I reserve the balance of my time.

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Mr. HALL of Ohio. Mr. Speaker, I yield myself such time as I may consume.

(Mr. HALL of Ohio asked and was given permission to revise and extend his remarks.)

Mr. HALL of Ohio. Mr. Speaker, as Chairman SOLOMON explained, this resolution, 319, makes it in order to consider the conference report on H.R. 4, the Personal Responsibility Act. It waives all points of order against the conference report.

Mr. Speaker, I object to the way the Republican majority has handled this bill. Members of the Committee on Rules were given about an hour's notice after the text of the bill was received by the committee, and that is 60 minutes to look at this enormously complex and important piece of legislation.

The bill will have an enormous effect on millions of needy Americans. It will cut into the safety net that provides basic food and nutrition services, assistance to children, and school lunches. It makes sweeping changes that roll back 6 decades, years of welfare laws, and for some it will be truly a matter of life and death. Sixty minutes, sixty minutes is all we had to read this stack of paper and get prepared to vote on such a critical bill.

Mr. Speaker, it is the height of irony that we are about to debate something called the Personal Responsibility Act when the majority party has handled this bill so irresponsibility. The process has also violated the rights of the minority. The Democrats on the Committee on Ways and Means and the Committee on Economic and Educational Opportunities were not given copies of this report until last night.

We will recognize the need to move quickly on welfare reform. But this breakneck speed increases the risk of mistakes and simply is wrong, and I think we are going to be sorry for it.

The conference agreement makes deep reductions in basic programs for low-income children, families, elderly, and disabled people. Is that really what the American people want?

Earlier this week, a Nielson poll showed that 95 percent of Americans consider hunger and poverty issues as important as balancing the Federal budget and reforming health care.

I would like to read that again. That is a very interesting poll.

Earlier this week, a Nielson poll showed that 95 percent of Americans consider hunger a poverty issues as important as balancing the Federal budget and reforming health care.

The U.S. Department of Agriculture estimates 14 million children and 2 million elderly people will be affected by reductions in the food stamp program, and it is wishful thinking to believe that private charity can absorb the deep cuts that are made by this bill.

A recent study by the U.S. Conference of Mayors showed that 18 percent of Americans requesting emergency food assistance this year were not fed, due to lack of resources, and almost two-thirds of these requests came for parents and children. Emergency shelters and feeding centers have to turn away hungry and homeless people because the demand is already greater than the resources.

Let us talk about the contract with America. No; I am not talking about the Republican contract that was trotted out for the last election. I am talking about the 60-year-old bipartisan contract that guarantees that every low-income child in America will eat a good breakfast or lunch as part of his or her schoolday.

The cuts in this bill will affect human lives. The cost we are scoring are real human costs. These people do not have a line on any CBO ledger or an item in the OMB budget.

It is 4 days until Christmas, and this bill is the gift that Congress is giving to the poor and the needy of this Nation. They need more than the bah humbug that this bill says to them.

Mr. Speaker, I oppose this rule, and I oppose this mean-spirited, shortsighted bill.

Mr. Speaker, I reserve the balance of my time.

Mr. SOLOMON. Mr. Speaker, I yield 5 minutes to the gentleman from Claremont, CA [Mr. DREIER], who serves with me on the Committee on Rules, my vice chairman, and is someone who has worked diligently for many, many years on welfare reform.

Mr. DREIER. Mr. Speaker, I thank the gentleman for yielding me this time.

I would like to at this very festive time of year extend congratulations to him for his fine leadership on our committee.

I rise in strong support of this rule and the conference report. We all know that back in 1992, when Bill Clinton was a candidate for President of the United States, he used a term which has been widely stated here in the Congress and throughout the country and the media. His statement was that we would end welfare as we know it. Those were the President's words, and he made that very strong commitment that he would pursue it.

Unfortunately, if you look back at the work of the 103d Congress, we failed to do it. We are here today trying to help the President keep the commitment that he made when he was a candidate.

I have said it on a lot of legislation. This is another very clear example of an item that needs to be addressed.

Let us talk about the important benefits of this conference report. One of the most onerous burdens that has been placed on the States has been the mandates, the mandates which have said to State governments that they are required to provide a wide range of things.

Now, take my State of California, for example; under the provisions of the present law, we see the Federal Government tell the States that they have to expand State dollars, their own State dollars, to continue to provide welfare to those who are flagrantly abusing drugs and alcohol.

We feel very strongly that the States should have the flexibility to make a determination as to how they are going to expend those dollars. Roughly $475 million in my State of California has gone to those abusers of alcohol and drugs, not to say that we are not compassionate, not concerned about them, but to continue that flow of cash to those people who are engaging in that

kind of abuse is obviously a terrible misuse of those taxpayer dollars.

Where should those dollars go? They obviously should go to the women and the children, the impoverished who are struggling, not to those who are out there abusing drugs.

This legislation allows the States the opportunity to make a determination as to how they will best use those dollars. That flexibility is key. It is very important.

We all know that the 535 of us who serve in the United States Congress do not have a corner on compassion. We have seen the creativity for welfare reform emanate from States, like mine of California under Governor Wilson, Massachusetts, where Governor William Weld has done a phenomenal job, as the gentleman from Massachusetts [Mr. MOAKLEY] has pointed out.

On the issue of welfare reform, look at Governor Tommy Thompson of Wisconsin, John Engler of Michigan. That is where the creativity has come from, and that is why it is key that we eliminate the mandates that are imposed, and that is exactly what this legislation does.

There is a very important other item that tragically this President has failed to address, but it is one that he has indicated that he would address, as we look at this issue of welfare reform. It has to do with the problem of illegal immigration, a very serious problem in California, and we found most recently in a wide range of other States from concern that has come forward from Members from around the country.

Let me take just a moment, Mr. Speaker, to look at the record that this President has had on the issue of illegal immigration. He opposed Proposition 187, strongly opposed that legislation. Two weeks ago he vetoed legislation that would have provided $3.5 billion to keep open the California hospitals that have been swamped by illegal immigrants.

Just this week he vetoed funding to put 1,000 new INS guards on the border and provide over $280 million to California prisons swelled by illegal immigrant felons.

If he vetoes this bill, Mr. Speaker, he will ensure that illegal immigrants continue to qualify for Federal and State welfare programs. It is a very sad record on the issue of illegal immigration.

He has an opportunity, by signing this bill, to end welfare as we know it and, in fact, reverse his record on the issue of illegal immigration.

I urge support of this rule, and I urge support of this conference report so that we can, in fact, end welfare as we know it.

Mr. HALL of Ohio. Mr. Speaker, I yield 4 minutes to the gentlewoman from California [Ms. PELOSI].

Ms. PELOSI. Mr. Speaker, I thank the gentleman for yielding me this time.

I want to also commend him for his leadership for children in our country and throughout the world. His approach to this problem has been effective and, indeed, even saintly, in keeping with the words of the Bible, to feed the hungry, in the words of Matthew, to provide for the least, I'd rather say, the poorest of our brethren. I thank him for that leadership.

I thank the gentleman from New York for bringing this to the floor.

I rise in opposition with the greatest respect for the chairman of the committee, the gentleman from New York [Mr. SOLOMON]; I rise in opposition to the rule and in opposition to the bill. I rise in opposition to the conference report because I think this legislation will devastate the working poor, children, legal immigrants, the elderly, and the disabled.

I listened attentively to the remarks of our colleague, the gentleman from California [Mr. DREIER], about welfare reform, and indeed we all stipulate to the fact that the welfare system in our country must be reformed.

I served as a cochairman of the Democratic platform committee with Gov. Roy Roemer of Colorado in the election year of 1992, and, yes, indeed, we had strong language making changes in the welfare system so that it better meets the needs of our people and gets them from welfare to work.

This bill, this conference report, is weak on work and tough on children. I consider it a heartless proposal and completely irresponsible in its intent to cut off families and children from the help they so desperately need.

I was helping some people collect gifts for poor children and one of the children said, ''Doesn't Santa come to the homes of poor children?'' Even little children know of the unfairness and of the inequity when small children have to be dependent on the largess of others. We must have public policy that enables people to take charge of their lives and to go to work.

The bill cheats our most vulnerable citizens. Our Nation's most vulnerable, poor children, two-thirds of welfare recipients are children, as a result of this bill, 1.2 million, as many as 2 million more children, could be pushed into poverty.

Our children are our future. We all say that, but we have to do something about it. This bill jeopardizes their health, safety and education. We are giving them far less than they need and certainly less than they deserve.

This bill, as I have said, is weak on work. One of the main problems of the current welfare system is the lack of sufficient funding for work programs. This bill does not even begin to provide adequate resources for work programs. It punishes parents who want to work by offering no reasonable and long-term solution to child care dilemmas faced by working families.

Lack of funding for work programs provides stronger incentives to States to cut families off the welfare rolls. Then where will these people go? What will these people do? This bill does not answer those questions, because it does nothing to promote effective programs for moving larger numbers of families off welfare and into work.

This bill cruelly discriminates against legal immigrants, punishing those who contribute to our economy and volunteer to serve in our military and whom we require to pay taxes. The overwhelming majority of legal immigrants support themselves without any government assistance. They contribute $25 billion more in annual taxes than they receive in benefits. Their goal is not to arrive in this country to be supported by it but to contribute to this country.

The so-called welfare reform bill fails to fulfill a promise by moving people from welfare to work. This is not the way to reform our welfare system.

I urge my colleagues to defeat this very harmful legislation. Vote ''no'' on the rule, vote ''no'' on the conference report, vote ''yes'' on the motion to recommit.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Florida [Mr. GIBBONS], the ranking minority member, former chairman of the Committee on Ways and Means.

Mr. GIBBONS. Mr. Speaker, where is everybody? I look around the floor today, and this is about the paltriest guard I think I have ever seen in the place. I am not talking about the quality of the people here. There is nobody here. There are far more staff here than there are Members.

This is a very important piece of legislation that we are taking up. I know Members hated to be reminded of this, but 70 percent of all the people we are talking about today are infants and children who had nothing to do with being brought into this world, have been cast in dysfunctional environments. I started to say families, but they really are not families. They have a mother they can probably identify, probably identify, and most of them cannot identify their father.

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These are really pitiful people we are talking about, and yet this is a cruel bill. It reduces the amount of money we are going to spend on them for health care, for food, and for shelter. It puts the money under the block grant system, where the problem used to be. It does not put it under an entitlement system, where the problem is today.

All of us know that the poverty figures and the dependent children figures vary around the United States, having to do mainly with the economy of that particular area of the country. My own State was blasted a couple of years ago, a few years ago, with a huge increase in welfare. It had nothing to do with our morals, nothing to do with anything else. It is just the jobs were not there and the people had to turn to welfare to exist.

Mr. Speaker, I guess at Christmastime, shame on us. It is a horrible excuse of people here, and it is a horrible

excuse of attention we are giving to this subject. This bill is cruel, it is mean, and it is hurting the least viable part of our whole American family that we have, the infants and the children. We are taking away food, we are taking away health care, and we are taking away shelter from the people that need it most.

I guess Scrooge had it right. It is a Merry Christmas for some people, but not for the ones who need the help.

Mr. SOLOMON. Mr. Speaker, we just heard from the gentleman from Tampa, FL, and I now yield 2½ minutes to the gentleman from Sanibel, FL [Mr. GOSS], a member of the Committee on Rules, so we can now hear the other side of the story.

(Mr. GOSS asked and was given permission to revise and extend his remarks.)

Mr. GOSS. Mr. Speaker, I am not feeling paltry today, Mr. Speaker. I admit to being a little fatigued, but not paltry.

Mr. Speaker, I thank my friend from Glens Falls, for yielding me this time.

Mr. Speaker, I rise in support of this rule to allow us to consider the conference report on H.R. 4, the welfare reform bill.

Despite the conspicuous lack of consistent leadership from the White House, Congress has carried this bill through. There are two reasons we need this legislation. The first is that the current system is riddled with waste and abuse of tax dollars, and I am pleased that H.R. 4 will save taxpayers some $58 billion over 7 years. But more important than money, we need this reform because the existing system simply does not work for those who need it.

Instead, we have designed a new system that will identify and protect Americans in their times of real need but will eliminate the never-ending cycle of dependency and illegitimacy that the current status quo system has fostered.

With the help of the States, we are going to encourage people to work, to make them productive contributors to American society, giving them the dignity and sense of worth that a job provides.

For our children, this bill makes two key changes. It encourages parents to work, and it aims to break the vicious circle of teenage pregnancy by unwed mothers. These reforms, along with our efforts to reform education and public housing should help us make progress in our efforts to renew our cities and save our at-risk children.

Finally, Mr. Speaker, let us look at what H.R. 4 does not do. The President says funds for child care are being cut. Not true. They are going to go up faster under this bill than under current law. The President says that disabled children will not receive Social Security Income benefits. Not true. We are eliminating Social Security Income checks for kids that are hyperactive, but not for disabled children in need of special care.

This bill is a good bill and it is a promise that we made as part of the Contract With America. Once again we are keeping our promises.

I urge adoption of the rule and passage of this important bill.

Mr. Speaker, I will say that the status quo does not work. It is bad government. We know that. Everybody knows the system is broke. We know that scaring Americans with skewed statistics is bad governance, it is not the way to do it. The gentlewoman from California before me spoke and she said just say no to this rule; just say no to this bill.

There is a time to just say no, but this is not the time to just say no. This bill has been through the process. We are at the conference report process. Both houses have had a chance to work on it. I urge adoption. It is a good bill, it is a good rule, and there is no reason to say no.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentlewoman from Colorado [Mrs. SCHROEDER].

Mrs. SCHROEDER. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I must say everybody knows the politically popular applause line is to come down and bash people on welfare. But let me tell you, this welfare bill, if this passes, it will bring a whole new meaning to the phrase ''suffer the little children,'' because that is exactly what this welfare bill will do. It will be little children that suffer.

Now, people will stand up and tell you all sorts of things that we could do, and I would agree. I see the gentlewoman from New Jersey. She and I have worked forever trying to get some of these things done. But they are not being done.

We just saw the Health and Human Services report on how much child support is being collected in States. The State that is doing the best job is Minnesota, and they are collecting 38 percent. The gentleman from New York's State is getting about 15 percent. Florida is getting about 15 percent. You know, all these people are saying this, but they do not go out and do anything about it.

Car payments seem to be made in this country at a percentage of over 90 percent, and yet here these children are, and we blame the mother for struggling and trying to make ends meet. We do not do anything about the father. I am sorry, I hope all of you took biology class. None of these children got here with just the mother, and we let the father walk. Then, of course, other people who are working get angry that they are supporting that child. But constantly blaming the mother and blaming that child is the wrong thing to do. So saying to that child, ''Oh, we are going to show you; we will take your health care, we will cut back the aid to your family,'' is just not the right thing to do.

Real reform is terribly important. I am all for real reform. But the thing this body does not want to hear is that real reform takes a lot more money, because you have got to do job training, you have got to get the mothers up with a better skill base, and you have got to spend the money to enforce the child support payments that are not being done, and that is a shame.

Mr. SOLOMON. Mr. Speaker, I am glad the gentlewoman agrees with us that the main focus of this is so that all those male parents that left my State of New York and went to Colorado, now we can go after them and get them. We are going to.

Mr. Speaker, I yield 2½ minutes to a very distinguished gentlewoman from New Jersey [Mrs. ROUKEMA].

Mrs. ROUKEMA. Mr. Speaker, I rise in support of the rule and the bill. This is landmark legislation and it has my support. We must enact it now. The American people are demanding that we restore the notion of individual responsibility and self-reliance.

The system is currently out of control. Above all else, I want to stress, and here I find myself in contradiction to one of my closest colleagues, the gentleman from Ohio [Mr. HALL], he and I have worked together on numbers of issues regarding children, but I want to say that I not only want to restore self-reliance and responsibility, but we will not let innocent children go hungry and homeless. I believe that this conference report meets that test.

First, the bill requires welfare recipients to work, as have already been stated. It also places time limits on them. That has been talked about. The third thing this bill does is put a family cap in place, which means that mothers will not get extra cash benefits for having babies.

Here I want to report that New Jersey already has this policy in place, and it is working. It was initiated in New Jersey by Democrats, developed bipartisan support, and was enthusiastically signed by a Democrat Governor, and it is working.

Fourth, this bill has strong and effective child support enforcement. My colleague from Colorado, I have got to disagree with her. The heart of this bill is that it enacts the strong interstate child support enforcement measures that she and I have worked on for more than 10 years. It specifically requires interstate cooperation, and it gets to the heart of that issue that has been vexing us. It is strange how as soon as you threaten to remove a driver's license or a professional license, the money that was never there strangely shows up.That reform is in here. It is the Roukema amendment, it was retained, and it is in here.

Let me just say one more point, because it is very important, on the nutrition aspects. I opposed the House position on school lunches and WIC. I am pleased to say the Senate got it right. The Senate protects the school lunch program and keeps the WIC program, as the gentleman from Ohio [Mr. HALL] and I both desired.

Mr. Speaker, I would say that the President promised to end welfare as we know it. This is the bill where we can do that.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee [Mr. FORD].

Mr. FORD. Mr. Speaker, I want to thank my colleague from Ohio for yielding me this time.

Mr. Speaker, I rise in opposition to the rule on the conference report on welfare today. Mr. Speaker, Democrats on the Committee on Ways and Means and on this side of the aisle, we tried over and over and over again to work with the Republicans to fashion a welfare reform package that would respond to the needs of poor children in this country. We know that the Republicans who have reported this bill and this conference report, we have seen letters go from five Members of the Senate and from their side of the aisle that have indicated this is not what the Senate voted on and the Senate passed in their welfare package.

We look and see that since 1935 we have protected our poor children in this country through an entitlement program with AFDC. Two-thirds of the welfare recipients are in fact poor children in this Nation. It is sad to know that here on Christmas Eve, we would send a message to more than 1.5 to 2 million children who will drop right into the poverty thresholds with this welfare reform package that is before us today.

The Republicans talk about them being tough on work. This program is due to fail. It will fail. We ought to make sure that a welfare package in the recommittal motion by the Democrats will say to poor children that we will provide the protection you need. Yes, we want a strong work program as Democrats. The President wants a strong work program for the welfare recipients. Those who are able to work should work. We are in agreement with that. But when you see a work program that is due to fail, as we know that that which is in this Republican conference report that we will vote on today will, it suggests very strongly that this is a bad bill. The Republicans ought to be ashamed of a bill that is so cruel to our poor children in this country, and I would urge my colleagues to vote no on this rule.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee [Mr. CLEMENT].

Mr. CLEMENT. Mr. Speaker, 2 years ago five House Democrats, including myself, set out to end welfare as we know it. Mr. Speaker, I am disappointed today that the House and Senate conferees have presented the American people with welfare as we would never want to know it.

Ever since coming to Congress in 1988, I have been a strong advocate of a tough but reasonable welfare reform bill that empowers rather than punishes; one that calls for responsibility rather than dependence. The House Democrats and one Republican voted unanimously in support of our bill in March. Now we are given a conference report which is fundamentally different from that bill.

I want to highlight some of the differences. Our bill preserved the basic guarantees of assistance for poor, hungry, ill, disabled, abused, and neglected children and women. the conference report makes these guarantees optional. Our bill would retain the cash assistance entitlement, but the conference agreement eliminates this guarantee. Our bill maintains the AFDC program and the State match, while making needed reforms to AFDC. The conference agreement block-grants AFDC, allowing States to use the Federal funds as they wish.

Our bill would provide $8.6 billion over 5 years for work programs. The conference report is weak on work, providing no additional funds to states for work programs. If mothers or fathers are trying to escape welfare to work, they must have adequate funding for childcare. Our bill provides that increased Federal match for childcare. The conference agreement is at least $20 billion short in childcare funding. Our bill makes no changes to the successful school lunch and WIC programs. The conference report works toward eliminating this basic guarantee for low income children.

Vote ''no.''

□ 1230

Mr. SOLOMON. Mr. Speaker, I yield myself such time as I may consume to say that the gentleman is right, his bill is the status quo and ours is welfare reform.

Mr. Speaker, I yield 2 minutes to the gentlewoman from Kansas [Mrs. MEYERS] one of the most outstanding women ever to serve in this body. She will be leaving here next year. She will not seek reelection. She is from Overland Park, KS, and truly a compassionate Member and we will miss her.

Mrs. MEYERS of Kansas. Mr. Speaker, I thank the gentleman for yielding me this time and for his leadership and everyone who has been responsible for bringing this issue to the floor.

I rise in strong support of this rule and of this bill. My principal concern has been AFDC. I believe that one look at the statistics shows that what started as a program to help people has become an incentive to join the system.

In 1988, when we reformed welfare, we said that there would be 5 million families on welfare by the year 1988. Well, we hit that target in 1993. The system is out of control. In just 4 years, by the year 2000, if we do not make changes, 80 percent of minority children and 40 percent of all children in this country will be born out of wedlock.

There is a tremendous human cost to this. Statistically, we know that children who get a kind of a chaotic start in life, and many of these children do, not all of them, but many, without a father, without a lot of structure in their lives, they have more trouble throughout their lives with education, health and with crime. This bill has time limits and work programs and it ends the entitlement nature of AFDC.

Mr. Speaker, I believe that it will end the incentive to join welfare. The current entitlement system has been very difficult for Congress and the taxpayer because a child out of wedlock usually means that the Government pays for that child and supports the child until he or she is 18. A young woman who has two children out of wedlock can receive cash and benefits of $18,000 annually. In the cash grant of AFDC, the portion of Medicaid and food stamps attributable to the AFDC population, housing, WIC, Head Start, college, day care, transportation, the cost to the taxpayer annually is $70 billion a year.

Mr. Speaker, we must insist for both human reasons and money reasons that we get control of this entitlement and control of the cost. Support the rule and the bill.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentlewoman from California [Ms. LOFGREN].

Ms. LOFGREN. Mr. Speaker, I rise in opposition to this rule. Until this year, I was a member of a local government, and we actually had the responsibility to make AFDC work; and I ran for Congress wanting to change welfare as we know it. We do need to make changes.

As I listen to the debate here, I am mindful that many of the people in this Chamber have never had to actually make these programs work at a local level. It is not the Governors who make this work, it is the counties and cities throughout our country.

I have here a letter I received today from the League of Cities, the National Association of Counties, and the U.S. Conference of Mayors, urging us to vote ''No'' on the welfare reform conference report. They understand that block granting in their words, ''dismantles the critical safety net for children and families.''

They point out that without an individual entitlement they will not have sufficient funds to provide child protective services. They say the restrictions on legal immigration go too far and will transfer costs to local government. They point out that the block granting of child nutrition programs is wrong in that a child's educational success is essential to the economic well-being of our Nation's local communities. And, they say the welfare reform conference agreement would shift costs and liability and create new unfunded mandates for local governments, leaving them with two options: cut other essential services, such as law enforcement, or raise revenues.

Earlier this week I called two people upon whose advice I rely: a friend who is an administrator of my county and a Catholic priest, and they both urged me to vote against this conference report for similar reasons. It does not adequately emphasize the well-being of children. I came here to reform welfare, not to dismantle it for a simple

budget cut. This bill does not achieve reform, it just achieves a cut.

Finally, I wanted to say that I saw an article in my local paper today by Governor Pete Wilson urging that we support this legislation and suggesting that he has exhibited creativity. Do not make me laugh. All he has done is taken local governments' property taxes, and unloaded the problems on them.

I would urge a ''no'' vote and hope that we get back to a real reform of welfare.

Mr. SOLOMON. Mr. Speaker, yielding myself 30 seconds, I would point out to the gentlewoman that, first of all, she should speak to her Democratic Members of the Committee on Rules. They all support this rule, as they should, because it is an ordinary customary rule.

Second, having serving as a town mayor, a county legislator and a State legislator, and 17 years in this Congress, I assure the gentlewoman this is a step in the right direction and we are going to pass this bill and get true welfare reform in this country.

Mr. Speaker, I yield 1 minute to the gentleman from Ocala, FL, Mr. CLIFF STEARNS, another Floridian who is an outstanding Member of this body. He has done more to help us balance this budget than anyone I know.

(Mr. STEARNS asked and was given permission to revise and extend his remarks.)

Mr. STEARNS. Mr. Speaker, I rise in support of the rule and this bill. Let me say to the people on this side of the aisle, no one party has a corner on compassion. For 30 years we have had this program and we have spent $5 trillion. It has become obvious to the Democratic Party and obvious to our party that this program, as it is configured now, does not work and we have to change it.

For some of my colleagues to come on the floor all the time and say they have all the compassion, really the compassion comes when we try to take away, when we take an individual and take away their incentive to work. What happens is they do not want to work. We have doomed their life to continued dependency. That is not being compassionate, and that is what the debate is about. To show compassion is to give individuals incentive.

We must instill in our young people a sense of pride that can only be realized through hard work and personal achievement. What is wrong with that? This country was founded on the work ethic. Passage of this legislation sends a clear signal that we are no longer going to subsidize and reward individuals who have chosen to take a check instead of a job.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. LEVIN].

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, let it be clear that the status quo on welfare is dead. It needs to be changed. The House Democrats put together a proposition to change it. The key is getting the parents off of welfare into work and not punishing the kids. Punishment of children is not welfare reform, it is getting their parents off of welfare into work.

Here is the problem with the conference report, it is weak on work. The CBO estimates in the year 2002 that this conference report will be $7.5 billion short in terms of assistance to get people into work and child care. It is weak on work and it is tough on kids.

Just read the letter signed by four, I think more than that, Republican Senators, and they pick out the food stamp cuts of $30 billion, the SSI benefit cuts of 25 percent for 650,000 kids, the foster care changes, the legal immigrant provisions. These are extreme provisions.

Here is what the Republican Senators say. ''We are dismayed at what is in the conference report. We have our strong reservations about this agreement.''

Mr. Speaker, we have not worked here on a bipartisan basis. We have a highly partisan bill here that aims at a political message, but misses the key to welfare reform, moving parents off of welfare into work and not punishing their kids. We Democrats stand for that. Once this bill is turned down, and the President has said he will veto it, we will then turn and together work for true welfare reform that gets the parent into the work force without, as the Republicans do, punishing their children. Let us vote no on this conference report.

Mr. SOLOMON. Mr. Speaker, I yield 1 minute to the gentleman from Florida, Mr. CLAY SHAW, who, as chairman of the subcommittee, along with Chairman of the full committee, the gentleman from Texas, BILL ARCHER, is one of the two outstanding Members that have had so much to do with this. I yield to him to respond and to give Members the straight story.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, the last speaker, the gentleman from Michigan [Mr. LEVIN], on the floor, I have enjoyed working with him in the subcommittee and he and I have had a lot of conversations on and off the floor, in the subcommittee. We all want to do the right thing, and I applaud him for putting forth the fact that the welfare system that we have today is archaic, it is wrong, and it is bad.

But I want to point out a couple of things that I do not think the Senators were aware of that wrote the letter he referred to, and that I am not sure the gentleman from Michigan [Mr. LEVIN] is aware of.

Under the new baseline, we are spending more in this bill on Aid to Families with Dependent Children than we do under existing law. With the funding level that we have in child care, an area that I have spoken to the gentleman from Michigan [Mr. LEVIN] about several times, and I know he is very concerned about, there is an additional billion, which puts us way above, over a billion dollars over the Senate bill, which is the one the four Senators that he referred to voted for.

The question of the cuts in SSI. They were only for those children who are not seriously afflicted and it is recognizing that we need to keep full funding for those children who are truly disabled. It is a compassionate bill, a good bill, a good rule. I encourage the House to vote for the rule and for the bill.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Maryland [Mr. WYNN].

Mr. WYNN. Mr. Speaker, I thank the gentleman for yielding me this time.

I rise today to oppose this rule because it is a bad rule supporting a bad bill. I am for welfare reform and I am for work requirements. The problem is that this bill fails in the commonsense department.

Let us turn to the CBO, their sacred cow for fiscal analysis. CBO says this bill cannot fund the work program. It cannot provide the training necessary. It says it falls $5.5 billion short in the year 2002. Over the 7 years, this bill is $14 billion short in what is needed to provide adequate employment and training.

In fact, their original Contract on America had $10 billion in it for employment and training. What happened? That is not in the bill.

Let me tell Members what the people of Maryland think. My Governor has already spoken on the subject, and he says, quite frankly, the idea is good, but the funding is grossly inadequate to support employment and training. We cannot take people who are out of work, who are low-skilled and expect them to go into the work force without training. There is no employer around, no matter how willing this person is to work, that will hire them without some level of training.

If we are serious about welfare reform and work requirements, we ought to put in the necessary funds for the training programs and not pass the buck on to the States.

What else is wrong with this bill? The child care is inadequate. That is the second component. We cannot expect women with two and three children to go to work without adequate child care. Right now States provide funds for the working poor. But with these new people coming onto the rolls, the States will not be able to afford to pay adequate child care. This bill falls $6 billion short in terms of providing the necessary child care programs.

Again, we go back to the CBO. CBO figures show that the legislation will force States to choose between maintaining current levels of child care assistance for working poor families and providing child care resources for these new families that are coming on.

So Mr. Speaker, the issue is not defending the status quo. We on the

Democratic side do want welfare reform, we just want to make sure it works, and that requires common sense, something that is sorely lacking in the Republican approach.

Mr. SOLOMON. Mr. Speaker, I yield 1 minute to the gentlewoman from Jacksonville, FL, Mrs. TILLIE FOWLER, another outstanding woman Member of this body.

(Mrs. FOWLER asked and was given permission to revise and extend her remarks.)

Mrs. FOWLER. Mr. Speaker, I strongly urge passage of the rule for consideration of the conference report on H.R. 4. This historic legislation will fix a welfare system which has become so badly broken that it perpetuates dependence, illegitimacy, and hopelessness.

H.R. 4 reduces the intrusiveness of the Federal Government and provides flexibility for States and localities to meet the greatest needs.

It contains several provisions which discourage illegitimacy and encourage family responsibility, including one which allows States to deny additional benefits to parents who have additional children while on welfare. It provides for the creation of a nationwide tracking system for child support payments which will crack down on deadbeat parents.

In encourages independence by requiring adults who receive cash benefits to work or attend school and limiting their benefits to 5 years.

It also saves $58 billion in outlays over 7 years—while continuing to maintain a safety net for those in our society who are the most vulnerable.

This legislation is long overdue, and I urge passage of the rule and of the conference report.

□ 1245

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey [Mr. PALLONE].

Mr. PALLONE. Mr. Speaker, I have two children who are very young, and they were actually on the floor the other day. I also served in the State legislature in New Jersey for 5 or 6 years, and I mention that only by background because I am very concerned about the policy impact of this conference agreement and what it means for children in this country and my home State and other States.

Mr. Speaker, I am concerned particularly about the elimination of the entitlement status. What I see happening in this conference report, and in many ways it is a lot worse than the bill that originally passed this House, is that we are making it a policy, essentially on AFDC, on Medicaid, to some extent also on some of the other programs, that it will be up to the States to decide who is eligible and what kind of cash benefits children get.

Mr. Speaker, I think that because we are dealing with such a vulnerable population, particularly with AFDC recipients, the tendency always is if there is a budget crunch, to cut back on the vulnerable amongst our population because they do not have the political clout. They are not the ones who can go to the State legislature and say, ''We are not going to vote for you, or vote one way or another, because of your position on these benefits.''

Mr. Speaker, if we look at the statement that some of the Senators made, that some of the Republican Senators made in the letter that they sent to Senator DOLE, they pointed out, for example, with regard to Medicaid, that unlike the House and the Senate bills, Medicaid no longer is an entitlement under this bill. They estimate, the Republican Senators, that we could be denying Medicaid eligibility to millions of women and to children over the age of 13.

Mr. Speaker, the same thing is true with SSI benefits, that due to significant changes in the definition of disability, the conference agreement would create a new 2-tiered system of eligibility which would result in a 25-percent reduction in SSI benefits.

Mr. Speaker, my concern here is that if we do not provide the entitlement status for some of these programs, whether it is Medicaid or AFDC, and then as the gentleman from Maryland said, we actually cut the amount of money that is available by as much as $14 billion, where are we going? A lot of people who are now receiving these benefits will not receive them. It is unconscionable and we have the obligation to ensure that the guarantee is there.

Mr. SOLOMON. Mr. Speaker, how much time is remaining on either side?

The SPEAKER pro tempore (Mr. TORKILDSEN). The gentleman from New York [Mr. SOLOMON] has 7½ minutes remaining, and the gentleman from Ohio [Mr. HALL] has 6 minutes remaining.

Mr. SOLOMON. Mr. Speaker, there are 73 new Members on our side of the aisle, new Members of this body. Mr. Speaker, I yield 2 minutes to the gentleman from Iowa [Mr. GANSKE], one of the outstanding new Members.

Mr. GANSKE. Mr. Speaker, not too long ago I was a physician taking care of young women and their children who are on welfare. My heart would go out to them, because very rarely would there be a dad with them. One of the reasons that I so enthusiastically support this rule and this bill is because it has significant improvements in the child support enforcement.

Mr. Speaker, it requires States to have automated case registries of child support ordered. It requires States to establish automated State directories. It allows States to use information for establishing paternity and forcing child support obligations and tracking. It establishes an automated Federal case registry of child support orders. It requires States to have specific laws related to paternity establishment, including a single civil process for establishing paternity. It requires States to tighten laws preventing the transfer of income or property for the purpose of avoiding child support payments.

These are all good things, long overdue, that this bill will significantly help.

Mr. Speaker, I have also been very concerned about nutrition, and I am happy that the conference report adds back $1.5 billion in child nutrition programs. The School Lunch Program continues to grow, as under current law. There are no cuts from the CBO baseline. The reimbursement rate for school lunches and breakfasts remains the same as under current law. The savings in the child nutrition program come mainly from setting up a 2-tiered system. This was proposed by President Clinton himself.

Basically, the 2-tiered system says that if communities have child care in low-income areas, they continue to get a higher reimbursement; but, if they have child care for families that are not poor, then they have to pay a little bit more in those areas. But, Mr. Speaker, if they can establish that the majority of the children in that child care program are from poor families, then they get the higher reimbursement. This is reasonable and I support the rule and the bill.

Mr. Hall of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. KENNEDY].

Mr. KENNEDY of Massachusetts. Mr. Speaker, there is a lot of controversy that takes place about who ought to get credit for reforming welfare. It is almost as though this is a new issue. But I remember as a boy growing up hearing my father, Robert Kennedy, talk about the fact that welfare was a program in dire need of reform; that it has created a whole cycle of dependency; that we had a situation that had developed in so many of our Nation's cities that people had grown used to welfare as a way of life; and, that we had to break that cycle of dependency.

Mr. Speaker, I remember great speeches by Franklin Delano Roosevelt talking about people on the Government dole and the devastating and debilitating effects of being on the Government dole for the way of life and self-determination of those individual families. This is not a new issue.

But, Mr. Speaker, there is a sense that there is a lot of common ground between Democrats and Republicans about the fact that we need welfare reform. We do need welfare reform. We ought to tell people clearly that we do not want a system where they are rewarded and given something for nothing; that they can expect to have welfare without going out and getting a job; that we want to create any kind of signal that says that recipients ought to go out and have children on the welfare system.

Mr. Speaker, those are the areas of commonality. That is not what the difference is between what the Democrats have stood for in the bill that I voted for, and that many of my colleagues have voted for, and the bill that is before us today.

Mr. Speaker, the bill that is before us today is a mean-spirited attempt not to put people to work, but is a mean-spirited attempt to go out and gut the very programs that provide for our children with cerebral palsy, that provide for our children with Down's syndrome, that go out and cut the SSI Program, cut the Food Stamp Program.

My Republican colleagues sit there under the guise of welfare reform and try to hurt little children in America. They call that reform. Mr. Speaker, it is not reform. It is the mean-spirited dollars necessary to provide a tax cut to the wealthiest people in this country at a time when we ought to be looking out after how to break the cycle of dependency and not create one for the wealthy.

Mr. SOLOMON. Mr. Speaker, I am tempted to yield myself some time right now to respond to the gentleman from Massachusetts, but I will withhold until I conclude.

Mr. Speaker, I yield 1 minute to the gentleman from Stephensburg, KY [Mr. LEWIS], an outstanding Member of this body.

Mr. LEWIS of Kentucky. Mr. Speaker, it seems we keep hearing the word ''extreme'' and ''mean-spirited'' and that we are ''gutting'' the welfare program, but I just want to address that just for a minute.

Mr. Speaker, I am holding an editorial by one of the fine newspapers in Kentucky, the Owensboro Messenger-Inquirer. In a Tuesday editorial they say, ''The Republicans have a sensible idea in moving decision-making authority closer to the frontlines,'' but then they make the mistake so many on the left do when describing our plan, just as the previous speaker, they suggest that it will fail because it spends less money than the current system. Wrong, wrong, wrong.

The Republican welfare reform will increase spending by one-third over the next 7 years from $83 billion to more than $111 billion. So, I say to my friends on the left, and to the Messenger-Inquirer for whom I have a great deal of respect: If you like moving power back home and want more welfare spending, you have got it. True, we may not be spending as much on welfare as you would like but $5 trillion over the last 30 years shows just throwing money at the problem is not the answer .

Mr. HALL of Ohio. Mr. Speaker, I yield 1 minute to the gentlewoman from North Carolina [Mrs. CLAYTON].

Mrs. CLAYTON. Mr. Speaker, I rise in opposition to this rule, and I rise in opposition to the rule because it is not really about reform. We need welfare reform, but this bill actually is a taking away of opportunity. In fact, it has been estimated that 1.3 million children will be denied opportunity through this bill.

Mr. Speaker, this is not the way we should talk about family values. Some of us feel that as we talk about family values we can scapegoat the poor. We can say that those children who happen not to be born in the prescribed way of a family, we should deny them food, deny them health care. That is unthinkable; unthinkable especially in the season of Christmas. Twenty-five percent of SSI benefiting kids with severe disability will be denied that opportunity. Is that reform? Is that taking?

Consider also AFDC children on Medicaid, that eligibility will now be determined by each State. Each State will decide as they proceed. School lunch, we would deny even feeding children, the least among us. This is not reform. This is taking from America's children.

Mr. SOLOMON. Mr. Speaker, I yield 1 minute to the gentlewoman from Utah [Mrs. WALDHOLTZ], another outstanding freshman woman, a member of our Committee on Rules, who has had so much input in dealing with absent fathers.

Mrs. WALDHOLTZ. Mr. Speaker, I am pleased to stand in support of this rule and this bill. One of the fundamental principles of this bill is that people should be encouraged and rewarded for work, and this bill gives them that chance.

But parents cannot reasonably be expected to work their way out of dependency if their children are not safely cared for. So Mr. Speaker, I am glad that the conferees added additional funds for childcare even above the House-passed amendment sponsored by the gentlewoman from Connecticut [Mrs. JOHNSON], the gentlewoman from Ohio [Mr. PRYCE], the gentlewoman from Washington [Ms. DUNN], and I, that added more money for child care for low-income working parents.

Mr. Speaker, I also want to commend the conferees for including our provisions to make interstate enforcement of child support orders easier and less expensive. It is important that parents meet their obligations to their children, and this bill will help us require that of parents in divorce situations.

Mr. Speaker, I urge my colleagues to support this bill and this rule.

Mr. HALL of Ohio. Mr. Speaker, I yield 2 minutes to the gentlewoman from Texas [Ms. JACKSON-LEE].

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I hope that we can engage my colleagues to the right in an intelligent, quiet, reasonable, and respectful dialog. Could my Republican colleagues do me a favor today? Stop painting those children and welfare recipients as bad people. Can we not come together to recognize that they cry out for a helping hand, not a handout?

Mr. Speaker, the gentleman from Ohio [Mr. HALL] has been a fighter for hungry children. Welfare reform is about hungry children. And Mickey Leland, a predecessor in the 18th Congressional District, as I stand here remembering his spirit, he reached out for hungry children. This welfare reform is not that.

Mr. Speaker, it is a bad rule, it is a bad bill, because it does not provide an entitlement. Yes, America; I am going to say that. Not because I have not gone on record for welfare reform. I am proud to be part of 14 Democratic freshmen who came in on reform. But, Mr. Speaker, when I talk to my Republican colleagues, they tell me they want people to work.

Mr. Speaker, this bill does not have a working provision. I am less eloquent than my colleagues in county government, city government, and the U.S. Conference of Mayors who have said to me today there is no safety net. They are on the ground at home.

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They represent you Republicans and Democrats and independents alike. It is not me on the House floor. My colleagues at home have said, ''Help us.''

This is a bad rule, a bad bill. There is no work.

And, yes, 350,000 children, Down syndrome, cerebral palsy, muscular dystrophy, cystic fibrosis, and suffering from AIDS, they will lose their SSI, excuse me, 650,000. Can we stop calling these people bad? Can we insist upon the kind of collegiality that knows that your bill is bad because it does not help people who want to transition?

I cry out on behalf of Mickey Leland and others who believe that hungry children should be fed. Vote this rule down and vote this bill down.

Mr. Speaker, I am inserting at this point in the RECORD a letter from the National League of Cities, National Association of Counties, and the U.S. Conference of Mayors, as follows:

DECEMBER 19, 1995.

DEAR REPRESENTATIVE: On behalf of the nation's local elected officials, we are writing to urge you to oppose H.R. 4, the conference agreement on the Personal Responsibility Act. Although the conferees agreed to some changes in the areas of foster care and consultation with local governments, we cannot support the final conference agreement which fails to address many of the other significant concerns of local governments. In particular, we object to the following provisions:

1. The bill ends the entitlement to Families with Dependent Children, thereby dismantling the critical safety net for children and their families.

2. The bill places foster care administration and training into a block grant. These funds provide basic services to our most vulnerable children. If administration and training do not remain an individual entitlement, our agencies will not have sufficient funds to provide the necessary child protective services, thereby placing more children at risk.

3. The eligibility restrictions for legal immigrants go too far and will shift substantial costs onto local governments. The most objectionable provisions include denying Supplemental Security Income and Food Stamps, particularly to older immigrants. Local governments cannot and should not be the safety net for federal policy decisions regarding immigration.

4. The work participation requirements are unrealistic, and funding for child care and

job training is not sufficient to meet these requirements. One example of the impracticality of these provisions is the removal of Senate language that would have allowed states to require lower hours of participation for parents with children under age six.

5. We remain very concerned with the possibility of any block granting of child nutrition programs. A strong federal role in child nutrition would continue to ensure an adequate level of nutrition assistance to children and their families. School lunch programs are necessary to ensure that children receive the nutrition they need to succeed in school. Children's educational success is essential to the economic well-being of our nation's local communities.

6. The implementation dates and transition periods are inadequate to make the changes necessary to comply with the legislation. We suggest delaying them until the next fiscal year.

As the level of government closest to the people, local elected officials understand the importance of reforming the welfare system. However, the welfare reform conference agreement would shift costs and liabilities and create new unfunded mandates for local governments, as well as penalize low income families. Such a bill, in combination with federal cuts and increased demands for services, will leave local governments with two options: cut other essential services, such as law enforcement, or raise revenues. We, therefore, urge you to vote against the conference agreement on H.R. 4.

Sincerely,

GREGORY S. LASHUTKA,
*President, National League of Cities, Mayor, Columbus, OH.*
DOUGLAS R. BOVIN,
*President, National Association of Counties, Commissioner, Delta County, MI.*
NORMAN B. RICE,
*President, The U.S. Conference of Mayors, Mayor, Seattle, WA.*

Mr. HALL of Ohio. Mr. Speaker, I yield myself such time as I may consume.

I would just conclude by saying that the U.S. Catholic Conference, Bread for the World, Lutheran Social Services, they oppose the bill. The National League of Cities, the National Association of Counties, the U.S. Conference of Mayors, they oppose the bill.

I think many of us, probably all of us in the Congress, we ran on the campaign, part of our issue was on welfare reform. We never expected welfare reform to be taking money away from children relative to food, shelter, and medical expenses. And I guess this bill is OK, I guess this bill is OK if you are a healthy person or you are a healthy child. But if you are going to eat a couple of meals a day or less, this bill is going to hurt you.

So we really ask, on this side, that you oppose this bill and oppose this conference report.

Mr. Speaker, I yield back the balance of my time.

Mr. SOLOMON. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, my good friend, the gentleman from Ohio [Mr. HALL], for whom I have great respect, has said he did not expect us to do what we said we were going to do. Ladies and gentlemen, we are here today doing exactly what we said we were going to do. This is part of the Contract for America.

I just have sat here patiently for an hour listening, and I have kept track of all the speakers, I say to the gentleman from Ohio [Mr. HALL], from your side of the aisle, and every speaker without exception that I could find appears on the National Taxpayers' Union list of big spenders.

Almost every speaker from that side of the aisle has talked about maintaining the status quo. Ladies and gentlemen, what is compassionate about maintaining the status quo? It is a total failure.

I have heard the gentleman from Massachusetts [Mr. KENNEDY] stand up and talk about people in poverty. Let me tell you something friends, I was born 65 years ago into poverty. My dad walked out on my mother and me the day I was born. We never saw him again.

Ladies and gentlemen, we went through hell for 10 years. There were no jobs, and my mother would not take a nickel of welfare, and we fought our way out of it. That is what this bill does.

This bill changes that status quo, and God knows we need it. Let us give the poor people the work ethic. Let us put them back to work so there is no need for all of this kind of welfare.

Compassionate is balancing the budget, lowering this deficit so that our children and grandchildren have a chance to buy a home, to buy a car, to be able to afford it and not pay all of the increased interest that is there because of our fiscal irresponsibility over all of these years.

Let us just try something different. This bill, when it left the House, had $100 billion in savings. You know what it has today now that it is back here in the conference report? Only $58 billion. Everyone on your side of the aisle ought to say, OK, this is a compromise; it is not as tough as it was when it went out of here, like I want it to be.

So come over here, vote for this rule. It is a normal, customary rule, nothing unusual about it. It passed on a voice vote with all Democrats voting for it last night at midnight. Come over here and vote for the rule. Use your good judgment, but vote for something that is different. Vote for change.

Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. ARCHER. Mr. Speaker, I call up the conference report on the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending, and reduce welfare dependence.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. LINDER). Pursuant to House Resolution 319, the conference report is considered as having been read.

(For conference report and statement, see prior proceedings of the House of today, Thursday, December 21, 1995.)

The SPEAKER pro tempore. The gentleman from Texas [Mr. ARCHER] will be recognized for 30 minutes, and the gentleman from Florida [Mr. GIBBONS] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Texas [Mr. ARCHER].

Mr. ARCHER. Mr. Speaker, I yield 2½ minutes to the gentleman from Pennsylvania [Mr. GOODLING], the chairman of the Committee on Economic and Educational Opportunities.

(Mr. GOODLING asked and was given permission to revise and extend his remarks.)

Mr. GOODLING. Mr. Speaker, I rise to talk about a portion of the bill that should make everyone happy, I mean everyone should be happy about the portion I am talking about, and that deals with school lunches and school breakfasts.

The House position was maintained as far as the reimbursement issue is concerned. We said no reduction in reimbursement without great flexibility for the provider. We kept the present reimbursement rates for school lunches and breakfasts.

Second, we make the school food service people very, very happy, and we do that by streamlining and eliminating the piles of rules and paperwork that they have to deal with every year. When they come here to testify before our committee each year, they say, ''We could feed more youngsters and we could do a better job if you would just get rid of some of the paperwork.'' So we have taken care of that and made the school food service people very, very happy.

At the same time, we allow the schools to use the old meal pattern as long as they meet the dietary guidelines.

Now, we do a third thing that should make everyone happy. Fifty percent of the youngsters who are eligible for free and reduced prices meals are not participating; I repeat, 50 percent who are eligible, free and reduced-price youngsters are not participating. That means in all probability we are trying to educate them on empty stomachs because I do not imagine they had money for breakfast. I do not imagine they had money for lunch. So we are going to try to do something about that 50 percent.

I am not worried about the 54 percent who are paying customers that do not participate, because I assume they have money. But we must do something about the 50 percent eligible for free and reduced-price meals who are not participating. What we do, we allow a 7-State demonstration program to see if those States can increase the participation, particularly for those most in need.

We keep the same nutrition guidelines. They must serve the same people. The same guidelines are in place,

but we give them an opportunity to see whether they cannot do something about bringing the 50 percent who positively need the program into the nutrition program.

So, again, I repeat, everyone should be happy with the portion that deals with breakfast and lunch because I think we have tried to satisfy every need that is out there.

Mr. Speaker, today marks a milestone in our efforts to reform, repair, redo the current system by which assistance is provided to many of our needy citizens. The current system has too often failed to truly help. It has encouraged dependence rather than independence. And it has failed the test of fairness to those who pay for it, the taxpayers.

This conference report comes at the end of a long and often difficult process. I want to express my appreciation of my colleagues who have not only worked so hard to achieve a conference agreement but stood firm in helping us negotiate with the other body to achieve a final agreement. I especially want to express my appreciation to the Speaker and to the majority leader, as well as to Chairman ARCHER and Chairman SHAW for their leadership during the conference with the Senate. Our committees have worked extremely close and extremely well together to bring this conference agreement to the floor.

Mr. Speaker, the American people have rightfully demanded change in the welfare system. This conference report delivers change. It is a good package, and it deserves the support of the House and of the Senate, and the signature of the President.

The conference report reflects the principles which we set out at the beginning of this process, and which, overwhelmingly, the American public supports. First of all, it reflects the recognition that no one, including those of us in Washington, has all of the answers as to what works best. One-size-fits-all mandates do not work well. States and communities must be given flexibility to meet their needs and the needs of those who require assistance.

Second, the conference report emphasizes that the purpose of welfare should be a temporary stop on the road back to independence, and the best way off welfare is a job. The work requirements under this legislation, spearheaded by Mr. TALENT and Mr. HUTCHINSON, will have a profound impact on the nature of welfare. Under this legislation, individuals on welfare for more than 2 years will be required to participate in a State work program. In addition, States will be required to meet strict Federal work participation rates, starting at 15 percent of their caseload and increasing to 50 percent by the year 2002.

The legislation allows for up to 20 percent of the State's participation to be met by vocational educational programs. The remainder must work at least 20 hours per week in actual work settings. By the year 2002, those hours are increased to 35 hours per week.

One of the problems with past work efforts has been the lack of effective sanctions for failing to participate. Under the conference report, individuals failing to work the required number of hours will have their benefits reduced accordingly.

I have maintained along that in order for welfare reform to work, there has to be sufficient provision for child care. I am pleased that we have been able to do that in this conference report. The conference report makes major improvements to child care. It provides more federal money for child care, it allows for a more efficient system for helping parents pay for child care, and it expands parental choice in child care providers.

The conference agreement streamlines 8 separate child care programs into a single program. This consolidation eliminates conflicting income requirements, time limits, and work requirements among the various current programs. These conflicting requirements have in too many cases become obstacles to independence from welfare, rather than programs assisting in reaching independence.

Under the conference agreement, child care funding is increased to $18 billion over 7 years. According to CBO, this increases the amount of child care funding over current law by $2.3 billion. The conference agreement simplifies child care programs by reducing Federal mandates, while ensuring that States provide for quality improvement activities and consumer education. Additionally, States must certify that procedures are in effect to ensure child care providers comply with all applicable State and local health and safety requirements and must certify that licensing standards for child care are in effect in the state.

We have worked hard, with the Ways and Means Committee, to improve and streamline the terribly fragmented and ineffective and inefficient array of programs that are supposed to help some of our most vulnerable people, children caught in abusive families and families that have otherwise been destroyed. It was with the best of intentions, I am sure, that all of these separate programs have been created. But the result is a maze of programs and a mountain of paperwork for States trying to make their child protection systems work. The legislation reduces the current maze of 18 different child protection programs into a streamlined system aimed at protecting children and reducing paperwork imposed on States.

Among other changes, the conference report combines numerous separate categorical programs which have been under our committee's jurisdiction into a new ''Child Protection Block Grant.'' The block grant will give States more flexibility in how they can best use these funds. At the same time, we maintain Federal oversight as to how these funds are used, and seek to insure, through certifications which the State must make in order to receive funds, that States will have effective child protection systems.

As my colleagues know, the child nutrition provisions of this bill were amongst the most difficult to resolve. Specifically, with regard to the school lunch and breakfast programs, I have maintained all along that, contrary to the claims of some of those who have demogogued one this issue, all is not well with the current programs. That is pretty obvious from the fact that only about 50 percent of the children who are eligible for free and reduced price meals even bother to take them. They'd rather pay for other food, or not eat, I guess, than take the meals that we offer for free or low cost.

The House position has been that any reduction in the rate of spending for these programs must be accompanied by greater flexibility for States and schools. Otherwise we simply make the situation even worse.

The conference report maintains the House position in that regard. It makes no changes in reimbursement rates for school lunches and breakfasts. At the same time, we have created a demonstration program, to allow up to 7 states to test the idea that if we give States a set amount of money, they can do a better job of serving low-income children than in the case with current program dictated from Washington.

While not reducing reimbursement rates, we have improved the current program by eliminating a number of obsolete and unnecessary provisions and streamlining some of the piles of rules and paperwork that have burdened schools is running the nutrition programs.

I want to mention specifically the issue of nutrition standards, which are provided for in the legislation, both in the existing school lunch program and in the demonstration program. No one is in a better position to determine what methods school food authorities should use to ensure that school meals adhere to the Dietary Guidelines for Americans than the school food authority itself. The changes which the conference committee has made to section 9(f) of the National School Lunch Act, with identical language carried over to the demonstration program, are intended to give school food authorities the ability to use the method they determine is best suited to their individual needs. This includes the meal pattern regulations in effect during the 1994-95 school year, in addition to the methods described in the National School Lunch Act.

In addition, the conference agreement achieves savings by targeting, for the first time, funds under the family day care food program toward more needy families. Currently there is no means testing of this program. While I would prefer to go further, and fully means test this food program like we do all other food programs, at least we made some headway in targeting funds toward more needy families.

Mr. Speaker, as I said at the beginning of my comments, this is a good bill. It makes major changes, and at the same time addresses the concerns which the President and others have had, such as sufficient funding for child care. We have listened to these concerns, and addressed them. The question now is, Will President Clinton have the courage to stick by his pledge to the American people to end welfare as we know it, or will he cave in to those who demand to keep the current failed welfare system? I urge my colleagues to vote for the conference agreement, and I urge the President to join with us in truly reforming the failed welfare system.

Mr. GIBBONS. Mr. Speaker, I yield myself 30 seconds, and before I begin to speak, I would ask unanimous consent that I be allowed to yield my time to the gentleman from Tennessee [Mr. FORD], the ranking minority member on the Committee on Human Resources, and that he be granted authority to yield time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. GIBBONS. Mr. Speaker, this is a lousy bill. The President is going to veto it so it will not ever become law.

The idea of giving block grants for this is like putting the money where the problem was a couple of years ago, not where the problem is today.

This bill is mean to children. Children are 70 percent of this bill, infants and children. It is mean to sick children, and it just should never become law.

We need welfare reform. Let us start over again, though, on this.

Mr. FORD. Mr. Speaker, I yield myself 30 seconds.

I would just like to point out the National League of Cities and the National Association of Counties and the U.S. Conference of Mayors, they have all indicated that this bill ends entitlement for Aid to Families with Dependent Children, thereby dismantling the critical safety net for our children and our families.

We have a letter also from five Senate Members addressed to the majority leader in the Senate praising the Senate for their work on the vote of 87 to 12 in passing the welfare package. But they wrote a letter saying that they have strong reservations about this agreement that is before the House today in this conference report, and I would urge all of my colleagues to take a look at this to see that this is a bad bill for children in this Nation and the welfare population.

Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. RANGEL].

(Mr. RANGEL asked and was given permission to revise and extend his remarks.)

Mr. RANGEL. Mr. Speaker, my colleagues, this is the night before Christmas, and history will record that the majority of the Members in this House decided that their priority before we go home for the holidays is to cut taxes by $245 billion. Sixty billions of those dollars will come out of the welfare program, and 70 percent of those dollars would normally go to children.

It has not been that many years ago we used to go to countries in South America and see people sleeping and living in the streets, and we said, ''Oh, how disgusting.'' and now in every major city throughout these great United States we find those homeless children and homeless people.

In some of the countries the families just kicked the kids out into the street to rob, to steal, to beg, and we say, ''Never in this country,'' and yet right now we are saying that this Federal Government will have no obligation to those children, that it would be left up to the Governors to decide what they should do. If the Governors decide that they cannot or will not do it, then they say, ''Well, let the mayors do it.'' The mayor says, ''For God's sake, don't give us that responsibility.'' But all of the Republicans say, ''It is part of the contract, that just because you are poor and blind and disabled, you are not entitled. The only thing you are entitled to is to go to the charities.''

And so, my brother and sister, what do they say? The National conference of Catholic Bishops say, ''Don't retreat from the Nation's commitment. Protect the poor children.'' The churches of the U.S.A., the American Jewish Congress, the National Councils of Churches, the United Church of Christ say, ''Don't appeal to affluent people at the expense of the poor children.''

This is the night before Christmas. Who would you want to listen to? Wall Street or our spiritual leaders?

Mr. ARCHER. Mr. Speaker, I yield myself 4 minutes.

Mr. Speaker, this is truly an historic day. With this vote we arrive at a defining moment in our Nation's welfare reform debate.

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At long last, the Congress and this President have an opportunity to show that we mean what we say.

We bring forward today a great bill, which includes participation and input from many Members on both sides of the aisle and the White House, a bill that after too long in waiting does truly reform our Nation's failed welfare system; not by rhetoric, but by substance. It turns today's welfare trap for the needy into a trampoline to self-sufficiency.

With this bill, we fulfill our promise to replace the failed welfare state, so that America's poor can achieve independence and enjoy successes that come from work. This bill achieves long overdue welfare reform by stressing work, personal responsibility, and the return of power and flexibility to the States.

Under this bill, welfare spending will continue to grow, by an average of 4 percent per year over the next 7 years.

The agreement provides more funds for childcare than under current law, but because the overall rate of growth in welfare spending is moderated, the conference report contributes to the goal of balancing the Federal budget by providing about $58 billion in total savings, relief for hard-working, tax paying Americans, who bear the load.

Finally, this agreement reflects a reenergized partnership with the States. For too long the needs of the poor have floundered on the flawed belief that Washington alone has all the answers; that Washington alone can provide for every need. It cannot, and it certainly cannot do so efficiently.

Local officials exercising local judgment can best determine how the poor can most help themselves and be helped where they need help. Helping America's poor was our goal when we began the process of reforming the failed welfare state, and this vote marks an historic step in what direction.

Mr. Speaker, with this vote we will have the opportunity to let our constituents know if we are for or against real welfare reform.

Earlier today 30 governors signed a letter to the President calling on him to sign this bill, to keep his word, to put his name, William Clinton, on the line. But if he does not, he will demonstrate that when it comes to welfare reform, this President is all talk and no action. He said he would end welfare as we know it. If he vetoes this bill, he will be remembered as the very liberal President who kept welfare as we have it.

Mr. Speaker, this is a great bill and a great opportunity to solve one of our Nation's most vexing problems. The previous Congresses ignored the cries of Republicans and conservative Democrats by refusing to take action. For years, Republicans and conservative Democrats worked together to achieve welfare reform.

With this vote, our efforts will be put to the test. This is a bill that only an extreme liberal could oppose. I urge all my colleagues to fix welfare and vote for his conference report.

Mr. FORD. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. MATSUI], who serves on the Committee on Ways and Means, and who has been in the forefront of welfare reform for many, many years in this Congress and who has spoke very eloquently on this issue for the children of this country for a long time.

Mr. MATSUI. Mr. Speaker, I would like to thank the ranking member of the Subcommittee on Human Resources of the Committee on Ways and Means for yielding me time.

Mr. Speaker, I have to say that I am astonished that this bill has finally reached the floor of the House in the shape it finally is in. it is somewhat ironic, because the Republicans have indicated that this will get people on welfare off welfare and into the work force.

In fact, there is a requirement by the year 2000, 5 years from now, that 50 percent of those people currently on welfare will be either in jobs or through a job training program. That sounds wonderful, and if you just think of the goals and the vision, we all as Americans support that goal and that vision. The problem is, they do not provide the resources.

I think anybody who has thought this issue through knows that before a woman can go off welfare into the work force, she has to have some kind of training. Because of the economy in America today, we do not have that kind of opportunity for a lot of people who have not graduated from high school or college.

For example, we do not have file clerks in America today who file papers alphabetically. I remember when I was a kid going through college, I would come back home and work as a file clerk for the State of California. All those people around me that were working full-time were women who had minor children. That job does not exist anymore, because we are a computerized society in America, so those women today are probably on welfare, AFDC. So you have to provide some kind of training for them. You also have to provide some kind of transportation for them. But, most of all, because by the law anybody on AFDC has minor children, you have to provide daycare for these people.

This bill does not have any of those provisions. They block grant generally AFDC and say okay, States, figure it out. You want to give this issue to the States. Think about it for a minute. The States, this is a group of States, 50 States, that have in fact messed up the education system of this country. Now you want to put AFDC and welfare in that mess as well.

This bill is mean spirited. It will put 2 million people into poverty, children into poverty. We need to vote down this conference report.

Mr. ARCHER. Mr. Speaker, I yield 1½ minutes to the gentleman from Georgia [Mr. DEAL] who spent so much time this year in developing an alternative welfare reform plan, one that was offered as the Democrat substitute earlier this year and received all of the votes on the Democrat side.

Mr. DEAL of Georgia. Mr. Speaker, let me at the outset say that I recognize that my colleagues on the other side of the aisle now are sincere in their concerns about welfare reform. There is one issue that should not be partisan in this House, it is not partisan with the American people, and that is that the current system does not work. So as we measure this bill today against a standard, it maybe should not be the standard of what each of us in our individual point of view might prefer, but against the standard of where we are and where we are headed.

Mr. Speaker, I would say that by all of those measurements, the conference committee report is a substantial step in the right direction. Many of us worked together on parts of the bill that we voted for earlier this year, and I would say that if you look at this conference committee report, it has moved substantially toward the version that we worked for. It is substantially toward the version. In fact, it exceeds our version that we voted for earlier this year in the critical area of work requirements. All of the first 7 years the work requirements are in excess of the bill we voted for, and we criticized the House-passed version for being weak on work. This takes it even beyond where we were.

In terms of childcare, and I agree with the previous speakers that childcare is an important component of this, childcare funding has been substantially increased.

I would urge us to look at the bill compared with the system that is broken. I commend the conferees. I urge the adoption of this conference report.

Mr. FORD. Mr. Speaker, I yield 1½ minutes to the gentleman from Massachusetts [Mr. NEAL], who has cochaired the Democratic Task Force on Welfare and served on the Committee on Ways and Means and who has worked with all Democrats and tried to work with the Republicans as well on welfare reform.

Mr. NEAL of Massachusetts. Mr. Speaker, the essential point to remember here today, as the gentleman from Georgia [Mr. DEAL] has accurately said, in March of this year 204 Democrats came together to offer a tough and fair alternative. I helped to convince the Democratic caucus that this debate had shifted and we should move it to the center.

But the gentleman from Georgia [Mr. DEAL] is also correct, and I disagree with my friend, the gentleman from Texas [Mr. ARCHER], this proposal that we are being asked to vote on today is indeed extreme. Now, do not take it from me as one who has been immersed in the detail of the welfare legislation debate for the last year. Take it from ARLEN SPECTER, take it from JOHN CHAFEE, take it from BILL COHEN, from OLYMPIA SNOWE and JIM JEFFORDS, who have said in a letter to Senator DOLE dated yesterday, ''We are therefore dismayed at the significant changes made to the Senate bill in conference and are writing to let you know of our strong reservations about this agreement.''

The bill that the gentleman from Georgia [Mr. DEAL] offered here 9 months ago was a good strong piece of basic legislation. It involved a work requirement, it involved a time limit, but it also offered transitional assistance in the amount of $10 billion to women who were trying to get into the work force.

Yes, this debate has shifted, but it has shifted to an extreme element that is trying to change the contours of this debate. The truth is that the bill that this Democratic caucus voted for was the right bill, that was in the center, where all Americans are on this debate.

Mr. FORD. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri [Mr. CLAY], the ranking member of the Committee on Economic and Educational Opportunities, one who has been active in this debate on welfare reform.

Mr. CLAY. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise to oppose this conference report. Descriptions of the Republican welfare plan have exhausted nearly every pejorative term found in Webster's Dictionary. ''Heartless,'' ''Cruel,'' ''Meanspirited,'' ''Disgraceful''; take your pick because each description is tragically accurate.

Under the guise of welfare reform, this bill would swell the ranks of the poor by more than 1 million children. How can our Nation be called civilized when the majority party in this Congress comes up with a proposal that would visit such dire, chaotic consequences on poor children?

For reasons totally unrelated to welfare reform Republicans want to experiment with programs which for decades have fed millions of children in schools and childcare centers. It is one thing to tinker with the names of Federal buildings, but another to tamper with the daily bread of little children.

Five million poor children were served a nutritious breakfast at school this morning, free of charge. Twenth-four million children will receive a nutritious school lunch this afternoon. Nearly half of these lunches are provided to poor children free of charge, and nearly 2 million lunches to low-income children at reduced prices.

Mr. Speaker, under the guise of eliminating bureaucracy and giving Governors flexibility, this conference report allows hunger prevention programs to be block granted. To experiment with these highly speculative block grants for nutrition and health programs is like playing Russian roulette with the lives of our young people.

For the past month, the Senate and House Republican conferees have had a food fight over school lunch block grants. They delayed final consideration of this conference report for months over an issue that has very little to do with welfare. Now, they have reached an agreement that would allow seven States to eliminate the Federal guarantee that every poor child will receive at least one solid meal a day.

I urge defeat of this heartless conference report.

Mr. SHAW. Mr. Speaker, I yield 3 minutes to the gentleman from Kansas [Mr. ROBERTS], the distinguished chairman of the Committee on Agriculture.

(Mr. ROBERTS asked and was given permission to revise and extend his remarks.)

Mr. ROBERTS. Mr. Speaker, we all know that welfare reform has become a front-burner topic in this town and throughout the Nation. Last November the American public spoke decisively on wanting change. Welfare reform was a central theme in last fall's election. The House of Representatives has responded to the American public and I believe that real welfare reform can be found in the conference report before the House today.

The changes incorporated in the conference report on H.R. 4, the Personal Responsibility Act, represent real change. I congratulate members of the Committee on Agriculture and all Members who worked diligently on reforming the Food Stamp Program and the present welfare system.

The very first hearing held by me in the committee was on enforcement in the Food Stamp Program. Following that hearing, the chairman of the subcommittee held four hearings on the Food Stamp Program. From the testimony received in these hearings the committee formulated the principles that guided its reform. The conference agreement reflects these principles.

First, keep the Food Stamp Program as a safety net so that food can be provided as a basic need while States are undergoing the transition to State-design welfare programs.

Second, harmonize welfare and the Food Stamp Program for families receiving benefits from both programs.

Third, take the Food Stamp Program off automatic pilot.

Fourth, able-bodies participants without dependents must work in private sector jobs.

Fifth, tighten controls on waste and abuse and curb trafficking with increased penalties.

The Food Stamp Program provides benefits to an average of 27 million people each month at an annual cost of more than $25 billion. For the most part these benefits go to families in need of help and are used to buy food. There is no question in my mind that the Food Stamp Program helps poor people and those who have temporarily fallen on hard times. However, there is also no question in my mind that it is in need of reform.

The conference agreement reflects the principle that the Food Stamp Program should remain a Federal program. States will be undergoing a transition to State-designed welfare programs. During this period the Food Stamp Program will remain the safety net program and able to provide food as a basic need while this transition is taking place. The Food Stamp Program will remain at the Federal level and equal access to food for every American in need is ensured.

Given the hearing record, public support for real reform, and the dollars involved, the conference committee could not continue the program without significant reforms. The five hearings held in the Committee on Agriculture between February 1–14, 1995, dictated the course of the changes needed in the Food Stamp Program.

The agreement in the welfare reform conference adopted these changes. The Food Stamp Program is taken off of automatic pilot, except for annual increases in the cost of food, and control of spending for this program is returned to Congress. The food stamp deductions are kept at the current levels instead of being adjusted automatically for increases in the Consumer Price Index. Food stamp benefits will increase to reflect increase in the cost of food. Food stamp spending will no longer grow out of control. Oversight from the Agriculture Committee is essential so that when reforms are needed, the committee will act.

States are provided the option of harmonizing their new AFDC programs with the Food Stamp Program for those people receiving assistance from both programs. Since 1981, the committee has authorized demonstration projects aimed at simplifying the rules and regulations for those receiving assistance from AFDC and food stamps. States have complained for years about the disparity between AFDC and food stamp rules. This bill provides them the opportunity to reconcile these differences. It is now time to provide all States with this option.

The conference agreement on H.R. 4 contains a strong work program. Abled-bodied persons between the ages of 18 and 50 years, with no dependents, will be able to receive food stamps for 4 months. Eligibility will cease at the end of this period if they are not working at least 20 hours per week in a regular job. This rule will not apply to those who are in employment or training programs, such as those approved by the Governor of a State. A State may request a waiver of these rules if the unemployment rates are high or if there are a lack of jobs in an area. Republicans are not heartless, we just expect able-bodied people between 18 and 50 years, who have no one relying upon them, to work at least half-time if they want to continue to receive food stamps.

It is essential to begin to restore integrity to the Food Stamp Program. Incidences of fraud and abuse and losses to the program are steadily increasing and the public has lost confidence in the program. There are frequent reports in the press and on national television concerning abuses in the Food Stamp Program. Abuse of the program occurs in three ways: fraudulent receipt of benefits by recipients; street trafficking in food stamps by recipients; and trafficking offenses made by retail and wholesale grocers. H.R. 4 doubles the disqualification periods for food stamp participants who intentionally defraud the program. For the first offense the disqualification period is changed to 1 year; for the second offense the disqualification period is changed to 2 years. Food stamp recipients who are convicted for trafficking food stamps with a value over $500 will be permanently disqualified.

Trafficking by unethical wholesale and retail food stores is a serious problem. Benefits Congress appropriates for needy families are going to others who are making money from the program. Therefore the conference agreement limits the authorization period for stores and provides the Secretary of Agriculture with other means to ensure that only those stores abiding by the rules are authorized to accept food stamps. Finally, the conference includes a provision that all property used to traffic in food stamps and the proceeds traceable to any property used to traffic in food stamps will be subject to criminal forfeiture.

The electronic benefit transfer [EBT] systems have proven to be helpful in reducing street trafficking in food stamps and have provided law enforcement officers a trail through which they can find and prosecute traffickers. EBT systems do not end fraudulent activity in the Food Stamp Program; but they are instrumental in curbing the problem. Additionally, EBT is a more efficient method to issue food benefits for participants, States, food stores, and banks. For all of these reasons we include changes in the law to encourage States to go forward with EBT systems they deem most appropriate. Also the bill we are considering today lifts the restriction placed on State EBT systems by the Federal Reserve Board. This restriction is known as regulation E and it has hindered State progress on converting a coupon delivery system to an EBT system.

Mr. Speaker, this bill and the Agriculture Committee's contribution to the bill represent good policy. We have kept the Food Stamp Program as a safety net for families in need of food. We have taken the program off of automatic pilot and placed a ceiling on spending. We save $30 billion over 7 years. Congress is back in control of spending on food stamps. If additional funding is needed Congress will act to reform the program so that it operates within the amount of funding allowed or provide additional funding when necessary. States are provided with an option to harmonize food stamps with their new AFDC programs. We take steps to restore integrity to the Food Stamp Program by giving law enforcement and USDA additional means to curtail fraud and abuse. We encourage and facilitate EBT systems. We begin a strong work program so that able-bodied people with no dependents and who are between 18 and 50 years can receive food stamps for a limited amount of time without working.

This represents good food stamp policy. I hope all Members will agree with me and support the conference agreement on H.R. 4, the Personal Responsibility Act of 1995.

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Mr. FORD. Mr. Speaker, I yield 2 minutes to the gentlewoman from California [Ms. WATERS], who has been very active with the Democratic Task Force on Welfare Reform.

Ms. WATERS. Mr. Speaker, this conference report is not welfare reform. I support real welfare reform. I support transitioning recipients from dependency to work, to real jobs. This is simply slash and burn, causing 1.5 million more children to fall into poverty. If this is supposed to be welfare reform, why can we not assist these mothers in getting job training and getting education and transitioning into the job market? No, we do not do this.

This bill cuts job training. It simply block grants it, throws it to the States and says you train them. It is a mandate on local government and we do not fund it. If this is supposed to be welfare reform, why on heaven's earth do we cut child care? It does not take a rocket scientist to know that if mothers are to go to work, they must have child care.

To add insult to injury, this bill takes the safety net from child care protective services. As a matter of fact, I am shocked and surprised. Every time a child is murdered, like little Alicia up in New York, little Lisa 2 years ago in New York, we cry and bemoan the fact another child has been killed, yet we cut child care protective services. This bill is a sham. This is not real welfare reform.

Finally, Mr. Speaker, let me tell Members, because we block grant, we take away the possibility that when the middle-class clients and citizens lose their jobs or they are laid off and they want a little temporary help, if their State is in a recession, they are not going to be able to get it because

with this block granting we say when the money runs out, it runs out. There is no guarantee. There is no safety net, and so middle-class families who find themselves in a little difficulty will not have any support from welfare because we are taking away the safety net from them.

Mr. SHAW. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri [Mr. TALENT].

Mr. TALENT. Mr. Speaker, I thank the gentleman for yielding me time. I think colleagues refer to the historical context of this bill and also talk about the terrible job the States were doing with welfare. So I think it may be appropriate to respond a little to that.

Let us look at the historical context. In the immediate postwar era of 1948 the poverty rate in this country was about 30 percent. That was when the States and localities were handling welfare. It declined to about 15 percent in 1965, when the Federal Government declared war on poverty and took over the welfare system. In the last 30 years, the Federal Government has spent or mandated in State spending $5 trillion in entitlement spending and the poverty rate, which was 15 percent 30 years ago, is 15 percent today.

What we have gotten a six-fold increase in the out-of-wedlock- birthrate. And the reason is the two best anti-poverty programs are marriage and work, and the Federal Government has brilliantly conditioned welfare assistance on the people doing neither. That is the historical context of this bill.

Mr. Speaker, what we have done is taken away from the lower-income Americans in this country the institutions that make them happy, that make them secure, family, work, responsibility, and we have given them government, and it has been a total failure.

What does this bill try to do? It changes the welfare system so that, among other things, instead of punishing work, we encourage it and, in many cases, require it for able-bodied Americans. The bill says to the States they must have by about the end of the decade about 50 percent of the caseload working, and we mean actual work at actual labor, what the average American means by work.

Is this workable? It has been suggested it is not. Of course it is workable, if by work we do not mean we have to train them to be a vice president; if by work we do not mean we have to have a bureaucrat work out a personal employability program for them that will take 18 months before they have to do anything.

There are States already implementing real work requirements under waivers. Gov. Tommy Thompson of Wisconsin, when somebody applies for welfare there, if they do not have a small child at home who needs day care, he says, OK, go out, get work. And it has shrunk the welfare rolls.

Mr. Speaker, it is a good bill. If individuals are not liberals that believe in the failed system, they will be for this bill.

Mr. FORD. Mr. Speaker, may we inquire as to how much time is remaining on both sides?

The SPEAKER pro tempore (Mr. LINDER). The gentleman from Florida [Mr. SHAW] has 17½ minutes, and the gentleman from Tennessee [Mr. FORD] has 19½ minutes remaining.

Mr. FORD. Mr. Speaker, I yield 1 minute to the gentlewoman from Florida [Mrs. THURMAN].

Mrs. THURMAN. Mr. Speaker, I thank the gentleman for yielding time to me.

I stand here today as one of those who was the cosponsor of the first Democratic bill that we put forth on this floor, and I felt very strongly at that time that it was a good bill. Let me just point out to the gentleman from Georgia [Mr. DEAL], who spoke earlier, that we are still short in carrying out the work requirements of about $7 billion, according to CBO.

I want to talk about two other issues, Mr. Speaker, that I have heard on this floor for the last couple of months. The first one was that we had to move this government closer to home, to let those people make the decisions, those people that are elected in our local governments and our State legislatures.

Well, let me address the first issue, because these folks are saying H.R. 4 is the wrong way to go. They have sent out a letter and mentioned six very prominent points of concern that they have in this piece of legislation.

I want to talk about a second part of this letter, however, one that I supported on this floor in the beginning of the 104th Congress, one of two items in the contract that has gone to the President to be signed and that was an unfunded mandate.

The first time this is being tested these folks are saying we are going to create new unfunded mandates for local governments. Do not break your contract already.

Mr. FORD. Mr. Speaker, I yield 2 minutes to the gentlewoman from Connecticut [Mrs. KENNELLY], the real champion of child support enforcement in this Congress and our friend.

Mrs. KENNELLY. Mr. Speaker, 3 days ago the Clinton administration approved my home State of Connecticut's welfare reform plan. Under this waiver, Connecticut will have the strictest time limit on welfare benefits in the country, 21 months, and children born on to welfare will have reduced benefits.

Along with these penalties, the plan will also provide certain rewards, including transitional child care and medical assistance for those leaving welfare for work.

I should point out that 34 other States have also had welfare reform plans approved by the current administration. So despite what some may say, the legislation before us is not necessary to provide States with the flexibility to implement their own reforms.

The main goal of this legislation would truly achieve would be to eliminate basic Federal protections for children. I do not think the American people believe that should be the central goal of welfare reform.

Americans want people to receive paychecks instead of welfare checks. For the life of me, I do not see how much of the bill before us would promote that fundamental goal. I do not understand what cutting SSI benefits for 1 million disabled children has to do with promoting work.

I do not understand what reducing food stamp benefits for 14 million children has to do with promoting work. I do not understand what eliminating the guarantee of services for foster-care families has to do with promoting work. I do not understand what block granting school lunches has to do with promoting work. And I do not understand what throwing 1.5 million children into poverty has to do with promoting work.

I very much want to vote for legislation that reforms our welfare system. But the bill before us is not welfare reform. It is merely a list of spending cuts on nearly every program designed to help children.

Real welfare reform focuses on how to move people from welfare to work. That means training, child care, medical assistance, and a strict requirement that you better be working or moving toward work.

Let us get back to that central goal. Instead of renouncing any Federal role in safeguarding children, let us pass legislation that demands responsibility, rewards work, and protects children.

Mr. SHAW. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. CAMP], a distinguished member of the Committee on Ways and Means.

(Mr. CAMP asked and was given permission to revise and extend his remarks.)

Mr. CAMP. Mr. Speaker, I thank the chairman for yielding me this time.

Mr. Speaker, today the Congress is presented with a historic opportunity to end welfare as we know it. The welfare system we have come to know is one that has failed. It has failed those dependent upon it. And it has failed the American people who believed it would end poverty. Nothing could be crueler or more heartless than the current system.

Our current welfare system imposes excessive bureaucratic regulations and guidelines on States. There are more than 340 different Federal welfare programs. In my State of Michigan, caseworkers spend 80 percent of their time complying with Federal regulations. The other 20 percent of their time is spent on personal contact with recipients. It is personal contact that often makes the difference between an individual's success and failure.

The Personal Responsibility and Work Opportunity Act would allow

caseworkers more time to work directly with recipients instead of pushing paper. We eliminate unnecessary and duplicative programs. We block grant to the States in key areas including AFDC, child protection and child care $4 billion more than current levels for greater flexibility and effective targeting of critical welfare resources. We empower people to take responsibility for their lives so that success stories of individuals and families lifting themselves from poverty will become the norm instead of the exception.

Under our bill, Federal, State, and local officials will work in concert to move welfare recipients from a life of poverty and government dependence to a life of success and self-reliance. It also includes the State maintenance of effort requirement supported by Democrats and the administration that requires States to maintain spending on welfare programs.

In a bipartisan effort, we also strengthen paternity establishment and force dead-beat parents to pay child support. Most importantly, as my colleagues on the other side of the aisle and the President will agree, our bill not only encourages work, it requires it.

Support the conference report, end welfare as we know it.

Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. OWENS].

(Mr. OWENS asked and was given permission to revise and extend his remarks.)

Mr. OWENS. Mr. Speaker, I rise in opposition to the conference report. The only entitlements being taken away by the Republican majority are means-tested entitlements to the poorest people in America. I hope we vote ''no'' on this bill.

Mr. FORD. Mr. Speaker, I yield 1 minutes to the gentleman from California [Mr. FAZIO], the distinguished chair of the Democratic caucus here in the House.

Mr. FAZIO of California. Mr. Speaker, I thank my colleague from Tennessee for yielding me time.

Mr. Speaker, like any system its age, the welfare program needs to be reformed. The current system hinders self-sufficiency. It chips away at recipients personal dignity, perpetuates a cycle of poverty, and promote dependency.

But you can't reform welfare by simply taking away benefits while ignoring the basic needs that make people self-reliant—education, job training, and child care. Nor can you ignore the need for adequate nutrition and health care. You simply cannot mandate work without giving people a chance to develop the skills and work habits needed to support their families.

Unfortunately, the Republican bill on the floor does exactly that. They're not moving people off welfare to work—where they can take responsibility for their families. They're kicking them and their children into the streets.

What have we accomplished if all we do is take away the safety net and create a permanent underclass of unemployable people? What happens to the children who will grow up hungry, shelter bound, and poorly educated? These children deserve more than this bill is prepared to offer—they deserve a real future.

We know from looking at welfare-to-work programs that are successful, that there are two key elements that make real reform possible: job training and education. The proposal before us today fails miserably in both areas. This bill makes no accommodation for young mothers earning high school degrees. Instead, it simply mandates that they find a job. I don't know about you, but I am not aware of many employers anxious to hire teenage mothers without diplomas and without child care for even minimum wage jobs in this country.

As far as health services are concerned, the bill takes away the guarantee that those currently on assistance receive Medicaid benefits. So when they get sick, the people at the lowest income level in this country cannot get medical help.

The bill cuts food stamps by $35 Billion, and that's not just a number—it's 14 million children who are now fed by the program who will be removed. Only overwhelming opposition from both the Democratic and Republican parties prevented he School Lunch Program from also being decimated by this bill. How does taking the food out of the mouths of children help to reform the welfare system?

We have talked a lot about family values in this Congress. Where are those values now when we are trying to take people from poverty to productivity? How is valuing poor children less than our own children, who we have raised and loved, a family value?

I urge my colleagues to approach welfare reform with a long term view towards the future productivity of this country and not just a short-term goal towards saving a few tax dollars. If we truly hope to save money on the cost of welfare over time, we need to provide a transition that translates into permanent job responsibility.

Welfare reform isn't just about saving money—it's about saving families. Let's support welfare reform that allows these families to become responsible and self-reliant. If we save families, the savings in dollars and human lives to this country will be huge.

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Mr. FORD. Mr. Speaker, I yield 2 minutes to the gentleman from Texas [Mr. DE LA GARZA], the distinguished ranking member of the Committee on Agriculture.

Mr. DE LA GARZA. Mr. Speaker, I regret exceedingly that I cannot vote for this conference report for a multiplicity of reasons. I, like many of my colleagues, came here willing and wanting to reform welfare as we know it, as it is being called here. Unfortunately, this legislation does not do that.

Mr. Speaker, in my estimation, it is used as a camouflage to go after programs we do not like. We are using the budget. We are using welfare reform to shut down programs that we do not like. I am more concerned, and I feel it very sincerely and I feel it in my heart, that we are targeting people that we do not like. That is what we are aiming at.

My colleagues can call it welfare reform, call it what they want. I can take my colleagues to the neighborhood; I can take them to the State; I can take them to the region; and, I can show them that this is targeting at its best people that they do not agree with, areas that they are not concerned about.

Mr. Speaker, I have a lot of need in my district. Everyone I meet wants to cut fraud and abuse. This does not give the State the tools to reduce fraud and abuse. My Republican colleagues are just shifting it over to the State. We took it over because the States had not done that.

Now, Mr. Speaker, a little bit about the conference. I say it with frustration and sadness. I never went to a conference committee meeting, except the initial meeting. I was not even asked to sign the report. I do not know who decided. I do not know where they met. I do not know when they met. I do not know when they put it in writing. Mr. Speaker, I am the ranking member of the Committee on Agriculture that has a section of this bill.

Mr. Speaker, I wanted to talk, also, about the aliens, legal aliens. There is a Congressional Medal of Honor winner, Jose Francisco Jimenez, who died serving this country who was not a citizen. Lance Corporal Jimenez was a Marine killed in Viet Nam in 1969. He lived in Phoenix, was a Mexican citizen, but in the Untied States legally. My colleagues on the other side would aim at him and all people like him. Shame on those who want to target people that cannot defend themselves.

Mr. Speaker, House Democrats and Republicans, Senate Democrats and Republicans, and President Clinton share a common goal—all agree that welfare reform is urgently needed. Reform is needed not only for the recipients of welfare, who many times are trapped in a cycle of poverty from which they cannot escape, but also for the American taxpayers who deserve a better return on their investment in our future.

Currently, the American people lack confidence that many of our welfare programs, as they are currently designed, are really benefiting the recipients. This lack of confidence should not be translated into the idea that the American public is unwilling to spend any money on the needy. In fact, a recent Nielsen survey finds that 95 percent of Americans rate hunger and poverty issues equal to the issues of health care and a balanced budget. The lack of confidence in our welfare programs comes from the perception that waste, fraud, and abuse permeates many programs. These allegations need to be addressed in order to restore the confidence of the American people. However, we must be sure that we are addressing legitimate allegations and not some headline catching editorial writer whose hidden agenda is not program reform, but program elimination. It should be interpreted as a desire by the public to make sure that these programs are effectively designed and monitored to be effective and eliminate waste, fraud, and abuse.

We must remember that our goal is to reform welfare in order to move people toward self-sufficiency. Reform by itself is a hollow word. Reform for reform's sake is meaningless. We aren't OMB, CBO, or GAO. We can't work in the vacuum of numbers only. We cannot let the bureaucrats with the green eye shades determine what path reform will take. We are Members of Congress. It is our responsibility to put faces with these numbers. We must interject the human element into the process in order to ensure that real need is addressed in welfare reform. We must ensure that our children and the aged and disabled are not left unprotected. We must remember that a dollar spent now can actually result in saving thousands of dollars later, if we help produce a future tax paying citizen.

We must determine the policy that will move people toward self-sufficiency. This must be a policy-driven bill, not one that is driven by empty, faceless numbers that are wrong as many times as they are right.

When we look at these many programs designed to help the poorest of the poor, we must have the wisdom to be able to distinguish between those programs and policies that are working and filling a legitimate need and those that are not. We must not get wrapped up in the idea that just any reform is good reform. We must be deliberative and compassionate. We must have reform that meets the numbers, and not numbers that determine the reform.

When I go home to the 15th District of Texas every weekend, I am returning to one of the poorest areas of our country, an area where unemployment is in the double digits and newly arrived immigrants are searching for the American dream. Lest anyone think that there is no real need for many of these programs, one out of every two children in my district is living in poverty. My constituents don't want a hand-out. They want jobs. They want economic development. They want the American dream. These are the people we must help. These are the people for whom we must redesign these programs to help them achieve their desire of becoming successful citizens.

I am particularly concerned about what this bill will do to the Food Stamp Program, our frontline in the fight against hunger. It will jeopardize the nutritional status of millions of poor families because of a basic misunderstanding of how the program works. The perception is that this program is out of control, that hundreds of thousands of families are added to the food stamp rolls every month. The reality is something very different. Over the last year, as the economy has improved, food stamp participation has actually dropped by over 1 million people. This vital program is clearly filing a very real need. If the need isn't there, the program doesn't continue to expand, but if the need is there, the program is there to meet it.

The block grant provisions in this bill will set funding at levels well below that necessary to feed hungry families in times of recession or if food prices increase. If block grants had been chosen by all States in 1990, the Food Stamp Program would have served 8.3 million fewer children.

The funding cap imposed by this bill will put huge holes in the nutritional safety net. A cap takes away the flexibility to accommodate a decrease in a family's welfare benefits and the resultant increase in food stamp benefits. Efforts to raise the cap in the future by a well-intentioned Congress will be virtually impossible, requiring an offsetting tax increase, a cut in another entitlement, or an emergency designation.

To assure adequate nutrition and the good health of our poor families, the calculation of food stamp benefits must take into account extremely high housing expenses. The conference report limits this calculation, leaving poor families with children who pay more than half of their income for housing with less money to buy food. The provision will result in more hungry children.

We all want families on welfare to be self sufficient—they want to be self sufficient. But, the way to make families self sufficient is not to deny them food stamps after 4 months. Eighty percent of the able-bodied recipients between the ages of 18 and 50 receive food stamps on a temporary basis already, they leave the program within a year. What these people need most is the opportunity to work—job training, or a job slot. This bill simply kicks them off the program, without a helping hand to find a job.

Let me say once again, that we must reform these programs without the draconian cuts in funding. The goal should be to get more poor people into the work force, not to simply cut funding. By the year 2002, this bill will reduce benefits to families with children by 15 to 20 percent. Such cuts are unconscionable.

Finally, I must express the serious concerns that I share with my friends on the Congressional Hispanic Caucus about the provisions denying benefits to legal immigrants. Legal immigrants who work hard, play by the rules, pay taxes, and contribute greatly to our communities and society should not be denied access to social services when they fall on hard times, or when their sponsor falls on hard times. By denying benefits to legal immigrants, we will be shifting the responsibility to the States without any assistance from the Federal Government. State health care costs will increase as well as the costs to run State general assistance programs. I am shocked and saddened at the meaning of these provisions.

The American people are not mean-spirited. They do not want children to be poor and hungry. This bill will push 1 million children below the poverty line. How can we allow such a thing to happen? I urge Members to remember that we are reforming the programs that impact the most vulnerable of our constituents. We must remember the faces of the poor and hungry of our Nation. We must vote against this misguided attempt at welfare reform.

Mr. SHAW. Mr. Speaker, I yield 1½ minutes to the gentlewoman from Washington [Ms. DUNN], a distinguished member of the Committee on ways and Means.

Ms. DUNN of Washington. Mr. Speaker, I am relieved and gratified that the Senate and the House have finally agreed on a proposal that will end welfare as we know it. I believe everybody in this body would agree that the cruelest thing of all, Mr. Speaker, is to limit the ability of poor women to seek gainful work and condemn those women and their children to a life of hopelessness and dependence, where often in their child's life there is never a strong role model, a parent who works and provides for the family.

Nowhere is there a better example of where the current system has failed the family than in the area of child support. Mr. Speaker, today in our Nation $34 billion is owed in back child support, court-ordered child support by deadbeat parents who have walked out on their families.

The new child support provisions in this bill are the toughest ever passed by Congress. Under our bill, States will finally receive the assistance they need to track down deadbeat parents, especially the 30 percent who leave the State to escape their responsibilities.

Child support payments can be the difference between forcing a single parent, usually the mother, onto welfare or helping her make it on her own. Our bill helps these custodial parents stay off welfare and provides them the support they are owed so that they can make a better life for themselves and, even more importantly, for their children.

Mr. Speaker, now is the time for the President and all our colleagues to stand up for the Nation's custodial parents and their children, and to recognize our efforts to accommodate their concerns so that we truly can ''end welfare as we know it,'' as the President pledged.

Mr. FORD. Mr. Speaker, I yield myself 10 seconds.

Mr. Speaker, I would like to respond to the gentlewoman from Washington [Ms. DUNN], my colleague on the Committee on Ways and Means, and to just say to my Republican colleagues that there would not be a single child support enforcement provision in this bill had it not been for the Democrats, who insisted upon this provision being in the bill.

Mr. Speaker, I yield 1 minute to the gentlewoman from Hawaii [Mrs. MINK].

(Mrs. MINK of Hawaii asked and was given permission to revise and extend her remarks.)

Mrs. MINK of Hawaii. Mr. Speaker, there are nearly 10 million children who are poor and who are victims of circumstances. These are the children that we are attempting to address in this so-called welfare reform bill.

Mr. Speaker, I rise today to ask my colleagues to consider their circumstances. The only possible reason for voting for a welfare reform bill is if we have taken into consideration their circumstances, and improved their potential to have a better life in their respective communities. I say that this bill falls so far short that it is a tragedy to call it welfare reform.

Mr. Speaker, what we have done is to make an example for everyone to believe that we are doing something about the welfare system and trying to create a better circumstance for these families so they can get jobs. But look at the details of the bill.

Mr. Speaker, my colleagues on the other side have taken away child care. How can anyone go to work if they do not have child care opportunities? How could there be a better circumstance

for these people if we cut them off of Medicaid support? This bill is a tragic example of harming our children, and I urge a ''no'' vote on the conference.

Mr. Speaker, I rise to express my outrage at the welfare reform legislation before us which promises harm to the most vulnerable Americans—the poor, the elderly, the disabled, and especially the children. Under this bill, appalling statistics we already face will worsen; 10 million of the 14 million Americans relying on welfare are children, and more than 1.5 million additional children could be forced into poverty under this bill that abolishes the essential safety net for poor families. It is a shame that the new majority in Congress, in the richest country in the world, has put such a low priority on children.

We would all like to say that American children are born into happy families with two loving parents and a warm home. We want to see our children provided with everything they need to grow into productive and responsible adults.

Instead, millions of American children are not this lucky. Many live in squalor, in rundown homes with tattered clothing and without food because a parent has lost a job or was injured or even killed. These are children of unfortunate circumstances. They do not deserve the punishment held in this irresponsible and shortsighted welfare bill. The new majority in Congress in crafting this bill was ended our contract with American children—to provide these children and their parents with a break when they are down on their luck.

During the first debate on this bill in March, every single Democrat supported a welfare reform proposal that continued the basic entitlement making up the Federal safety net for poor families. This bill before us removes the entitlement status and block grants many programs in the safety net, assuming that States will be able to make up the difference. States will be left vulnerable during recessions, when the numbers of those needing Government assistance always increase. The end of the entitlement means that no matter how many children may come to need cash assistance, child care, food, or protection from abuse or neglect, thousands of children per State will be without these services—discarded by the new Republican majority.

The bill fails low-income families who hold tremendous value for the work force by underfunding work programs, despite many success stories we hear from families who—with jobs paying a living wage—moved from poverty to self-sufficiency. Congressional Budget Office [CBO] figures show that conference report provisions combining work programs and cash assistance into a single block grant to the States falls $14.1 billion short of what CBO predicts will be needed over the next 7 years. Tough work requirements in the bill will hit States who will be forced to pay penalties for failing to comply. Cancelled work programs will deny low-income families the chance to escape poverty.

Child care, an essential component of the safety net, is also underfunded by $6 billion through fiscal year 1996, according to CBO. Neither States nor working poor families can be expected to comply with the bill's strict work requirements without providing adequate child care. Low-income parents already have very limited choices in this area compared to higher-income parents. Cuts in assistance make it virtually impossible for working poor families to secure quality child care that will assure their child's well-being while they work. Every parent should have access to safe, affordable child care.

The bill robs poor families of vital health care assistance. By severing the link between welfare and Medicaid, this Republican bill would add 3.8 million children and more than 4 million mothers to the scores of Americans without health insurance. This is in addition to proposals to block-grant the Medicaid Program which would guarantee that only a few children in a handful of States would be vaccinated. These so-called Medicaid reforms will put the health status of poor Americans children below those in many developing countries.

The new majority would dare to punish children who face special, everyday difficulties as a result of illness or physical impediment. The bill would cut by one-fourth Supplemental Security Income [SSI] for children with disabilities such as cerebral palsy, Down's syndrome, muscular dystrophy, cystic fibrosis, and AIDS. By 2002, 650,000 disabled children will be unable to receive SSI through harsh new eligibility requirements. Children whose benefits are reduced would suffer from reductions in assistance from 74 to 55 percent of poverty.

This bill fails poor Americans in their essential nutritional needs. This bill would block-grant the Food Stamp Program to threaten its future existence. Cuts of $32 billion in food stamps would hit families with a 20-percent reduction in average benefits, decreasing the per meal benefit from 78 to 62 cents. In denial of advances of the past three decades made in the nutritional safety net for poor households, this bill revises food stamps to eliminate all Federal standards, State assurances and flexibility to accommodate factors such as inflation, population growth or negative economic conditions.

Not only would this bill deny food to poor families at home, but also to children at school and to the country's smallest children. This Republican conference report would undermine the school lunch program by allowing a number of States to opt for block-grant funding—a move that would fail to allow for increasing costs of food faced by most schools today.

Programs which have protected millions of American children have been repealed under this bill, disregarding annual reports of child abuse and neglect of as many as 2.9 million children. This bill would block-grant foster care and adoption assistance funds which would cripple the ability of these programs to rescue children from abusive or unsafe situations, place children in appropriate homes, and recruit and train foster parents and parents wanting to adopt.

Finally, this bill scapegoats legal, taxpaying immigrants in this country, despite the fact that immigrants pay the Federal Government more than $70 billion in taxes annually—$25 billion more than immigrants use in services. The Republican plan unfairly restricts immigrant access to the safety net, arbitrarily prohibiting America's 22.6 million foreign-born residents from receiving food stamps and SSI unless and until they become citizens. States would be given the option to bar legal immigrants from Medicaid, temporary assistance for needy families, and title XX social services block grants. School lunches are arbitrarily denied to certain categories of immigrant school children—an unfunded mandate which would impose massive administrative burdens on schools. By denying women, infants and children [WIC] assistance to certain categories of pregnant women who are immigrants, this legislation ignores clear medical evidence that WIC has contributed to lower infant mortality and reductions in the incidence of low birthweight babies. It is outrageous to abandon immigrants who have complied in every way with U.S. law and who have earned their right to live peacefully in this country.

This Republican welfare reform conference report unrealistically looks at poor families as lazy castaways who want to receive welfare rather than work. It says if you are poor, you have to find a job but don't deserve job training or search assistance. It says if you are poor, your children aren't good enough for quality child care or health care. It says if you are poor, you are a second-class citizen whom the Government has no duty to help.

The new Republican majority in this bill deserts poor American children who need food, shelter, health care, protection, and other programs critical to their existence. I very strongly urge my colleagues to vote down this egregious legislation for the sake of America's children.

Mr. SHAW. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from California [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Speaker, I would like to acknowledge to the gentleman from Texas [Mr. DE LA GARZA] my friend, there have been more Mexican-Americans win the Medal of Honor than any other group in the United States. They were here legally.

Mr. Speaker, this bill also affects, especially for the border States, illegal immigration. If you are here in this country illegally, I do not care if you are Irish, I do not want you to get a penny of services that the taxpayer pays for.

Just in the State of California, there are 800,000, we use the term 400,000 so that the figures cannot be disputed, illegal aliens K through 12. At $1.90 a meal, that is $1.2 million a day just on the school meals program. At $5,000 to educate a student, it is actually $4,750 in California, that is $2 billion to illegals.

Governor Wilson, $400 million in just emergency services, $400 million in emergency services just to illegal aliens. This bill eliminates services to illegal aliens. Let us focus on legal residents of this country that are in need. Take it away from those that do not belong here and have come here illegally and focus on what the system needs to take a look at.

Mr. Speaker, I submit the following article for the RECORD:

[From the San Diego Union-Tribune, Dec. 21, 1995]

MEDICAID SYSTEM HANDCUFFS CALIFORNIA

(By Pete Wilson)

Contrary to what the weather maps indicate, a hot-air front has stalled over the nation's capital. It's hot air in the form of deception and distortion over the transfer of income support programs to the states.

President Clinton and the congressional Democrats would have us believe that the current Medicaid system protects all vulnerable populations—and that, without the benevolent oversight of the federal government, those populations would be denied needed care and thus devastated by the insensitivity of callous governors. The former governor of Arkansas wants you to believe that current governors can't be trusted with the reins.

Regrettably, it's the same kind of shabby scare tactics that the White House used in the ''Mediscare'' campaign to hoodwink the elderly into believing that Republicans were cutting the bottom out of their safety net. The truth was, Republicans proposed reducing the increase in Medicare spending to 7.2 percent. In fact, in September 1993, Hillary Rodham Clinton suggested slowing Medicare growth ''to about 6 or 7 percent annually.''

With respect to Medicaid, the White House and liberal Democrats in Congress have been even more disingenuous. They want you to believe that governors who have balanced budgets—even with limited resources—can't be trusted to manage block grants without savaging the poor (as though anyone would want to savage the poor.)

The truth is, the ''benevolent'' federal government has fostered a Medicaid system that prevents states from helping their own residents. Here in California, for example, many children, families and low-income pregnant women are excluded from eligibility categories established by the Federal Government. Consequently, two-thirds of California's disadvantaged families lack health insurance.

To try to mend holes in the current system, California has chosen to use state-only money to fill in the gaps in Medicaid coverage created by Washington. We've implemented a program to provide prenatal and well-baby care to low-income pregnant women who do not qualify for Medicaid.

We've also proposed expanding a package of preventive health-care benefits to low-income children who don't qualify for Medicaid. Why does the Medicaid system hinder such efforts? More importantly, why is the White House defending such a system.

To add insult to injury, the federal government forces states to cover the health care costs of low-income illegal immigrants. This means that California, which carries nearly one-half of the illegal immigrant burden for the entire nation, must spend $400 million annually to provide health care for illegal immigrants, thus forcing us to reduce or deny benefits for needy legal residents.

If the White House took a closer look at California, it would see a state where health-care reforms are well under way. We've accelerated the enrollment of Medicaid recipients in managed-care programs. Those enrollees are guaranteed access to quality care, case management by a primary-care physician, and state monitoring of the care being provided.

California has managed to contain costs and deliver quality health care for about $1,600 per recipient per year (by contrast, some states have a more expensive program costing taxpayers over $4,500 per year, per Medicaid recipient.)

One would think that a state would be rewarded for such efficiency and innovation. But to the contrary, California is punished by a federal Medicaid funding scheme that fosters runaway growth and rewards inefficiency. States that have run efficient programs and manage costs effectively are penalized by a federal funding formula which results in huge funding inequities that choke state budgets and impede further reforms.

One might ask: Is there any way for Washington to make the Medicaid system worse? Regrettably, the answer is yes. President Clinton has proposed capping the growth in per-recipient expenditures, without giving states like California the tools to slow the growth in overall Medicaid expenditures. This would reduce growth in Medicaid payments by $54 billion over the next seven years.

As a result, California would have to find an additional $5 billion to make up for Washington's shortfall. In other words, we would be forced to keep the current federal system with all the federal rules and requirements—for less money to operate it.

As long as the current Medicaid system is in place, states will be blocked from implementing reforms that meet the health-care needs of our most vulnerable populations. The Republican MediGrant plan offers a better alternative by providing states with the flexibility they deserve to design more effective and cost-efficient systems of health-care delivery.

Clinton entered office promising Americans real health-care reform. Back then, he was asking the American people to trust a governor to run the federal government. Now, he won't trust governors to help him better manage federal health care.

Columnist David Broder has noted this inconsistency. As Broder writes, ''In his former life, Clinton, like every other governor, was complaining that federal Medicaid mandates were wrecking his state budget. Three years ago, in fact, Arkansas was being sued in the federal courts for jeopardizing the health of expectant others by slashing Medicaid spending—a policy Clinton then defended as necessary to save state funds for schools, roads and other important projects.''

The times have changed. With a former governor in the White House and a Congress willing to give states greater autonomy, Washington has the opportunity to do what's sensible: give states the freedom to enact health-care reform that benefits all Americans, and let Californians help Californians.

Mr. Speaker, I thank the gentleman from Pennsylvania [Mr. GOODLING] on the Committee on Economic and Educational Opportunities, who held firm, and I also thank the gentleman from Florida [Mr. SHAW].

Mr. FORD. Mr. Speaker, I yield 2 minutes to the gentlewoman from California [Ms. WOOLSEY], the cochair of the Democratic Welfare Reform Task Force.

Ms. WOOLSEY. Mr. Speaker, the weather outside is frightful, but it is nothing compared to the welfare bill we are considering today.

Just in time for Christmas, the new majority is putting the welfare reform package under the Christmas tree that will push at least 1.5 million children into poverty, and almost 4 million children into the ranks of the uninsured.

I cannot help but think of this Dr. Seuss tale, ''How the Grinch Stole Christmas,'' when I think about this bill. But this Grinch-like welfare bill is not just stealing Christmas from our Nation's most vulnerable children; it is stealing their safety net. Basically it tells children, if you are poor, do not get sick, do not get hungry, do not get cold, because we do not think you are important.

Mr. Speaker, as the only Member of this Congress who has actually been a mother on welfare, my ideas about welfare reform do not come from theories or books or movies like ''Boy's Town.'' I know it. I lived it, and as cochair of the House democratic task force on welfare, my experience was translated into legislation that 100 percent of the Democrats in the House voted for, legislation that gets parents into work and maintains the safety net for their children.

Mr. Speaker, that is the type of reform for welfare that American people want, and that is why I am urging that we defeat this bill and prevent poor children from becoming even poorer.

Mr. Speaker, let us make sure that the Grinch does not steal our children's Christmas. And, Mr. Speaker, in the words of Dr. Seuss, ''the Grinch hated Christmas, the whole Christmas season. Now please do not ask why. No one quite knows the reason. It could be his head was not screwed on just right. It could be perhaps that his shoes wee too tight. But I think that the most likely reason of all may have been that his heart was two sizes too small.''

The SPEAKER pro tempore. The gentleman from Florida has 12½ minutes remaining, and the gentleman from Tennessee [Mr. FORD] has 10 minutes and 20 seconds remaining.

Mr. SHAW. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Missouri [Mr. EMERSON].

(Mr. EMERSON asked and was given permission to revise and extend his remarks.)

Mr. EMERSON. Mr. Speaker, for the past decade this topic, I believe, of reforming welfare has been an abiding interest of mine. I have worked through three different administrations and many Congresses on this subject, and I have always been guided by the words of Abraham Lincoln, to the effect that ''The dogmas of the past are inadequate to the present. We must think anew and act anew.''

The present welfare system cannot be defended. It is a disgrace. The people who receive the assistance do not like it. The people who run it do not like it, and the taxpayers do not like it and are not going to stand for a continuation of the present welfare maintenance system.

Mr. Speaker, there are more programs in existence now for providing public assistance to poor families than at any time in the past, serving more people and costing more money. There has got to be a better way to help low-income people achieve their rightful place in our society as taxpayers and as mainstream members of society.

Mr. Speaker, the current President of the United States in the campaign of 1992 said, ''We must end welfare as it now exists.'' This conservative-dominated Congress has endeavored to do that, to provide some new approaches, to consolidate some programs, and to refine some programs. I believe that a good product has been produced here and that it would behoove all Members to support the Personal Responsibility Act, and I urge their positive vote on this conference report.

Mr. Speaker, for the past decade this topic of reforming welfare has been an abiding interest of mine. I am guided by the words of Abraham Lincoln ''The Dogmas of the past are inadequate to the present. We must think anew and act anew.''

The present welfare system cannot be defended. It is a disgrace. The people who receive the assistance do not like it; the people who run the system do not like it; and, the taxpayers will not stand for continuation of this present welfare maintenance system.

There are more programs now for providing public assistance to poor families than any time in the past, serving more people and costing more money. There must be a better way to help low-income people become taxpayers.

We currently have a welfare maintenance system, not one designed to provide temporary assistance and help people reclaim or gain a life.

Most needy families coming in to seek public assistance need help in at least three categories: Cash and the accompanying medical assistance, food, and, housing. The rules and regulations for these programs are different and in many cases conflicting. It does not make sense for the Federal Government to set up programs for poor families and then establish different rules for eligibility.

We need one program that provides a basic level of assistance for poor families; sets conditions for receipt of that assistance, including work; and then limits the amount of time families can receive public assistance.

Over the past 12 years, I have served on the Nutrition Subcommittee of the Agriculture Committee or the Select Committee on Hunger. I have looked at these welfare programs in depth; I have visited scores of welfare offices, soup kitchens, food banks; I have spoken to those administering the welfare programs and the people receiving the assistance.

I learned during my years serving on the Select Committee on Hunger that any one program does not comprehensively provide welfare for poor families; it takes two or more of the current programs to provide a basic level of help. When there are two or more programs with different rules and regulations people fall through the cracks in the system and also take advantage of the system.

This must stop. How anyone could defend the present structure and system is a puzzle to me; unless it is persons who benefit illicitly from the fractured welfare mess we find ourselves in today, be they welfare recipients who take advantage of the system or advocates who thrive on the power derived from establishing new programs. Advocates of a humane system, a cost-effective system, an efficient system, a system that helps people up, off and out could find little solace in the current system.

It is amazing to me that so many states have sought to change the welfare system through the waiver process, thereby recognizing the failure of the present system, without any action on the part of Congress to change the system as well. How many more States might try to institute reforms but for the maze of bureaucracy they must go to achieve waivers? What we have now is not a welfare system aimed at moving families off of welfare and onto the taxpayers rolls, but a maintenance system that thwarts State initiative and diversity and poorly helps poor families, exasperates the front line administrators running the programs, and is a frustration and burden to the people paying for this disastrous system.

I want to help reform the system; I want to change the way we delivery this help to poor families; and, I want to do it in an efficient, compassionate, and cost-effective manner.

The subcommittee that I chair held four hearings last February on the issue of reforming the present welfare system. We heard from the General Accounting Office on the multitude of programs that are now operating. we heard from a Governor who operates a welfare system that is dependent upon Federal Bureaucrats for waivers; a former Governor who had to devise a system to provide one-stop-shopping for participants; and State administrators who must deal with the day-to-day obstacles that are placed in their way by Federal rules and regulations. Witnesses traveled from all over the United Sates to tell the subcommittee of their experiences operating programs to help poor families. Two of the members of the Welfare Simplification and Coordination Advisory Committee told us of the experiences deliberating the complexities of the present system. Others provided the subcommittee with their ideas on how to improve the system.

The conference agreement on H.R. 4 improves the USDA commodity distribution programs and reforms the Food Stamp Program.

We consolidate food distribution programs and provide for an increase in authorizations for the new program. Remember, food is fundamental. The food distribution programs, such as the emergency food assistance program or TEFAP, are the front line of defense against hunger for needy individuals and families. Food banks, soup kitchens, churches and community organizations are always there with food when it is needed.

The Federal Government provides a portion of the food that is distributed through these programs. But it is an essential part and acts as seed money for food contributions from the private sector. If we did not have food distribution programs we would have to invent them. We consolidate programs and increase the money to buy food so that these worthwhile organizations, most of which are made up of volunteers, can continue the fine work they now do.

Under the conference agreement we reform the Food Stamp Program and it is in need of a lot of reform. The States are provided with an option to reconcile the differences between their new AFDC programs with the Food Stamp Program for those people receiving help from both programs. This has been one of my goals and I believe that we are on the road to a one-stop-shopping welfare system. Complete welfare reform will come. This is the first step in the long road to reform.

States are encouraged to go forward with an electronic benefit transfer system. EBT is the preferred way to issue food stamp benefits. This bill provides States with the ability to implement the EBT system they deem appropriate and the problems with the notorious regulation E are eliminated. EBT is a means to effectively issue food stamp benefits and a means to control and detect fraudulent activities in the program. I am especially gratified that EBT can become an integral part of the Food Stamp Program and other welfare programs.

The conference agreement includes provisions that take steps to restore integrity to the Food Stamp Program. The agreement provides criminal forfeiture authority so that criminals will pay a price for their illegal activities in food stamp trafficking. We double the penalties for recipient fraudulent activities and we give USDA the authority to better manage the food stores that are authorized to accept and redeem food stamps.

We include a strong work program. We say that if you are able-bodied and between 18 years and 50 years with no dependents, you can receive food stamps for four months. Following that you must be working in a regular job at least 20 hours a week—half-time work—or you will not receive food stamps. The American people cannot understand why people who can work do not do so. We say you will not receive food stamps forever if you do not work.

Unconstrained growth in the Food Stamp Program, due to the automatic increases built into the program and the changes made to the program over the past years, cannot continue. We restrain the growth in the program by limiting the indexing of food stamp income deductions. We provide increases in food stamp benefits based on annual changes in the cost of food. We place a ceiling on the spending in the program. It will be up to Congress to determine whether increases above the limits placed on the program will take place. This is the appropriate way in which to manage this program. If a supplemental appropriation is needed, it will be Congress that decides whether to provide the additional money or institute reforms in the program to restrain the growth.

Mr. Speaker, this is a good bill, with sound policy decisions incorporated. Remember, we have not ended the process of reforming welfare with the action we took last March and continue today. We are beginning the process of real reform. I urge my colleagues to support the principles of this bill and take this first step along with me. We cannot continue as we are today with a welfare system that is despised by all involved. The status quo is unacceptable.

Let us think anew and act anew.

Mr. SHAW. Mr. Speaker, I yield 2 minutes to the distinguished gentlewoman from the State of Connecticut [Mrs. JOHNSON], a member of the Committee on Ways and Means.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I rise in support of H.R. 4, the Personal Responsibility and Work Opportunity Act. It is a significant improvement on the House-passed bill, and not only will it not suffer the children, but will provide women and children in need a window of opportunity to regain their independence from welfare.

I am particularly pleased with two titles of the bill that I have worked on for years: child protective services and child support enforcement.

We have 22 States currently under court order because their child welfare departments are failing in their mission to protect children in grossly abusive or neglectful families. Under the bill's child protective services title, foster care and adoption assistance payments remain entitlements, current

law protection standards are retained, States must maintain their spending and may not transfer funds to other programs as they can do between other block grants, and spending on this title will increase by 92 percent—from $3.3 billion to $6.3 billion in the year 2002.

In addition, the data collection section will allow us, for the very first time, to know how many children were in foster care last year, how long they stayed, what help they and their families received, and basic information we need to truly protect children. For the first time States will have to have citizen review boards, which, in States where they are well developed, have prevented kids from getting lost in the system, and prompted permanent placements and early intervention. And because it is new law, we will be monitoring States' performance very closely in upcoming years and learning from their experience to improve this legislation.

The child support title of this bill, based on the bipartisan Child Support Responsibility Act I was privileged to introduce earlier this year, takes giant steps toward enabling us to effectively collect child support. This is one area where national uniform law is important, since at least one-third of nonsupport cases involves more than one State. Immediate reporting of new employees to centralized State databanks will allow cross-checking with outstanding child support orders on an interstate basis for the first time. This, coupled with new power to cross-reference support orders with bank information and license information, will help literally millions of children enjoy a level of financial security not possible without the support from both parents.

And, finally, this is a families-first bill. For the first time, parents and children formerly on welfare will get paid the child support they are owed without having to wait for the States to get paid first. This families-first provision will help families to regain their independence and their hope. This is what welfare reform is all about—giving families the tools they need to help themselves. I urge my colleagues to join me in support of the H.R. 4 conference report before us today.

Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. FOGLIETTA].

(Mr. FOGLIETTA asked and was given permission to revise and extend his remarks.).

Mr. FOGLIETTA. Mr. Speaker, I rise in opposition to the conference report.

I rise in opposition to the conference report on welfare reform.

The district that I represent is one of the 10 poorest in America, and so the implications of this bill are very real to a lot of my people. I oppose this bill because it begins and ends with the intent to punish the people on welfare. What we should be doing is working with people to help them get a job, and keep a job, help them get off welfare, and stay off welfare. Many of us have embraced the idea of ''welfare to work.''

But for many people, this bill will mean welfare to homelessness—and thus more Federal money will be spent. We're going backwards.

Because this issue is so important to my constituents, I started the year by laying eight principles as a framework for real welfare reform. The common idea behind these principles is simple—let's think about how people live their lives and help them live that life without welfare.

How can we get parents trained for real jobs, and get them a job? How can we keep mass transit viable, safe, and cheap so that people can get to their jobs? How can we get parents child care so they can feel secure, knowing their children are safe, as they work through the day?

These are just some of the principles I laid down—and based on those principles, I cannot support this conference report.

Punishment and arbitrariness is not the way to real welfare reform. This is especially unfortunate, because the ingredients are here for bipartisan agreement on this issue. The President should veto this bill and give us the opportunity to get to genuine reform.

I urge my colleagues to oppose this conference report.

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Mr. FORD. Mr. Speaker, I yield 30 seconds to our colleague, the gentleman from Maryland [Mr. HOYER].

Mr. HOYER. Mr. Speaker, I thank the ranking member for his generosity.

Mr. Speaker, the current welfare system is at odds with the core values Americans share: work, opportunity, family, and responsibility.

Too many people who hate being on welfare are trying to escape it with unfortunately too little success. It is time for a fundamental change. In 30 second obviously I cannot analyze the changes that I would be for other than to say I was a strong supporter, and continue to support the Deal bill. The Deal bill was sponsored by a Democrat; the gentleman from Georgia [Mr. DEAL] is now a Republican. What more bipartisan bill could Members support than the Deal bill?

Mr. FORD. Mr. Speaker, I yield 1 minute to the gentlewoman from New York [Ms. VELÁZQUEZ].

(Ms. VELAZQUEZ asked and was given permission to revise and extend her remarks.)

Ms. VELAZQUEZ. Mr. Speaker, I rise today in strong opposition to the welfare conference agreement. I implore my colleagues on both sides of the isle to reject the mean-spirited provisions in this bill that will allow States to deny SSI and food stamps to immigrants living in the United States legally.

This conference agreement is an insult to millions of hard-working immigrants. it is not only unfair, unjust, discriminatory, and prejudicial—it is unconstitutional. Furthermore, It is a shameful and vicious attempt to single out and penalize immigrants for the wrongs of society.

In the past when the majority of immigrants looked like most of my Republican colleagues—immigration was good. Now that the majority of immigrants look like me—the radicals are pushing for laws that serve to punish those whose only crime is that they came to this country for a better life.

I ask my colleagues have we forgotten that this is a Nation of immigrants? Let's not create laws that will discriminate against people who work hard, pay taxes, and serve in the military. Vote against this shameful welfare conference agreement.

Mr. SHAW. Mr. Speaker, I yield 2 minutes to the most distinguished gentleman from Louisiana [Mr. MCCRERY], a valuable member of the Committee on Ways and Means.

Mr. MCCRERY. First of all, Mr. Speaker, let me point out that this conference report represents a compromise on the issue of SSI for children. Those of us who wanted to replace cash benefits with services to disabled children agreed to continue cash. Although I think that decision is a mistake, I believe this bill makes other badly needed changes to a badly flawed program, so I support the compromise.

But some defenders of the status quo, having lost the issue of cash to cry about, now complain that fewer children will qualify for SSI as a result of this bill. That is true. Here's why. As recently as 1989, the number of children on SSI was 300,000; today, that number is 900,000. Clearly, something is wrong with a program that triples in 6 years.

Under this bill, caseloads would decline because, after months of hearings and expert testimony, Republicans and some Democrats are acting to bring some common sense back to this program. Our bill ends the IFA and maladaptive behavior standards that allow parents to receive more than $5,000 per child in annual benefits—sometime called crazy checks—because their children exhibited age-inappropriate behavior.

My Democrat colleagues should be familiar with this policy, because they all supported it as part of the House Democratic welfare substitute just last spring. Every Democrat voted for a bill that would cut the same number of children from the SSI rolls as this conference report. According to CBO, the Democrat bill would ''trim approximately 20 to 25 percent of children from the SSI rolls.''

Yes, just a few months ago, every Democrat in this House voted, rightly, to restrict eligibility for a welfare program gone wild. Yet today, in an effort to make cheap political points, some of them conveniently change their minds. Well, it won't work—what was sound policy then is sound policy now. The SSI provisions of this bill should be a good reason to vote for the conference report.

Mr. FORD. Mr. Speaker, I yield such time as she may consume to the gentlewoman from New York [Mrs. MALONEY].

(Mrs. MALONEY asked and was given permission to revise and extend her remarks.)

Mrs. MALONEY. Mr. Speaker, I rise in opposition.

Mr. FORD. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan [Mr. LEVIN] who serves on the Subcommittee on Human Resources of the Committee on Ways and Means and who has really been in the forefront of welfare reform for many years and one who has articulated the issue very well for the children of this Nation.

Mr. LEVIN. Mr. Speaker, I thank the gentleman for his kind words. Unfortunately, this is not a historic day. It is a wasted opportunity. Instead of a bipartisan bill that the President can sign, this is an extreme bill that my colleagues have given the President no choice but to vote.

The House Democratic bill that we presented a number of months ago aimed at putting people on welfare into work. It had time limits. It had flexibility for the Governors. It had resources to make that program work. The gentleman from Georgia [Mr. DEAL] comes here and that key part is out of the bill and he defends his action.

The CBO has said very clearly that in the year 2002 the bill is $7 billion-plus short on getting people to work within the participation rates, child care, and the work requirements.

I want to say something, though. My colleagues are not only weak on work, but they punish kids. I want to say this to my colleagues very directly, because what was said a few minutes ago is simply wrong. The Republican Senators who signed that letter saying that they had deep concern pointed out their 58 billion in cuts have nothing to do with AFDC and getting parents into work as they should. It cuts food stamps mostly for kids. It cuts protective services like foster care for children. It cuts Medicaid, the link between welfare and health care.

For people to get off of welfare, they need a year's transition with Medicaid and you eliminate it. You also tamper with SSI. These are kids with cerebral palsy, Downs syndrome, muscular dystrophy, cystic fibrosis.

We did eliminate in our bill, it was not this many, 330,000, a smaller number who do not deserve to be on the rolls. We need reform, but you cut by 25 percent payment, yes, and you do, for kids with cystic fibrosis, cerebral palsy, Downs syndrome.

Mr. MCCRRERY. Mr. Speaker, will the gentleman yield?

Mr. LEVIN. I yield to the gentleman from Louisiana.

Mr. MCCRERY. Mr. Speaker, the gentleman is simply wrong. In fact, the CBO, I have the statement right here in front of me that the Deal bill that was voted for cuts from the roles the same number of children.

Mr. LEVIN. Mr. Speaker, there was no 25-percent cut for these severely handicapped children, period. And what Members have done is grab $4 billion from severely handicapped kids, from low income, in order to pay for a tax cut. That is a crying shame and that is why we are going to vote ''no'' on this welfare bill.

Mr. SHAW. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Connecticut [Mr. FRANKS].

(Mr. FRANKS of Connecticut asked and was given permission to revise and extend his remarks.)

Mr. FRANKS of Connecticut. Mr. Speaker, I rise in strong support of H.R. 4. Since my election to Congress in 1990, I have fought hard to address a system that to me is akin to one of the most oppressive systems and periods in our country's history, slavery. There are strong similarities between our current welfare system and slavery. Like slavery, welfare recipients feel trapped, have low hope, depend on the system as well. The welfare recipients receive food, shelter and health care, and so did slaves.

There are of course some differences. Slaves were black; most welfare recipients are white, though a disproportionate number of blacks are on welfare. Slaves worked but were not paid. Welfare recipients do not work but they are paid. Both practices are wrong. One system would kill you with pain via the whip, while the other system would kill you with kindness. Both have the same end result, they control people's lives.

Both systems divide the family, a key element of perpetuating the system. Slave owners sold off slaves with little regard to the family while in today's welfare system we encourage the flight of the male. We encourage the divided family. We ended slavery, Mr. Speaker. The least we can do is reform welfare. There is a better way.

I am also pleased that the electronic benefits transfer, the debit card system, has been included in this bill for the disbursement of AFDC and food stamps. I introduced this bill, the debit card, in 1993.

Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from Louisiana [Mr. FIELDS].

(Mr. FIELDS of Louisiana asked and was given permission to revise and extend his remarks.)

Mr. FIELDS of Louisiana. Mr. Speaker, I rise in strong opposition to this bill.

Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from Texas [Mr. BENTSEN].

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, I rise in strong support of real welfare reform as contained in the Deal substitute and the coalition budget and in opposition to this conference report.

Mr. Speaker, I rise in support of real welfare reform as provided in the Deal substitute and contained in the coalition's balanced budget and in opposition to the conference report for H.R. 4, the Personal Responsibility Act. This bill is the wrong answer to the critical challenge of reforming our welfare system to encourage more personal responsibility and to require welfare recipients to work. This bill is weak on work and tough on children, and it fails to keep up with the needs of fast-growing States such as Texas.

Let there be no mistake about it. I strongly support reforming welfare to emphasize work. Earlier this year, I voted for the Deal-Stenholm welfare reform bill, which includes a tough work requirement and provides resources to help people on welfare find and keep jobs. I voted for it again with the coalition's balanced budget reconciliation bill. The Deal-Stenholm plan requires each person on welfare to immediately develop a self-sufficiency plan that includes job searching, job training, or education. It would cut off benefits to individuals who refuse to work or accept a job. But it also provides a necessary resources, including child care, job training, health care, and nutrition, that make it possible for parents to work without hurting their children and that make sure that work pays more than welfare.

H.R. 4 neither requires nor rewards work. Rather, it punishes children.

This bill includes no work requirement whatsoever. It rewards states that reduce their welfare rolls, but the reward is the same regardless of whether recipients end up homeless on the streets or in good jobs and on the road to a better life. In fact, the former is much more likely than the latter under this bill because it falls woefully short in meeting child care, health care, and other needs. In fact, this bill falls $14 billion short of meeting these needs compared to the Senate bill approved earlier this year, which itself was barely adequate at best.

The problems in this bill are exacerbated by the Republican proposal to cut the earned income tax credit by $32 billion over the next 7 years. This cut in the EITC amounts to a tax increase for 12.6 million working families with 14.5 million children. What kind of a message do we send to these families when we tell them that if they work hard, they will be penalized with a tax increase and reduced health care, child care, and nutritional assistance? It certainly isn't a message that we value work.

It is the children that will suffer, through no faulty of their own. For example, this conference report severs the link between welfare and Medicaid eligibility. In Texas alone, 321,419 parents and children would lose their health coverage. These children and families will lose guaranteed health coverage regardless of any other reforms made in Medicaid. Without Medicaid coverage, sick children will go without even the most basic health care.

This bill is especially bad for fast-growing States such as Texas. The proposal to block grant will welfare benefits would cost Texas $1 billion over 7-years. Texas is a State with higher than average population growth. Block grants are fixed amounts of money that are not adjusted for either population growth or recessions. Thus block grants will not keep up with Texas' needs. And Texas certainly would not have sufficient resources to help our most vulnerable families, therefore creating an unfunded mandate which this HOUSE is on record opposing.

In the final analysis, H.R. 4 is the wrong answer to a critical problem. The President has vowed to veto this bill in its current form. I hope that once the President vetoes this bill, we can work together on a bipartisan basis to reform our welfare system. The Deal-Stenholm

plan is a constructive compromise that encourages and rewards work while protecting our children. This is the common-sense approach we need to truly reform welfare.

Mr. FORD Mr. Speaker, I yield such time as he may consume to the gentleman from California [Mr. FARR].

(Mr. FARR asked and was given permission to revise and extend his remarks.)

Mr. FARR. Mr. Speaker, I rise in strong opposition to this bill.

Mr. Speaker, in Dr. Seuss' beloved story, the Grinch stole Christmas from the children in Whooville because he was mean-spirited. While the Grinch is a fairy tale and has a happy ending, it is tragic that the welfare reform conference report before us today is not.

While every Member of this institution agrees with me that the welfare system is broken and must be fixed, it is unconscionable to me that the Republicans can demonstrate such mean-spiritedness by proposing a welfare reform bill that will plunge innocent children into poverty.

Every President since FDR has preserved the minimum national guarantee of income assistance for poor children. What the Republican conference report does is steal the basic guarantees of help for poor, hungry, ill, abused, and neglected children much like the Ginch who stole Christmas from Whoolville.

At the same time the Republicans can eliminate the safety net for children, they continue to insist on a $245 billion tax cut for the wealthy.

Let me tell you what would happen by the year 2002 if the $245 billion were allotted to low-income children instead: enroll another 1.5 million children in Head Start, cost: $42.68 billion; expand child care for working parents, cost: $42.20 billion; provide health insurance to 10 million children who currently have no health insurance, cost: $90.80 billion; provide after-school programs, cost: $4.95 billion; and raise 3.65 million children out of poverty, cost: $70.67 billion.

This is true welfare reform—if we allocate $70 billion to give jobless parents part-time jobs and provide families with child care, wage supplements, and direct cash assistance, we would truly fulfill the spirit of Christmas for millions and millions of needy children.

This is a Grinchie conference report and I urge its defeat.

Mr. FORD. Mr. Speaker, I yield 1 minute to be gentlewoman from the district of Columbia [Ms. NORTON].

(Mr. NORTON asked and was given permission to revise and extend her remarks.)

Ms. NORTON. Mr. Speaker, there is no greater disappointment this session than this bill. It fails to meet the two mandates the American people gave us when we began this exercise across all race and class lines: put people on welfare to work; do no harm to children.

Instead of providing the means to work, we provide an artificial percentage who must work which we know will not be met, 50 percent by the year 2002. The bill betrays the mandate of no harm to children because it removes the entitlement without replacing it with any form of safety net. Ending the entitlement and the safety net will not reduce the number of desperately needy children who need some means of support. Instead of saving children, we put their needy parents in competition with one another. The working poor and the welfare poor will compete with one another for child care because we eliminate much of what we said we would give in child care. If we believe in keeping with the priorities our own constituents set for us across race and class lines at the beginning of this exercise, we must vote down this conference report.

Mr. SHAW Mr. Speaker, I yield 1 minute to the distinguished gentleman from Texas [Mr. SMITH], a member of the Committee on the Judiciary.

Mr. SMITH of Texas. Mr. Speaker, one of the most important sections in the Personal Responsibility Act stops giving welfare benefits to illegal aliens and encourages legal immigrants to become self-reliant. Our Nation simply cannot continue to allow noncitizens to take limited welfare resources while ignoring our own citizens.

Many immigrants come to America for economic opportunity. Others, though, come to exploit our Government assistance programs. For example, the number of immigrants applying for supplemental security income has increased 580 percent over the last 12 years. Those who agree to financially sponsor immigrants repeatedly fail to honor their obligations.

The provisions in the Personal Responsibility Act that apply to noncitizens are estimated to save American taxpayers $16 billion, but welfare reform is as much a behavioral issue as a budgetary one. The real debate in welfare reform is not over 16 billion, it is over the fact that welfare destroys work incentives, encourages the breakdown of the family and results in years of dependency.

Mr. Speaker, all the President needs to do to keep his word to the American people to reform welfare is to sign this bill.

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Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois [Mr. RUSH].

(Mr. RUSH asked and was given permission to revise and extend his remarks.)

Mr. RUSH. Mr. Speaker, I rise in strong opposition to this bill.

We have sent troops to Bosnia to protect people who cannot protect themselves. They were killed and slaughtered because another group felt that the region in which they lived needed to be cleansed. I mention this because, the provisions in this bill bring to mind the tragedy in Bosnia. The motivation behind these provisions which deny Medicaid, social services, and welfare for assistance to legal immigrants, children, and the disabled reeks of all sorts of machinations.

I am concerned that the Republican majority feels that this Nation needs to be cleansed of those who do not speak English as their native language, those who are poor, those who are disabled, those who are sick, and those who dare to ask for a helping hand, whatever the reason might be.

Mr. Speaker, this bill sounds like, smells like and is an elitist manifesto. Some may characterize this bill as immoral, but I feel that would not be accurate. This bill goes further—it is amoral—totally devoid and lacking of consideration of laws of human civility.

We must change the welfare system, however, it must not be done without compassion and sensibility. This bill will only harm those who are already in need.

Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. NADLER].

(Mr. NADLER asked and was given permission to revise and extend his remarks.)

Mr. NADLER. Mr. Speaker, I rise in strong opposition to this terrible bill.

Mr. Speaker, I rise in strong opposition to the Republican welfare reform conference report being considered today on the House floor.

This bill is a clear assault on America's children, and on America's future. It would cut $48.4 billion from vital family survival programs, denying benefits to millions of children who are in desperate need.

The welfare reform bill rips apart the safety net that so many children and families have relied on to help them stay afloat during desperate times. The Draconian cuts to essential services for low-income children, for families, and for elderly and disabled people is a clear example of the mean and uncaring spirit which has engulfed this Congress.

Mr. Speaker, the magnitude of the cuts to these programs are unprecedented in U.S. history. This bill takes away the guaranty of emergency assistance for the very poor. It reduces drastically the funding for child protection programs needed to remove children from unsafe homes, and to place them in appropriate settings, such as foster care and adoption. Under this legislation, families on AFDC, as well as children receiving foster care and adoption assistance, would no longer be assured of receiving Medicaid as they currently are. Food assistance is reduced to ridiculous levels. The food stamp program is cut nearly $35 billion over 7 years—cutting benefits about 20 percent. Further, this bill reduces Federal supplemental security income benefits for large groups of disabled low-income children and also to older Americans. This bill also reduces funding for work programs which are key to making people personally responsible for themselves and their families.

As a result of these reductions, the legislation would increase poverty dramatically among children. An Office of Management and Budget analysis found that this conference agreement would add 1.5 million children to the ranks of the poor. This study also found that the conference agreement would increase the depth of child poverty by one-third—making large numbers of children who already are poor poorer. This too is unprecedented in our Nation's history.

Mr. Speaker, this bill is immoral and counter to the so-called family values which the Republicans constantly tout as necessary to a productive society. How this legislation will help to foster family values and personal responsibility baffles me. This legislation will put more families and children out on the streets; make more families and children go hungry; and will take away all of the basic survival needs and opportunities which those less fortunate need to be productive and contributing

citizens. Don't let the Republicans fool you into believing that this bill is about reforming the welfare system, because if it were they would focus more on job and education opportunities for families with children while maintaining an adequate living standard for those in need, allowing them to be distinct contributors.

This bill callously steals the little bit of hope that those in need have left to rise up against the odds. Clearly, it is a vehicle to keep the poor and disadvantaged down at the benefit of the wealthy status quo.

In this bill, the Republicans destroy hope for personal advancement among this Nation's disadvantaged and poor—those who have not been so fortunate to have been born into economically stable families.

Mr. Speaker, I urge my colleagues to vote against this very damaging bill.

Mr. FORD. Mr. Speaker, I yield 1 minute to the gentleman from Georgia [Mr. LEWIS], the distinguished Democratic leader.

Mr. LEWIS of Georgia. Mr. Speaker, in the spirit of the Gingrich Christmas, Republicans are giving American children an early Christmas surprise.

During this season, the season of giving, the Republicans have instead taken—taken from our Nation's poor children. They are stealing the hopes and dreams of millions of children who have little else.

The Republican plan puts a million and a half children into poverty. It takes from school lunches and child care. Poor children are no longer guaranteed basic health care.

The Republican proposal destroys the safety net that protects our Nation's children. It is an extreme, mean-spirited and radical proposal—devoid of compassion and feeling.

As your children open their presents Monday morning—as we join our families in love and fellowship—take a moment to remember the children who will do without, the children that this plan will make do with even less.

Merry Christmas—Mr. Speaker.

Mr. SHAW. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Arkansas [Mr. HUTCHINSON].

Mr. HUTCHINSON. Mr. Speaker, my friends, in the midst of this budget crisis, the crisis of a generation, we are afforded an historic opportunity to transform a flawed welfare system that has been destroying families, eroding hope, and shredding the social fabric of this country for a generation.

If you are for welfare reform today, you have an opportunity, a chance to prove it. No more excuses, no more demagoguery, no more rhetoric about how it is tough on children, no more rhetoric about pulling the safety net and all of the rhetoric about it being cruel and mean.

I do not know, I have lost track of how many times the word cut has been used from the other side. So let us set the record straight. This chart demonstrates it conclusively: Spending in this bill increases, increases, increases, at 4 percent a year. Perhaps more importantly, spending per person in poverty, the individuals whom we are most concerned about, increases to the point that it will be the highest ever in the history of this republic.

I challenge anybody on the other side of the aisle to dispute these facts. Spending goes up in this bill. The safety net is secure. This bill, in fact, has been so tempered in conference that only the most wild-eyed liberal could possibly oppose it. It gives States new, broad authority to design their welfare programs.

You say, well, they might not do it right. And I say they could not possibly do it worse. It has real work requirements. It has a real time cutoff on welfare benefits.

I am from Arkansas. I know President Clinton is an advocate for welfare reform and, I believe in the end he will do right and he will sign this bill. We will have real welfare reform.

Mr. FORD. Mr. Speaker, I am inserting at this point in the RECORD material expressing opposition to this bill.

ASFSA POSITION ON WELFARE REFORM CONFERENCE REPORT

ASFSA urges the Congress to vote against the welfare reform conference report because in addition to other problems it includes a block grant of school lunch and child nutrition. While the school lunch block grant is limited to seven states, it is a step in the wrong direction. The block grant breaks a fifty year tradition of federal responsibility and commitment to feeding children. (The National School Lunch Act was signed by President Harry Truman on June 4, 1946.)

The National School Lunch Program works, and works very well. There is no reason to experiment, even in seven states, with how to break the federal commitment to feeding children.

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THE SCHOOL DISTRICT OF PHILADELPHIA,
*Philadelphia, PA, December 14, 1995.*

Hon. RICHARD LUGAR,
*U.S. Senate,*
*Washington, DC.*

DEAR SENATOR LUGAR: On behalf of the students of Philadelphia's public schools and their parents, I extend heartfelt thanks for your staunch opposition to block grants for school nutrition programs.

The School District of Philadelphia feeds its students over 115,000 lunch and 32,000 breakfast meals each day. Eighty-five percent of these student's household size and family income make them eligible for free meals. To many of our students these meals are the only source of good nutrition that they may receive. Over the past five years we have increased student participation in the lunch program by 57% and by 128% at breakfast. The block grant concept for nutrition programs would have severely impeded our progress in increasing student participation and maintaining current service levels.

It is a recognized fact that nutritious meals improve a student's ability to achieve and contribute to long term wellness. Your principled, non-partisan stand on this issue is a true service to the youth of this country.

Again, thank you.

Sincerely,

THOMAS E. MCGLINCHY,
*Director.*

Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. BECERRA].

(Mr. BECERRA asked and was given permission to revise and extend his remarks.)

Mr. BECERRA. Mr. Speaker, I thank the gentleman for yielding me this time.

When you ask any American what is reform in welfare, they will tell you, go after the fraud, be tough on the cheats, require work. But if you ask them should we knock 330,000 children who are severely disabled off from any assistance whatsoever and you tell them that for the 650,000 other very severely disabled children who have things like cerebral palsy or Down's syndrome, that should we cut their assistance by 25 percent, will they tell you that is reform? Will they tell your cutting $35 billion out of food stamps that will affect the 14 million children in this country who receive some assistance through food stamps, that that is reform? They will not tell you yes, but they will say you are heading in the wrong direction.

When you tell them that if you abide by the laws and you pay your taxes and you are doing everything this country asks you to, except you are not quite yet a citizen, should you be denied assistance if you should need it? I do not think they will tell you yes. This bill takes $20 billion out of the hide of legal residents to this country, and I think that is wrong.

Let us get some reform. Let us not ravage our children. Let us get something on the table we can vote for. This conference report is not it.

Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from California [Mr. TORRES].

(Mr. TORRES asked and was given permission to revise and extend his remarks.)

Mr. TORRES. Mr. Speaker, I rise in opposition to this welfare conference report.

Mr. Speaker, I rise in opposition to the welfare conference report. This report is nothing short of a nightmare. What the Republicans call reform, I call outright abuse.

Welfare reform is about helping families help themselves. It's about presenting opportunity through job training and child care. It's about giving these families a realistic chance at making it on their own.

More importantly, welfare reform begins with the next generation. This conference report ignores this simple fact.

If we want to end welfare as we know it, let's start with our welfare children—all of our welfare children, be they legal residents or not. They did not ask for poverty or hunger, so let's recognize their innocence with reforms that give them a future.

Instead, this Congress is leading our poorest, neediest children to the edge of a cliff and pushing them off.

With cuts in nutritional programs, child care and health care, we are taking away their future. We aren't encouraging the end of welfare, we're cultivating the next generation of recipients.

I ask my colleagues to vote against this report; these children did not create the welfare crises. Don't make them pay for it.

Mr. FORD. Mr. Speaker, I yield such time as he may consume to the gentleman from Oregon [Mr. DEFAZIO].

(Mr. DEFAZIO asked and was given permission to revise and extend his remarks.)

Mr. DEFAZIO. Mr. Speaker, I rise in opposition to the conference report.

Mr. Speaker, I rise today, just a few short days before Christmas and during the observance of Hanukkah, to denounce the welfare reform conference report as antifamily, antichildren, and the most dramatic illustration of the cruel agenda of the House Republicans.

In this time of giving and caring, of family togetherness, it is simply unconscionable that we are considering legislation that will ultimately deprive children, the elderly, and low income families in this country of the most basic human needs—food, healthcare, and protection from abuse. What has happened to this country's priorities? Last month, Congress approved a $245 billion tax cut that primarily benefits wealthy Americans and profitable corporations. Just last week Congress passed legislation authorizing $260 billion in defense spending, including funds for more B–2 bombers, at $2 billion each, which the Pentagon does not want. Today the House authorized $28 billion for intelligence operations.

I am unalterably opposed to this irresponsible welfare reform proposal. The plan punishes our country's poor families and children while doing nothing to move them off welfare and into family-wage jobs. The conference report pretends that if we punish the poor, the problem of welfare dependency will somehow go away. The conference report reduces funding for education and job training and provides insufficient funding for child care—the very tools that enable people to leave welfare and become self-sufficient.

In a nation facing unemployment rates of 5.6 percent, this legislation will not prepare welfare recipients for family-wage jobs and self-sufficiency. Instead, it sets an arbitrary time limit of anywhere from 2 to 5 years in which people who have been given no opportunity to succeed are permanently barred from assistance. Welfare needs reform, but we must give individuals real opportunities for success.

The Republican leadership argues that welfare eats up our entire Federal budget. In fact, we spend 1 percent of our total budget on Aid to Families With Dependent Children—$16 billion. That's about the same amount the Republican leadership proposes to spend on foreign aid. By conservative estimates, we will spend about $570 billion over the next 5 years on corporate welfare for large profitable corporations, many of which are foreign owned. In contrast, the welfare reform conference report will cut anywhere between $60 and $80 billion over the next 7 years in a variety of public welfare programs—we don't know exactly how much, because we haven't been able to see the final report.

We do know who will feel the burden of these cuts. It is our Nation's children, Mr. Speaker. In the United States in 1992 children made up 67 percent of all welfare recipients. That year, slightly more than 9 million children received cash assistance from Aid to Families with Dependent Children [AFDC]. It is these children who will face the terrible consequences if this bill is enacted. What will happen to these children if their parents are denied assistance? Will America look more like Calcutta in 7 years? Is that what Americans want.

We have heard that if families are forced off welfare, they will still have access to healthcare and food stamps. However, the conference report eliminates the current guarantee of Medicaid coverage for AFDC recipients, as well as children receiving foster care and adoption assistance. In addition, nearly half of the cuts in this bill come from the Food Stamp Program. Republicans have been assuring us all along that they're maintaining the basic noncash safety net for children of food stamps and Medicaid. Now we see the reality behind the rhetoric. This is a mean-spirited attack on the poor which will increase child hunger and deny children access to health care.

I would like to close with some passages from that cherished Christmas story, ''A Christmas Carol,'' as spoken by the character, Ebenezer Scrooge:

> Are there no prisons, no workhouses? . . . I can't afford to make idle people merry. I help to support these establishments and they cost enough and those who are badly off must go there . . . It is enough for a man to understand his own business and not interfere with other people's.

Sound familiar, Mr. Speaker? You have heard almost identical statements from the Republicans throughout the past year. All ends well in this story of Christmas past and Scrooge mends his ways. I call on my colleagues to follow this example and reject this mean-spirited legislation for the sake of our Nation's children.

Mr. FORD. Mr. Speaker, I yield such time as she may consume to the gentlewoman from California [Ms. ROYBAL-ALLARD].

(Ms. ROYBAL-ALLARD asked and was given permission to revise and extend her remarks.)

Ms. ROYBAL-ALLARD. Mr. Speaker, I rise in strong opposition to this bill.

Mr. FORD. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts [Mr. OLVER].

Mr. OLVER. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, welfare reform is supposed to move people off welfare and reward work, but this bill does neither. It not only shreds the safety net for the truly poor but it hurts working families as well. This bill slashes child care, nutrition, and food stamps for working families. It slashes support for disabled children. It slashes child abuse protections, the very support that keeps working families whole and off of welfare.

Add to this the Gingrich earned income tax credit cuts, and you truly close the door of opportunity for poor working families and their children. That is not reform, Mr. Speaker, it is cruelty.

Mr. Speaker, welfare reform, real welfare reform, is supposed to move people off welfare and reward them for their working.

Last spring, I and every other House Democrats voted for a welfare reform bill which would have done just that. It included tougher work requirements than the Republican plan and State flexibility in improvising welfare policies, while at the same time preserving the safety net for this Nation's poor. It also provided adequate funding for the tools needed to successfully move people to work: education, training, and child care.

The extremist bill we vote on today, H.R. 4, does neither of these things.

It shreds the safety net for the truly poor in this country, ending the 60-year commitment Government has made to the less fortunate.

It ends the guarantee of financial assistance, health care, and child care for poor children. It provides no additional funds for education, literacy, and job training to move and keep people off welfare.

Furthermore, this bill also directly harms the economic well-being of working families.

This bill cuts funding for child nutrition, such as WIC, which provides vital prenatal nutrition for women, and food at day care centers for low-income families. It cuts both child care and food stamps, both of which are essential to struggling, working families.

This legislation also slashes at nonwelfare programs like financial assistance for disabled children and protection for neglected and abused children.

These are the very supports that keep working families whole and off of welfare.

Add to these measures the proposed $30 billion in cuts to the earned income tax credit, which benefits 12 million families with incomes below $30,000, and you truly close the door on opportunity for the working poor.

That's not reform, that's cruelty.

Mr. FORD. Mr. Speaker, I yield 50 seconds to our colleague, the gentleman from North Carolina [Mr. ROSE].

Mr. ROSE. Mr. Speaker, I appreciate the time, and I would like to tell my colleagues that at the appropriate time I will offer a motion to recommit. This motion to recommit goes in the direction of what our distinguished colleagues in another body have urged that be done.

I urge my colleagues to take a page out of Santa Claus' book and realize that this is not a time to be cruel to the youngest and the most vulnerable people in our society.

I urge that the motion to recommit, which I will offer at the appropriate time, be adopted by my colleagues.

Mr. FORD. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Florida [Mrs. MEEK].

(Mrs. MEEK of Florida asked and was given permission to revise and extend her remarks.)

Mrs. MEEK of Florida. Mr. Speaker, I stand to say to the world to, please, revoke this stand by the Republican party against needy immigrants and vote against it.

Mr. Speaker, there are many reasons to oppose this conference report. I'll just talk about one that is very important in the part of the country I represent: discriminating against legal immigrants.

The conference report denies Supplementary Security Income and food stamps to legal immigrants.

The Republican majority is destroying the safety net for thousands of people who are legal residents in the Miami area. These people are hardworking and productive members of society. They pay their taxes. But for reasons beyond their control, some of them may need temporary financial assistance.

Why does the Republican majority discriminate against people who are legal residents? We all know the answer. This discrimination cuts Federal spending by $20 billion. They want to use these funds to give a $245 billion tax cut that is targeted to those earning more than $100,000 a year.

This conference report should be defeated.

Mr. FORD. Mr. Speaker, I yield myself the remainder of my time.

I would like to make note of the statement by the President today, share it with my colleagues on the Republican side as well as the Democrats on this side. In a portion of it, he said, ''I am disappointed the Republicans are trying to use the word welfare reform as cover to advance the budget plan that is at odds with America's values. Americans know that welfare reform is not about playing budget politics. It is about moving people from welfare to work,'' and he said, ''I am determined to work with Congress to achieve real bipartisan welfare reform, but if Congress sends me this conference report, I will veto it and insist that they try again.''

I urge the President to veto this bill if it is passed today, this conference report, in this House of Representatives.

Mr. SHAW. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida [Mr. MICA].

(Mr. MICA asked and was given permission to revise and extend his remarks.)

Mr. MICA. Mr. Speaker, I rise in support of this conference report.

Thomas Jefferson said it best in 3 words, ''Despondency begets servitude.''

Through misguided compassion our welfare system has fostered chaos. We have enslaved two generations. The Federal welfare system has destroyed family structure, work ethic, and any sense of values and smothered opportunity. The Federal welfare system has destroyed hope, discouraged personal responsibility, and cast a dark gloom over the lives of millions of Americans.

Today we offer with this welfare reform bill a glimmer of hope. Today we offer hope for people to help themselves. Today we offer hope to end the cycle of dependency.

Mr. SHAW. Mr. Speaker, I yield myself the remainder of my time.

Mr. Speaker, we have come down a very, very long road. Before I get into my closing remarks, I want to recognize a staff person who has done an unbelievable job in bringing this along, Dr. Ron Haskins, of the Committee on Ways and Means, Subcommittee on Human Resources. Without him, all of us know that without good hard-working staff people, such as Dr. Haskins, we would not be able to formulate legislation such as is before us today.

Mr. Speaker, I think we also, while we are handing out credit today, we have to give credit to the President of the United States for raising the consciousness of the American people about the corruption of the existing welfare system. For it is he that coined the phrase that we shall change welfare as we know it today. It took, however, this Congress to finally move forward with a bill that all of us today should be able to support.

I wish the podium were right in the middle of this floor because this is where it ought to be when we are talking about the future of so many millions of American people who have become welfare dependent. President Roosevelt referred to welfare as a narcotic. It is an addictive narcotic.

Approaching welfare reform, as many of us did some 5½, 6 years ago, never once did we view it as a vindication of the taxpayer. We viewed it as a corrupt system that had sucked people into a way of life from which there was no escape, and we have moved substantially forward.

I want to compliment all of the Members on the Democrat side of the aisle for their vote the last time this came forward, because each and every one of you set aside and said, ''I will not support the existing welfare system.'' Each and every one of you today have not, not one person in this Chamber has gotten up to support this system that is now 60 years old and has enslaved so many of our American people.

Is there one of us that would want to depend upon a 60-year-old car for transportation? But we are asking the poorest among us to live with a system that is 60 years old. Think back 60 years, think of where the place of the woman was 60 years ago and where she is now. Think how the American psyche has changed, think about where minorities have gone in the protection of the law when the law used to work against them, and now it is working with them.

So what has held so many American people back? A welfare system, a welfare system that pays people to stay where they are, not to get married, and not to work. We cannot choose that system.

My colleagues, today we have a choice. On the one side, you can vote for the status quo. On the other side, you can come forward with us and reach out your hand, and I will commit to you as long as I am chairman of the Subcommittee on Human Resources we are going to continue to look at welfare reform. We are going to continue to help the poor. We are going to move this country forward, and we are not going to leave anybody behind this time.

Vote ''yes'' on this most important bill.

Mr. DINGELL. Mr. Speaker, I rise today, somewhat reluctantly, in opposition to the welfare reform conference report. I do so because my colleagues from the other side of the aisle have left no real choice for those Members who want to make smart and reasonable reforms. Earlier this year, I supported an alternative bill with work requirements, time limits for receiving assistance, and more flexibility for States to make their welfare programs work better.

The bill before us fails any reasonable sense of balance. It singles out the harshest cuts for children, such as denying AFDC cash assistance to 4 million children. This is not right. Neither is it right to out 6 million children from the health care benefits of Medicaid.

As we work to reform welfare, it is important to remember that we do not provide welfare assistance purely for altruistic reasons. We provide financial assistance to those in need because it is in the best interest of our society to do so.

Helping Americans who are experiencing severe financial difficulties get back on their feet, at its most practical level, lowers our crime rate and increases our Nation's ability to compete by strengthening the quality of our work force. At its loftiest level, it increases the quality of many people's lives.

Our goal is to return people to work—enabling them to support their families, and provide for those children, elderly, and disabled who are unable to provide for themselves. For the most part, this requires funding of the basic necessities—health care, child care, and job training. The bill fails to provide to States adequate funding for any of these three.

The bill repeals the current guarantee of Medicaid coverage for AFDC families, thus leaving over 4 million mothers without health care. It also mandates that 50 percent of welfare recipients participate in work programs, yet offers no funding for these programs. This places a $26 billion unfunded mandate on States to operate job training programs, and to care for the children of those enrolled.

In our rush to try to get home for the holidays, I find it sad that our friends on the majority side of the aisle have chosen to mark the spirit of the season by pushing through an excessive level of cuts disproportionately aimed at the most helpless among us. I am told the President will veto this legislation. That is the right choice. Perhaps then we can mark the new year by working in a bipartisan manner to enact smart and reasonable welfare reform.

Mr. VENTO. Mr. Speaker, I rise in opposition to this measure, H.R. 4. This is not welfare reform, rather, it is a measure which short changes many essential programs that affect our fellow Americans in need.

In addition to rewriting policy and cutting funding for the Aid to Families with Dependent Children [AFDC] Program, the measure substantially cuts nutrition programs, child care assistance, Supplemental Security Income [SSI], and other emergency assistance programs. Consequently, it undercuts much of the economic safety net for people in need in our Nation.

Major flaws that were inherent in this measure when it left the House persist, and, in some instances, have been compounded. This measure ends the entitlement status of most essential programs for families in need and folds them together. This means that the numbers of families and individuals that actually qualify for assistance with today's policy will no longer be a factor, they will be irrelevant, in determining who gets aid. The policy advanced in H.R. 4 sets reduced allocations of funds that are fixed, regardless of the demographics or need.

Furthermore, this measure relieves the States of a full maintenance of effort, allowing them to provide substantially less resources to meet the needs of their own citizens. While I understand that States and local public officials care about the well-being of their citizens, the shortfall in funding under H.R. 4 will

force them to do more with less, and that willingness to match and maintain the same effort that exists under current policy will be strained. The State and local officials may benefit from flexibility, but it would take a miracle to offset the cuts and exclusions in this bill and also achieve the work requirements set forth in it. This measure contains inadequate support for training and education and does not provide the necessary transitional health care that should be present to support the expected participation in the world of work.

Individuals in our society should be expected to do what they can for themselves. But policies should be careful to differentiate between those who cannot and those who will not. Many of the benefits of a public assistance nature accrue to the welfare of children. Two-thirds of the individuals within the welfare system are children. The harsh policies advanced in this measure affect kids with disabilities under SSI. Funding to aid children with Down syndrome, cerebral palsy, AIDS, muscular dystrophy and cystic fibrosis under SSI would be cut by 25 percent—an estimated 650,000 kids would be affected. An additional 320,000 kids would lose SSI benefits under different changes in the law. Nearly 1 million children would lose under the SSI policy changes of H.R. 4 alone.

Mr. Speaker, one provision on this measure claims big cuts and savings by denying benefits to legal immigrants, noncitizens who pay taxes and contribute to our economy. Such is the case with the Hmong, the natives of Laos who have a concentrated population in Minnesota and in other parts of the Nation. Because they have failed their citizenship test largely based on language difficulties, they would be denied essential and basic public assistance benefits.

Mr. Speaker, this could affect tens of thousands of individuals nationwide and many in my community. Other immigrant groups will also be negatively affected by this provision such as the influx of Soviet jews who are so prominent in our area. I know of no justification or explanation for this policy. Certainly, a more rigorous pursuit of deeming, that is sponsor support, for immigrants is appropriate, but often this is not applicable or practical.

Mr. Speaker, this will translate into unacceptable responsibilities and burdens on families, communities, and States. H.R. 4 is not well-thought-out policy. Its claim to reform masks extreme notions of a welfare mindset that has little relationship to the real world. Spousal support provisions and some of the sensible provisions of this measure are completely eclipsed by the negative, punitive, regressive, and unworkable policy that is palmed off as reform—deformed policy would be a more accurate description. I urge my colleagues to oppose this measure and renew our efforts for real reform so that those dependent can truly achieve an end goal of independence and positive contribution of their talents, for our Nation and our society.

Mr. STOKES. Mr. Speaker, I rise in strong opposition to H.R. 4, the Personal Responsibility Act, a bill designed to overhaul our Nation's welfare system. Nine months ago, on March 24, many of my colleagues and I stood before this body and showed our staunch disagreement with the House-passed welfare reform bill by voting against the bill. I wish I could say that, since then, some compassion and reason had overcome our colleagues on the other side, who were conferees on this measure, to reverse some of the mean and devastating cuts made in this legislation. Unfortunately, that was not the case.

Just 1 month ago, on November 14, I joined with 116 of my colleagues in writing to President Clinton to urge him to veto any welfare reform legislation which eliminates a safety net for our Nation's needy children and their families. I appeal to him again to do so with this ill-advised measure which abandons the Federal commitment and safety net that protects America's children.

In fulfilling their Contract With America, our Republican colleagues assured us that we would have a family friendly Congress. They promised us that our children would be protected. It is abundantly clear that our colleagues have reneged on that commitment when we examine the provisions of this bill. H.R. 4 slashes nearly $80 billion over 7 years in welfare programs. This bill guts the AFDC and Medicaid entitlement, cuts into the SSI protections for disabled children, and drastically cuts food stamps and child nutrition programs.

Mr. Speaker, I find these reductions in quality of life programs appalling. Although they claim to be so concerned about what the future holds for our Nation's children, how can my Republican colleagues support a bill that cuts $3.3 billion from funding for child care for low-income families? How can they stand by a bill that slashes more than $3 billion in funding for meals to children in child care centers and homes? How can they support a bill that would end Medicaid coverage for AFDC recipients, leaving many low-income families with no health care coverage? As if that were not devastating enough, this bill would cut nearly $35 billion over 7 years from the Food Stamp Program and $5.7 billion in the Child Nutrition Program.

H.R. 4 sends a signal to the rest of the world that the United States of America, a world leader, places a very low priority on those individuals who have very little. This bill unfairly punishes children and their families simply because they are poor. In Cuyahoga County, we have a 20-percent poverty rate in a county of 1.4 million people. In the city of Cleveland, it is an alarming 42 percent. Throughout the county, more than 228,000 people receive food stamps. Further, more than 137,000 individuals must rely on Aid to Families With Dependent Children. Many of these individuals constitute America's working poor. This punitive measure will undoubtedly endanger their health and well-being.

Mr. Speaker, I can understand and support a balanced and rational approach to addressing the reform of our Nation's welfare system. But I cannot and will not support this legislation which would shatter the lives of millions of our Nation's poor. The pledge to end welfare as we now know it is not a mandate to act irresponsibly and without compassion and destroy the lives of people, who, through no fault of their own, are in need of assistance. On behalf of America's children and the poor, I urge my colleagues to vote against H.R. 4.

Mr. OWENS. Mr. Speaker, I rise in strong opposition to the conference report on welfare reform. The destruction of entitlements. That is the goal of the Republican majority. But only the means-tested Aid to Families with Dependent Children [AFDC] entitlement is being wiped out by these high technology barbarians. Rich farmers and agricultural businesses will still retain their entitlement to farm subsidies. Entitlements to homeowners and business owners for flood relief, hurricane relief, and earthquake relief will remain in place. But families and children who experience economic disaster, the neediest among us will be denied Government assistance.

There are many reasons to vote against this phony reform package. But the single most important reason is that it sets a precedent by ending a means-tested entitlement. A beachhead is established by the barbarians. The next target is the means-tested Medicaid entitlement. In this bill the automatic right to Medicaid presently available to all AFDC recipients is eliminated. In the reconciliation bill of the majority, the means-tested Medicaid entitlement is eliminated totally.

This Christmas 1995 is not a Merry Christmas. Millions of Tiny Tims will suffer and die in the years to come as a result of the overwhelming meaness of the House Republican majority.

Mr. MALONEY. Mr. Speaker, this has been an extremely partisan Congress—but this is one area where Democrats and Republicans agree. Welfare needs reform.

But the conference report we're considering today would make a bad system much worse.

The bill would worsen poverty and hunger for innocent children by making deep cuts in benefits especially during economic downturns.

It would do far too little to empower welfare recipients to rejoin the work force with education and training.

It would scale back the very child care funding that would liberate welfare recipients to go to work.

This plan is punitive, irresponsible, and cruel to children.

For example, the 25 percent reduction in SSI benefits will effect aid to children with cerebral palsy, Down syndrome, muscular dystrophy, cystic fibrosis, and other health concerns.

The $32 billion in food stamp cuts will force many working poor, elderly and disabled to go hungry.

The block granting of child protection services and oversight will force more children to stay in abusive and unsafe homes.

This is not welfare reform.

Already millions of children lack health care insurance. Under this agreement, up to 2 million more children could be added to the roles because they would lose Medicaid coverage.

Clearly, welfare needs reform.

Welfare reform should focus on providing real jobs and moving recipients into those jobs. Yet all the best work incentives have been stripped from the bill.

This conference agreement is harsh, meanspirited, and cruel.

Although, we live in the richest society in human history, this House cannot find within its heart or its wallet, the will to make sure the no American child goes hungry.

For this Christmas season, lets not be Scrooge to the poor and disabled, Vote ''no'' on the agreement.

Mr. SERRANO. Mr. Speaker, I rise in opposition to the conference agreement on H.R. 4, the so-called Personal Responsibility Act.

It has long been clear that our welfare system is failing the people it is meant to help. But the Personal Responsibility Act will make

the situation of the poor much worse, not better.

The main reason Congress has been slow to face welfare reform in the past is that everyone knows it takes more spending, not less, to help poor mothers get and keep jobs and escape poverty—they need education, training, job search assistance, day care for their children, and jobs.

But this conference agreement saves money, cutting programs that sustain our neediest families at the same time it cuts the programs that might give them a hand up. And why? To give tax breaks to big corporations and the wealthy.

And what would this conference agreement do to our children? First off, it slashes the safety net for poor children and their families. It removes the entitlement—the guarantee that some modest assistance will be there for those families whose desperate circumstances make them eligible. If Federal funds run out in a recession, what recourse will these wretched families have?

Then, although neither House nor Senate voted for this, the agreement repeals the current eligibility link between AFDC and Medicaid. It throws health care onto the list of necessities families must choose among when they cannot pay for all.

The agreement risks increasing the number of babies born too small to thrive. It punishes the neediest children, whose parents' conduct we don't approve of. It leaves neglected and abused children in grave danger for lack of child protection resources. It cuts benefits to hundreds of thousands of poor children disabled by Down syndrome, cystic fibrosis, AIDS, and the like. It puts even healthy children's nutrition at risk, threatening their ability to learn and grow into healthy adults and productive participants in our economy.

The conference agreement attempts to force more mothers into the work force but shortchanges funding for both work programs and child care. States will be forced to choose between funding child care for welfare recipients in work programs and child care for the working poor. Imagine. One welfare family moves into a work program with child care, and a working poor family loses its child care and falls onto welfare. Talk about a vicious cycle.

Mr. Speaker, the conference agreement's immigrant provisions are unfair and mean-spirited. We know immigrants do not come here for public assistance; they come to join family members and to make a better life for their children. The work, they pay taxes, they participate in community life, and they play by the rules. Why should they be denied assistance by this bill? It is certainly not fair to the immigrants or to their families and sponsors. The only possible reason is to save money.

If this applied only to future immigrants, who would know the rules before they sought to immigrate, I would disagree with the policy but it would be fairer. But this conference agreement cuts off people who are already here and who face long backlogs when they try to naturalize. Again, this makes sense only as a means of saving money to offset tax breaks for the rich.

Mr. Speaker, the Republicans elected in November 1994 never told voters that they intended to bring pain to the poor children of our country. Yet, these mean-spirited Republicans continue to come up with new ways to hurt helpless little children, who are least able to fight back. Are children a special interest group Republicans want to muzzle, defund, do away with?

This time, in the middle of this season of family holidays, they have gone too far and the American people are aware of the all-out assault on children. The Republicans are not going to be able to hide their attacks on our children. The voices of the American people are being heard. Do not hurt the children.

Mr. Speaker, this bill is only one part of a Republican assault on ordinary Americans that also includes the reconciliation bill and the appropriations bills. Poor families, low- and moderate-income working families, middle-income families are all being made to pay and pay again, so the richest and most powerful corporations and individuals can receive large and unnecessary tax breaks.

Mr. Speaker, this is just wrong. I urge every Member to oppose this conference agreement.

Mr. CONYERS. Mr. Speaker, I rise in opposition to the conference report on welfare reform which disregards the health and welfare of children, the elderly and victims of domestic violence. Amazingly, at a time when Republicans claim to be pro-family this conference report denies innocent poor children health care and food. And while Republicans purport to be pro-work they offer us legislation which provides no funding whatsoever for job creation.

As ranking member of the Judiciary Committee, I also strongly oppose the conference report provisions dealing with immigration matters. These issues clearly fall within the purview of the Judiciary Committee and should be dealt with in the context of the immigration bill, not welfare legislation.

The conference report imposes harsh restrictions on legal immigrants by barring them from the Food Stamp Programs and SSI programs until they become citizens. Those denied benefits would include legal immigrants who have no sponsors to help support them, those who have paid taxes for many years, and poor immigrant families with children.

The conference report also changes the definition of illegal immigrants. Under this definition individuals who have temporary protective status and are in the United States legally, would be barred from receiving any public assistance. This means that individuals who have been given permission to stay in this country by the INS would be denied assistance. This is mean-spirited immigration bashing and has no place in a bill being considered by this body.

The members know full well the administration will veto this bill. What we have is more partisan grandstanding by the majority, rather than a good-faith effort to genuinely reform and improve the Nations' welfare system.

I urge my colleagues to vote against this conference report and to send this bill back to conference.

Mr. POSHARD. Mr. Speaker, I rise in strong opposition to the conference report on welfare reform.

In our debate today, we will universally agree on the need to reform the system. However, the question is not whether to reform but how to reform the system, to be more efficient with tax dollars and more effective in caring for children and moving adults into the workforce.

I supported what was known as the Deal bill earlier this year because of its more acceptable approach to a very difficult problem. The bill before us today is unacceptable in a number of key instances:

The bill lacks categorical Medicaid coverage for low-income families with children on cash assistance as well as the aged, blind, and disabled. This could result in millions of Americans losing their guarantee of Medicaid coverage.

The optional block grant approach for nutrition and feeding programs puts millions of children at risk of losing access to healthy meals.

This bill does not fund the work activities and child care provisions mandated in the legislation.

The bill Democrats supported earlier this year was much better in terms of moving people from welfare to work, eliminating abuses in the SSI program, making sure that abused and neglected children will receive foster care and adoption services, and fundamentally changing the welfare system.

This bill is tough on children and families in ways it need not be. I oppose the bill and urge a presidential veto so that we may reach a more bipartisan solution to this very critical challenge.

Mr. HASTINGS of Washington. Mr. Speaker, I rise today to strongly support H.R. 4, the welfare reform conference report. I believe this legislation is a critical first step in overhauling our bloated and destructive welfare system. The current welfare system has failed the people it was created to help and worse—it has created an unfortunate cycle of dependency. The American taxpayer can no longer afford to foot the bill for people unwilling to accept responsibility for themselves.

Congress has no intention of turning its back on the most needy in society. Instead, we want to offer a new approach to welfare that gives recipients a hand up—not a hand out. By implementing strict work requirements, emphasizing personal responsibility, and returning power to the States, we will not only provide great benefits to society and taxpayers, but most importantly, to welfare recipients themselves.

The most important change Congress can make in reforming our welfare system is to return power to the States and local communities. This legislation does just that by reducing the amount of control over welfare programs here in Washington, DC, and restoring authority and responsibility to where it belongs—to the people.

H.R. 4 was designed after working with Governors to address their concerns of unnecessary Federal regulation and micromanaged bureaucratic programs. States have proven to be more successful and innovative than the Federal Government in fixing our failed welfare system. I want to give States and local communities the opportunity to experiment, not shackle them with excessive regulations and costly paperwork. It is at the State and local level where welfare program managers deal with welfare recipients—and that is where decisions should be made. And in order for this to happen, states need flexibility.

This legislation will let the people know we have heard their cry for welfare reform. We have listened to welfare recipients and provided them opportunities to get off welfare and into work. We have listened to the taxpayers and are watching out for their hard-earned tax dollars. And, we have listened to the Governors and given them the flexibility they need to truly end welfare as we know it.

Mr. POMEROY. Mr. Speaker, I strongly support welfare reform—but we must not implement policies that hurt children. I am deeply disappointed that the final conference report did not incorporate more of the provisions that were included in the House substitute bill sponsored by Representative DEAL.

Kids do not have the life choices that parents and other adults do. Kids are not responsibile for our flawed welfare system and kids should not bear the brunt of the impact of this welfare reform package.

The welfare reform bill on the floor today fails in two areas I believe are critical in welfare reform: work and protecting children.

Welfare must become focused on work. Everyone needs to understand that public assistance is a temporary arrangement while steps are taken to obtain employment and independence.

I favor a work requirement which places upon welfare recipients the expectation that they find work or begin the training necessary to allow them to work. Those who are not willing to make this commitment should not be eligible for benefits.

While H.R. 4 does require recipients to work, the bill does not provide adequate funding for job training and child care. Job training is crucial in placing parents into jobs that will lift them out of poverty and keep them out of poverty. The bill lacks adequate child care that must be available to parents and the bill does not meet the needs of those who must work. It simple does not provide the necessary resources to move from welfare to work.

The second clear principle of welfare reform is a cautionary one: Changes must not hurt the young children. Not even the most irate constituent has suggested that the kids of welfare recipients deserve to be punished or can simply be forgotten. It's not the kids' fault. Unfortunately, the proposals in this bill will hurt millions of children.

To begin, H.R. 4 significantly reduces funding for food stamps and other child nutrition programs. These reductions will have a profound consequences for the nutrition, health, and well-being of children. The optional food stamp block grant in the bill would weaken the national nutrition safety net and eliminate the program's ability to expand in times of recessions and guarantee displaced workers and their families a minimum level of nutrition. These changes will jeopardize the long-term health of America's children.

Second, the child protections programs are lumped into block grants, and abused and neglected children lose their entitlement to protection. Instead, basic emergency services would be forced to compete for limited dollars with other less critical programs. When we all can recite story after story of how the system has failed abused and neglected children, now is not the time to weaken these programs.

Protecting children from abuse has nothing to do with welfare reform and the minuscule savings as a result of block granting these programs does not warrant the inherent risk that thousands of kids will be facing.

While these block grants significantly limit funding for child protections, they would also limit funding for adoptions services. The result would be a significant reduction in adoptions throughout this country, denying thousands of children safe, permanent and loving families. In particular, special needs and medically fragile children will disproportionately suffer.

As an adoptive parent, I believe I can speak to the importance of encouraging our communities to find permanent loving homes for all children in need—especially those who might languish in the foster care system.

While the bill would maintain the adoption subsidy as an open ended entitlement, this is not enough. The subsidy which helps place special needs and medically fragile children will not be worth much if adoption staff is not available and well-trained to place children in appropriate homes.

As more children enter the child protection system and are in need of adoptive homes, a block grant will prevent many of them from getting what they need and deserve—a family of their own. Most children affected have special needs: they suffered abuse and neglect, they are older, they are prenatally drug exposed or suffer from severe medical needs like cerebral palsy or are in need of a respirator.

The churches throughout our Nation help find adoptive homes for these children through an innovative program called One Church-One Child and as Rev. Wayne Thompson, the national president explained to me yesterday, their work will be severely impeded if there are not sufficient adoption staff to assist in this crusade.

Let us not penalize our children. They deserve what we all hope for our own children—a safe and loving home, full of support to allow them to become independent and productive citizens. Because of the drastic cuts and changes made in these programs, I can not support the final version of H.R. 4.

Mr. SKAGGS. Mr. Speaker, I oppose this conference report. It has many serious shortcomings, most of which have been discussed by other Members. I won't repeat those criticisms.

Instead, I would like to highlight a little noticed section in the bill, section 112. Section 112 would require any organization described in section 501(c) of the Internal Revenue Code receiving any funds under the act or amendments made by the act to make a confession as part of any public communication intended to affect the debate on public issue. That confession would have to state:

This was prepared and paid for by an organization that accepts taxpayer dollars.

If a nonprofit group violates this regulation, it will be rendered ineligible, apparently forever, to receive any funds under the act, or the amendments to it.

Mr. Speaker, this is just another in a long line of assaults by the new Republican majority on the first amendment rights of Americans who express views on public policy issues through the organizations they join or support. This year the new majority has attempted to restrict free speech in America by trying to attach various provisions to regulate or suppress political expression to two appropriations bills, a continuing resolution short-term funding measure, the lobbying reform bill, and now the welfare reform bill.

While this provision, section 112, is not as far-reaching as some of the previous Republican efforts, it is equally misguided. As I understand section 112, if the YMCA or some other group receiving funds to provide child care, or a veterans group receiving funds to provide job training, issues a press release or published an op-ed piece designed to influence the public debate on any Federal, State, or local government issue fails to include the required disclaimer, it will be ineligible to continue its work on programs funded under the act or amendments made by the Act.

Mr. Speaker, the communications, that would be regulated under section 112 need not have anything to with any program or policy associated with this act; they need not have anything to do with any program or policy of the Federal Government at all.

Mr. Speaker, one such regulated communication regarding any government policy that inadvertently goes not without the confession statement and a child care or job training provider would be cut off, presumably forever, from any participation in the national effort to reform this Nation's welfare assistance system.

This is sheer idiocy—both practically, and constitutionally. Section 112 unfairly discriminates against nonprofit groups and creates another unnecessary regulation that will, if anything, impede the effort to provide the services necessary to help Americans move from welfare to work.

Thank you, Mr. Speaker.

Mr. FIELDS of Louisiana. Mr. Speaker, today I rise to state my opposition to the GOP welfare reform conference report on which we are about to vote. I am appalled at the way we have addressed welfare reform without consideration for the health and well-being of our children.

Welfare reform should be about getting people off welfare and into jobs.

Welfare reform should not be about punishing our children for the mistakes and misfortunes of their parents.

Welfare reform is not about mothers.

It is about children and making sure they do not go hungry. It is about helping the less fortunate.

Mr. Chairman, I though you would want to know it is estimated in the March 5, 1995, Parade magazine cover story: ''Who are Americans in Need?'' that over 5 million children already go hungry each month. This story further reported that 24 percent of our children live in poverty and that almost 46 percent of American children who are hungry live in one-wage-earner households.

This welfare reform conference report should not be about allowing children to go hungry if their mother is under 18 years of age.

This welfare reform conference report should not be about telling a child that his mother cannot receive money to feed, cloth, or house him because he was born while his mother was already on welfare.

This welfare reform conference report should not be about denying benefits to children if their parents don't have a job after 2 years, especially if we are not going to provide desperately needed job training.

How can we reform welfare when we intend to deny 46,000 Louisiana children benefits because the were born to current welfare recipients?

How can we talk about reforming welfare when we are proposing to deny 100,000 Louisiana children benefits because their parents have been on welfare for more than 5 years?

How can we reform welfare when we expect our children to care for themselves while we mandate their parents must work? This bill decreases child care services for 400,000 Louisiana children, but simultaneously requires their parents to work in order to receive benefits.

We cannot afford to let our children go unsupervised. In today's society our children need all the care they can get. Yet, this plan denies them that care.

It is an absolute shame that today we seek to punish mothers and fathers by punishing their children.

Welfare reform must not be about taking food out of the mouths of our children. Capping funds for recipients and offering bonuses to States for reaching quotas will only lower the quality of life for our children.

With this welfare reform conference report our children are hit from every angle. The first hit comes at home and the second comes in their schools. Capping the amount of money our school lunch programs receive is going to jeopardize the health of our next generation.

How many children are we going to let go hungry and unsupervised before we realize welfare reform is not about forcing children to suffer? When is this body going to realize welfare reform is about assisting the less fortunate families in our communities in their quest to become productive members of our society?

I urge my fellow Members to vote ''no'' on the welfare reform conference report before us today.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise today to speak out against a great injustice—an injustice that is being committed against our nation's children—defenseless, nonvoting, children. I am referring of course to the Republican welfare conference agreement to H.R. 4, The Personal Responsibility Act. I do this because I have already voted for welfare reform sponsored by the Democrats that was strong on work, strong on children, strong on providing a safety net, and strong on personal responsibility.

We speak so often in this House about family values and protecting children. At the same time however, my colleagues on the other side of the aisle, have presented a welfare reform bill that will effectively eliminate the Federal guarantee of assistance for poor children in this country for the first time in 60 years and will push at least 1.2 million more children into poverty, without the entitlement safety net that keeps a roof over their head and meager food on the table. In addition, at least one-third of children who are already poor would fall deeper into poverty under the Republican plan.

This agreement is antifamily and antichild. It calls for unprecedented cuts in programs serving children and would remove the basic protections for hungry, abused, disabled, and poor children while using the savings to offset tax breaks for wealthy individuals and corporations.

The Republican plan would leave millions of American children without health coverage and would eliminate transitional Medicaid benefits for parents and their children as they move from welfare to work.

The agreement cuts $35 billion from the Food Stamp Program and allows States to block grant the program. It also includes a cap that cuts food stamp benefits across the board if poverty deepens. In my States, Texas, the State leadership has said this Republican plan will not work in some very important areas—the incentive to work.

The Republican plan repeals the protections that guarantee an abused or neglected child a safe, clean foster care facility and services that can promptly resolve a family crisis. Furthermore, the Republican plan makes no adjustments in funding if the number of abused children increases—or decreases—in a State. This means abused children may be left in danger.

Under the Republican plan, 330,000 low-income, disabled children—who would qualify for benefits under current law—would be denied SSI benefits. For most children who remain eligible for SSI, benefits would be cut by 25 percent—more than 650,000 children. This includes children with disabilities such as cerebral palsy, Down syndrome, muscular dystrophy, cystic fibrosis, and AIDS. These children would lose, on average $1,374 per year, with their benefits falling to 55 percent of the poverty line for one person.

The conference agreement fails to provide adequate resources for work programs and child care which are critical to effectuate a transition from welfare to work. The conference agreement significantly increases the need for child care while reducing the resources for child care services as well as the funds available to States to improve the quality of care.

This strategy of welfare-to-work, is doomed to fail. Mandatory welfare-to-work programs can get parents off welfare and into jobs, but only if the program is well designed and is given the resources to be successful. The GOP plan is punitive and wrong-headed. It will not put people to work, it will put them on the street. Any restructuring of the welfare system must move people away from dependency toward self-sufficiency. Facilitating the transition off welfare requires job training, guaranteed child care, and health insurance at an affordable price.

We cannot expect to reduce our welfare rolls if we do not provide the women of this Nation the opportunity to better themselves and their families through job training and education, if we do not provide them with good quality child care and most importantly if we do not provide them with a job.

Together, welfare programs make-up the safety net that poor children and their families rely on in times of need. We must not allow the safety not to be shredded. We must keep our promises to the children of this Nation. We must ensure that in times of need they receive the health care, food, and general services they need to survive. I urge my colleagues in this the ''Season of Giving,'' to oppose this dangerous and heartless legislation. Let us formulate a welfare plan that will last—job training, children, and real work incentives.

Mrs. COLLINS of Illinois. Mr. Speaker, the spirit of Christmas may be alive and well in the rest of America but it is clearly nonexistent here in the Nation's Capital. Today, 4 days before Christmas, the House is about to pass H.R. 4, the Personal Responsibility Act, which means a colder, bleaker, and meaner holiday season and New Year for children across the country and poor Americans who are struggling to survive.

Proponents of this bill will stand up today, praise each other and congratulate themselves for reforming the welfare system. Well, if throwing children and low-income Americans onto the streets is successful reform, then I guess the meaning of goodwill toward men has really become just a trite expression that is uttered at this time of year. In reality, H.R. 4 provides funding for the tax cut for the wealthy that Republicans are so eager to give.

The fundamental flaw of H.R. 4 is that it ignores the basic reason that most adult Americans become welfare recipients in the first place and second, why some stay on welfare for longer periods than they'd like to and that is because there aren't enough jobs available that pay a living wage. So instead of improving job training programs, increasing the minimum wage, providing affordable health or child care, or offering positive alternatives to poverty, H.R. 4 punishes poor folk for being poor. It punishes children who are unfortunate enough to be born into a needy family. This so-called Personal Responsibility Act fails to create a single job and instead creates a whole list of irrational reasons to cut financially strapped Americans and their kids off the welfare rolls.

H.R. 4 rips the bottom out of our current Federal safety net for the least fortunate among us. It abolishes the entitlement status of Aid to Families with Dependent Children [AFDC] and other programs which for the past 60 years have ensured that poor kids in America are provided with at least a basic source of survival. By block granting most of our current welfare programs, with no quality assurances attached, there is no guarantee that these youngsters will receive the basic protections of shelter, clothing, and nourishment.

Mr. Speaker, despite tired, old erroneous sterotypes about lazy welfare recipients who wouldn't take a job if you handed it to them, the truth is that the vast majority of Americans don't want to be on welfare and are struggling to support themselves and their families. H.R. 4 does nothing for these millions of Americans. It offers no jobs, no minimum wage increase, no affordable child care, no job training, no education opportunities, no guarantee of affordable health care, and worst of all, no hope.

I urge my colleagues to reject this bill and force the GINGRICH Republicans to come up with another target for their tax cut for the wealthy. Let's make sure that we care for America's children and protect them in 1996 and beyond.

Mr. COYNE. Mr. Speaker, I rise today in strong opposition to this legislation.

H.R. 4 would end the Federal guarantee of a safety net for poor children that has existed in this country for over 60 years. This legislation would end the entitlement status of Federal assistance to the poor—and replace it with fixed payments to the States to deal with their poor as best as they can.

Funding for these Federal antipoverty programs will be reduced from current program levels by more than $60 billion over the next 7 years. The Congressional Budget Office estimates that by the year 2002, Federal and State spending on these programs will drop to only 85 percent of what we spent last year, when the economy was relatively healthy. Assistance to the poor under this legislation could not possibly meet the level of need that can be reasonably anticipated.

The policies linked to these funding levels are distressing as well. States would be given greater freedom to set certain eligibility and benefit standards. This legislation would cut off AFDC assistance to adult beneficiaries after an arbitrary period of time without providing a level of child care funding that would be necessary for these single parents to go to work. It would, in most cases, deny benefits for children born to women on welfare. The bill

would eliminate the guarantee of health care coverage for millions of low-income children, as well as aged, blind, and disabled individuals.

This legislation may be marketed by the Republicans as reform that is targeted at welfare queens and lazy good-for-nothings who don't want to work, but such characterizations are at best inaccurate. This legislation would cut foster care funding, child care assistance, and food stamps for the working poor, the elderly, abused children, and the disabled by more than $35 billion. These people deserve our help. It is both inhumane and irresponsible to support such cuts.

Some people see the changes contained in this bill as improvements over the current system. Others with longer memories remember both the inability and unwillingness of some State governments to provide even minimal support for their own citizens and neighbors. Supporters of this bill may be right in suggesting that this legislation will result in reduced dependence, reduced illegitimacy, and increased administrative efficiency in some States. But at what price? Clearly, some of the most vulnerable members of our society will bear the burden of these cuts. This legislation would punish innocent children for situations over which they have no control. How much suffering, uncertainty, homelessness, malnutrition, and abuse are we willing to risk?

The current system is clearly in need of serious reform. This legislation, however, does not provide the type of reform that is needed. Democrats unanimously supported a better alternative for welfare reform this spring. On March 23, I joined my Democratic House colleagues in voting for an alternative welfare reform bill that would have gotten families off the welfare rolls and into the workplace. It would have addressed fraud and abuse in the SSI Program without denying benefits to individuals with serious disabilities. It would have provided States with greater flexibility and more resources to undertake welfare reform initiatives. And it maintained a reliable safety net for all Americans.

It is still not too late to adopt such welfare reform. As a first step, I urge my colleagues to reject this conference report and to begin an earnest, nonpartisan dialog on welfare reform.

Mr. KLECZKA. Mr. Speaker, I would like to take this opportunity to express my support for the conference report on H.R. 4, welfare reform legislation. While this bill is not perfect, it represents a reasonable resolve toward addressing a complex problem.

Congress must act now to overhaul our troubled welfare system before another generation enters a culture of dependency. Though well-intentioned, our current welfare system encourages a cycle of poverty, hopelessness, and despair. At the same time, it discourages family cohesiveness and self-reliance.

I have found it unrealistic to hold out for a perfect welfare reform bill, especially in light of the partisan markup of Congress today. More importantly, it is likely that changes will need to be made as States begin to implement their programs and fine-tuning becomes necessary.

This welfare reform package contains a number of provisions critical to transforming the welfare system. Welfare recipients must work in exchange for benefits. Education and job training will be required, with the emphasis on building a work record. This is a key requirement in helping people become self-sufficient.

A 5-year lifetime limit on assistance is put in place, unless States, due to their circumstances, decide to do otherwise.

The compromise agreement maintains the safety net for child nutrition. Last March, I voted against the House welfare reform bill because it would have block granted child nutrition programs, eliminating the assurance that every poor child has at least one nutritious meal per day. In my judgment, good nutrition is essential for all American children, and this investment is extremely important.

The proposed changes to the Supplemental Security Income [SSI] program are also necessary. Over 2 years ago, I began receiving reports from my constituents of abuse taking place in SSI. There were cases where children with mild behavioral problems qualified for SSI cash benefits. One family then used the money to take a vacation to Florida. Taxpayers have a right to expect an end to fraud and abuse in this program.

We must reform SSI to ensure the program serves the truly disabled. This welfare bill makes strides in the right direction. One of the most important changes is in the definition of disabled. No longer will Individualized Functional Assessments [IFA] be used. The IFA is a subjective gauge to determine whether or not children can engage in ''age-appropriate'' activities effectively. This left a lot of room for potential abuse. While tightening eligibility criteria, it is important to note that this compromise ensures that those children who most need assistance will receive it. For example, children with cystic fibrosis, cerebral palsy, or Down Syndrome requiring full-time care will get the same payment they do now. Those with conditions that are less severe and that do not demand round-the-clock attention will be eligible for 75 percent of benefits.

However, I am concerned that the resources for States to put welfare recipients to work may be inadequate. Many people will require services before they are able to enter the workplace. States will also have to make reasonable exceptions for cases where people are willing to work, but no jobs are available. By most estimates, several thousand entry-level jobs will have to be created in Wisconsin to accommodate welfare beneficiaries entering the job market. States must have the flexibility to support welfare recipients who are willing to work, but unable to do so.

Another of my major concerns is that the bill ends the obligation to provide health care benefits to families on welfare. Without this guarantee, thousands of children and adults could be denied medical care unless the States continue services using Medicaid block grant funds provided under separate legislation. In my estimation, H.R. 4 would be a much stronger bill if this linkage has been left intact. If States are unable or unwilling to provide adequate health care to needy families, this issue will have to be revisited.

I am voting for welfare reform today, trusting the word of State governors who sought control of welfare. The Republican Governors Association pledged its support for this agreement, saying, ''We can do better, and for our children's sake, we must do better.'' They must live up to their promises and do the right thing. Members of Congress, including myself, will be watching them closely to ensure that this is indeed the case.

Mrs. MORELLA. Mr. Speaker, I rise in strong support of this motion to recommit the welfare reform bill to the conference committee to make five specific changes. These improvements would ensure an adequate safety net protects our most vulnerable populations while States design new programs to move welfare recipients into the workforce.

I voted against the House-passed bill because the cuts were too draconian. The bipartisan Senate-passed bill was a tremendous improvement, and I am pleased that this conference report adopted many of the Senate's provisions. The conference report, however, fails to fully fund improvement programs, and I urge my Colleagues to join me in voting to recommit the bill to conference to make these changes.

I support bold welfare reform that moves recipients from welfare to work and encourages personal responsibility. This legislation does that, allowing States to try new approaches that meet the needs of their recipients. States are already experimenting with welfare reform. Nearly 40 waivers have been given to States by the Department of Health and Human Services, and the results are encouraging. In giving leeway and dollars to States, however, we must continue to protect children and the disabled. I strongly support the child support enforcement provisions contained in this legislation. We are finally cracking down on deadbeat parents by enacting penalties with real teeth and establishing Federal registries to help track deadbeats.

Mr. Speaker, I am pleased that this bill contains substantial improvements over the House-passed bill. Unlike the House bill, its maintenance-of-effort provision requires States to maintain 75 percent of their welfare expenditures, it retains the entitlement status of foster care and adoption assistance, it increases child care money from the House bill, and it offers States the opportunity to design welfare programs that move women into work and encourage responsibility. It does not impose a child nutrition block grant on States.

The conference report, however, contains cuts in critical programs that protect children and the disabled. This motion would add a total of $14 billion in funding to child care, Supplemental Security Income [SSI], child welfare and foster care programs, and programs for immigrants. The conference report also severs the link between Medicaid eligibility and welfare, a provision I strongly oppose. This motion restores Medicaid eligibility for welfare recipients.

Without adequate child care funding, many women will not be able to enter the workforce, and States will be unable to meet their workforce participation requirements. The motion to recommit adds child care funds to better meet the needs of the States and women entering the workforce. The Senate welfare reform bill included $3 billion in matching child care funds for States over 5 years. Unfortunately, the conference agreement stretched this money over 7 years, resulting in a $1.2 billion shortfall in the first 5 years. I urge my colleagues to include the entire $3 billion over the first 5 years to provide child care for women entering the workforce.

Current Medicaid law guarantees health coverage to children and families receiving welfare, and both the House and Senate-passed bills continued this linkage. Despite

the House and Senate language, the conference agreement severs this linkage, jeopardizing the health of women and their children as they are trying to get off welfare and take responsibility for their lives. Without Medicaid, one illness could force them back into the cycle of dependency.

While the Senate bill included cuts in the Supplemental Security Income program, the conference agreement goes much further. It creates a new two-tiered system of eligibility which would reduce SSI benefits for 65 percent of the children on the SSI program. This motion to recommit contains the Senate's language that would preserve this important program. The motion to recommit also maintains the entitlement-status of foster care and adoption assistance, a critical safety net for our most vulnerable children. As States enter a recession and their caseloads increase, we cannot afford to cut these programs.

Please join me in voting for the motion to recommit the welfare reform bill to the conference committee. Let's take this opportunity to make changes that will protect our children and allow us to pass this important legislation to move families off welfare.

The SPEAKER pro tempore (Mr. LINDER). Without objection, the previous question is ordered.

There was no objection.

MOTION TO RECOMMIT OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I offer a motion.

The SPEAKER pro tempore. Is the gentleman opposed to the conference report?

Mr. NEAL of Massachusetts. Mr. Speaker, I am, in its present form.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. NEAL of Massachusetts moves to recommit the conference report on the bill H.R. 4 to the committee of conference with instructions to the managers on the part of the House to insist that—

(1) the text of H.R. 1267 be substituted for the conference substitute recommended by the committee of conference; and

(2) the title of H.R. 1267 be substituted for the title of the conference substitute recommended by the committee of conference.

POINT OF ORDER

Mr. SHAW. Mr. Speaker, I raise a point of order that this motion to recommit is outside of the scope of the bill that is immediately before the House.

Mr. NEAL of Massachusetts. Mr. Speaker, on the point of order, this simply would give the Democratic caucus the chance to vote for the bill that they voted for last March.

The SPEAKER pro tempore. The gentleman from Florida [Mr. SHAW] makes a point of order against the motion to recommit offered by the gentleman from Massachusetts [Mr. NEAL]. As discussed in chapter 33, section 26.12 of the Deschler's Procedure, a motion to recommit a conference report may not instruct House conferees to include matter beyond the scope of the differences committed to conference by either House.

The motion offered by the gentleman from Massachusetts instructs the House conferees on H.R. 4 to bring back a conference agreement consisting of the text of the bill H.R. 1267. Since that bill was not committed to conference, the issue is whether the text of that bill includes matter not contained in either the House-passed version of H.R. 4 or the Senate amendment thereto. An examination of H.R. 1267 reveals that is indeed the case. There are a number of provisions in H.R. 1267 which provide for a refundable dependent care tax credit, an issue not committed to conference by either House in H.R. 4. Therefore, the motion to recommit instructs House conferees to include matter beyond the scope of the differences committed to conference by either House and is not in order. The point of order is sustained.

Mr. NEAL of Massachusetts. Mr. Speaker, I appeal the ruling of the Chair.

MOTION TO TABLE OFFERED BY MR. SHAW

Mr. SHAW. Mr. Speaker, I offer a motion.

The SPEAKER pro tempore (Mr. LINDER). The Clerk will report the motion.

The Clerk read as follows:

Mr. SHAW moves to lay the appeal on the table.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Florida [Mr. SHAW] to lay on the table the appeal of the ruling of the Chair.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. SHAW. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 240, nays 182, not voting 11, as follows:

[Roll No. 875]

YEAS—240

| | | |
|---|---|---|
| Allard | Callahan | Dreier |
| Archer | Calvert | Duncan |
| Armey | Camp | Dunn |
| Bachus | Campbell | Ehlers |
| Baker (CA) | Canady | Ehrlich |
| Baker (LA) | Castle | Emerson |
| Ballenger | Chabot | English |
| Barr | Chambliss | Ensign |
| Barrett (NE) | Chenoweth | Everett |
| Bartlett | Christensen | Ewing |
| Barton | Chrysler | Fawell |
| Bass | Clinger | Fields (TX) |
| Bateman | Coble | Flanagan |
| Beilenson | Coburn | Foley |
| Bereuter | Collins (GA) | Forbes |
| Bilbray | Combest | Fowler |
| Bilirakis | Cooley | Fox |
| Bliley | Cox | Franks (CT) |
| Blute | Crane | Franks (NJ) |
| Boehlert | Crapo | Frelinghuysen |
| Boehner | Cremeans | Frisa |
| Bonilla | Cubin | Funderburk |
| Bono | Cunningham | Gallegly |
| Brownback | Davis | Ganske |
| Bryant (TN) | Deal | Gekas |
| Bunn | DeLay | Gilchrest |
| Bunning | Diaz-Balart | Gillmor |
| Burr | Dickey | Gilman |
| Burton | Doolittle | Goodlatte |
| Buyer | Dornan | Goodling |
| Goss | Linder | Sanford |
| Graham | Livingston | Saxton |
| Greenwood | LoBiondo | Scarborough |
| Gunderson | Longley | Schaefer |
| Gutknecht | Lucas | Schiff |
| Hamilton | Manzullo | Seastrand |
| Hancock | Martini | Sensenbrenner |
| Hansen | McCollum | Shadegg |
| Hastert | McCrery | Shaw |
| Hastings (WA) | McDade | Shays |
| Hayes | McHugh | Shuster |
| Hayworth | McInnis | Skaggs |
| Hefley | McIntosh | Skeen |
| Heineman | McKeon | Smith (MI) |
| Herger | Metcalf | Smith (NJ) |
| Hilleary | Meyers | Smith (TX) |
| Hobson | Mica | Smith (WA) |
| Hoekstra | Miller (FL) | Solomon |
| Hoke | Molinari | Souder |
| Horn | Montgomery | Spence |
| Hostettler | Moorhead | Stearns |
| Houghton | Morella | Stockman |
| Hunter | Myrick | Stump |
| Hutchinson | Nethercutt | Talent |
| Hyde | Neumann | Tate |
| Inglis | Ney | Tauzin |
| Istook | Norwood | Taylor (NC) |
| Jacobs | Nussle | Thomas |
| Johnson (CT) | Oxley | Thornberry |
| Johnson, Sam | Packard | Tiahrt |
| Johnston | Parker | Torkildsen |
| Jones | Paxon | Upton |
| Kasich | Petri | Vucanovich |
| Kelly | Pombo | Waldholtz |
| Kim | Porter | Walker |
| King | Portman | Walsh |
| Kingston | Pryce | Wamp |
| Klug | Quinn | Watts (OK) |
| Knollenberg | Radanovich | Weldon (FL) |
| Kolbe | Ramstad | Weldon (PA) |
| LaHood | Regula | Weller |
| Largent | Riggs | White |
| Latham | Roberts | Whitfield |
| LaTourette | Rogers | Wicker |
| Laughlin | Rohrabacher | Williams |
| Lazio | Ros-Lehtinen | Wolf |
| Leach | Roth | Young (AK) |
| Lewis (CA) | Roukema | Young (FL) |
| Lewis (KY) | Royce | Zeliff |
| Lightfoot | Salmon | Zimmer |

NAYS—182

| | | |
|---|---|---|
| Abercrombie | Evans | Luther |
| Ackerman | Farr | Maloney |
| Andrews | Fattah | Manton |
| Baesler | Fazio | Markey |
| Baldacci | Fields (LA) | Martinez |
| Barcia | Flake | Mascara |
| Barrett (WI) | Foglietta | Matsui |
| Becerra | Ford | McCarthy |
| Bentsen | Frank (MA) | McDermott |
| Berman | Frost | McHale |
| Bevill | Furse | McKinney |
| Bishop | Gejdenson | McNulty |
| Bonior | Gephardt | Meehan |
| Borski | Geren | Meek |
| Boucher | Gibbons | Menendez |
| Brewster | Gonzalez | Mfume |
| Browder | Gordon | Miller (CA) |
| Brown (CA) | Green | Minge |
| Brown (FL) | Gutierrez | Mink |
| Brown (OH) | Hall (OH) | Moakley |
| Cardin | Hall (TX) | Mollohan |
| Clay | Hastings (FL) | Moran |
| Clayton | Hefner | Murtha |
| Clement | Hilliard | Neal |
| Clyburn | Hinchey | Oberstar |
| Coleman | Holden | Obey |
| Collins (IL) | Hoyer | Olver |
| Collins (MI) | Jackson (IL) | Ortiz |
| Condit | Jackson-Lee (TX) | Orton |
| Costello | Johnson (SD) | Owens |
| Coyne | Johnson, E. B. | Pallone |
| Cramer | Kanjorski | Pastor |
| Danner | Kaptur | Payne (NJ) |
| de la Garza | Kennedy (MA) | Payne (VA) |
| DeFazio | Kennedy (RI) | Pelosi |
| DeLauro | Kennelly | Peterson (FL) |
| Dellums | Kildee | Peterson (MN) |
| Deutsch | Kleczka | Pickett |
| Dicks | Klink | Pomeroy |
| Dingell | LaFalce | Poshard |
| Dixon | Levin | Rahall |
| Doggett | Lewis (GA) | Rangel |
| Dooley | Lincoln | Reed |
| Doyle | Lipinski | Richardson |
| Durbin | Lofgren | Rivers |
| Engel | Lowey | Roemer |
| Eshoo | | Rose |

| | | |
|---|---|---|
| Roybal-Allard | Stenholm | Velazquez |
| Rush | Stokes | Vento |
| Sabo | Studds | Visclosky |
| Sanders | Stupak | Volkmer |
| Sawyer | Tanner | Ward |
| Schroeder | Taylor (MS) | Waters |
| Schumer | Tejeda | Watt (NC) |
| Scott | Thompson | Waxman |
| Serrano | Thornton | Wilson |
| Sisisky | Thurman | Wise |
| Skelton | Torres | Woolsey |
| Slaughter | Torricelli | Wyden |
| Spratt | Towns | Wynn |
| Stark | Traficant | Yates |

NOT VOTING—11

| | | |
|---|---|---|
| Bryant (TX) | Filner | Myers |
| Chapman | Harman | Nadler |
| Conyers | Jefferson | Quillen |
| Edwards | Lantos | |

□ 1450

Mr. BROWDER and Mr. MEEHAN changed their vote from ''yea'' to ''nay''.

So the motion to table the appeal of the ruling of the Chair was agreed to.

The result of the vote was announced as above recorded.

MOTION TO RECOMMIT OFFERED BY MR. ROSE

Mr. ROSE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore (Mr. LINDER). Is the gentleman opposed to the conference report?

Mr. ROSE. Yes, I am, Mr. Speaker.

The SPEAKER pro tempore (Mr. LINDER). The Clerk will report the motion to recommit.

The clerk read as follows:

Mr. ROSE moves to recommit the conference report on the bill H.R. 4 to the committee of conference with the following instructions to the managers on the part of the House:

(1) Recede from Title VII (relating to child protection and adoption) in the conference substitute recommended by the committee of conference and agree to Title XI of the Senate amendment relating to child abuse prevention and treatment.

(2) Recede from that portion of section 301 of the House bill that amends subparagraph (E) of section 658E(c)(2) of the Child Care and Development Block Grant Act of 1990 and agree to the portion of section 602 of the Senate amendment that amends such paragraph.

(3) Agree to that portion of section 602 of the Senate amendment (pertaining to the child care quality set aside) that amends subparagraphs (C) of section 658(c)(3) of the Child Care and Development Block Grant Act of 1990.

(4) Recede from that portion of section 301 of the House bill that amends subparagraphs (F) and (G) of section 658E(c)(2) of the Child Care and Development Block Grant Act of 1990.

(5) Recede from that portion of section 301 of the House bill that amends paragraphs (5) and (6) of section 658K(a) of the Child Care and Development Block Grant Act of 1990 and agree to that portion of section 602 of the Senate amendment that amends such paragraphs.

(6) Agree to that portion of section 101(b) of the Senate amendment which establishes a new section 403 of the Social Security Act and relates to State maintenance of effort in lieu of that section of title I of the conference substitute (relating to State maintenance of effort) recommended by the committee of conference.

(7) Recede from section 602(a) and (b) of the House bill (relating to SSI disabled children) and agree to section 211 of the Senate amendment.

(8) Recede from subtitle B of title III of the House bill (relating to family-based and school-based nutrition block grants) and agree to title IV of the Senate amendment (relating to child nutrition programs) insofar as such amendment does not contain such nutrition block grants.

(9) Insist on section 104 of the Senate amendment pertaining to continued application of current standards under the Medicaid program in lieu of that section of the conference substitute (relating to Medicaid) recommended by the committee of conference.

Mr. ROSE (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

PARLIAMENTARY INQUIRY

Mr. ORTON. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. ORTON. Mr. Speaker, I have a parliamentary inquiry regarding what it is we are voting on. Am I correct in saying if we adopt this motion that we would be voting to send this back to conference committee with instructions to adopt the changes demanded by the Senate Republicans in the letter just yesterday?

The SPEAKER pro tempore. The Chair advises the gentleman that is not a proper parliamentary inquiry.

Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. ROSE. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 192, noes 231, not voting 10, as follows:

[Roll No 876]

AYES—192

| | | |
|---|---|---|
| Abercrombie | Condit | Furse |
| Ackerman | Costello | Gejdenson |
| Andrews | Coyne | Gephardt |
| Baesler | Cramer | Geren |
| Baldacci | Danner | Gibbons |
| Barcia | de la Garza | Gonzalez |
| Barrett (WI) | DeFazio | Gordon |
| Becerra | DeLauro | Green |
| Beilenson | Dellums | Gutierrez |
| Bentsen | Deutsch | Hall (OH) |
| Berman | Dicks | Hall (TX) |
| Bevill | Dingell | Hamilton |
| Bishop | Dixon | Hastings (FL) |
| Bonior | Doggett | Hefner |
| Borski | Dooley | Hilliard |
| Boucher | Doyle | Hinchey |
| Brewster | Durbin | Holden |
| Browder | Engel | Hoyer |
| Brown (CA) | Eshoo | Jackson (IL) |
| Brown (FL) | Evans | Jackson-Lee (TX) |
| Brown (OH) | Farr | |
| Cardin | Fattah | Jacobs |
| Clay | Fazio | Jefferson |
| Clayton | Fields (LA) | Johnson (SD) |
| Clement | Flake | Johnson, E. B. |
| Clyburn | Foglietta | Johnston |
| Coleman | Ford | Kanjorski |
| Collins (IL) | Frank (MA) | Kaptur |
| Collins (MI) | Frost | Kennedy (MA) |
| Kennedy (RI) | Murtha | Skaggs |
| Kennelly | Nadler | Skelton |
| Kildee | Neal | Slaughter |
| Kleczka | Oberstar | Spratt |
| Klink | Obey | Stark |
| LaFalce | Olver | Stenholm |
| Levin | Ortiz | Stokes |
| Lewis (GA) | Orton | Studds |
| Lincoln | Owens | Stupak |
| Lipinski | Pallone | Tanner |
| Lofgren | Pastor | Taylor (MS) |
| Lowey | Payne (NJ) | Tejeda |
| Luther | Payne (VA) | Thompson |
| Maloney | Pelosi | Thornton |
| Manton | Peterson (FL) | Thurman |
| Markey | Peterson (MN) | Torres |
| Martinez | Pickett | Torricelli |
| Mascara | Pomeroy | Towns |
| Matsui | Poshard | Traficant |
| McCarthy | Rahall | Velazquez |
| McDermott | Rangel | Vento |
| McHale | Reed | Visclosky |
| McKinney | Richardson | Volkmer |
| McNulty | Rivers | Ward |
| Meehan | Roemer | Waters |
| Meek | Rose | Watt (NC) |
| Menendez | Roybal-Allard | Waxman |
| Mfume | Rush | Williams |
| Miller (CA) | Sabo | Wilson |
| Minge | Sanders | Wise |
| Mink | Sawyer | Woolsey |
| Moakley | Schroeder | Wyden |
| Mollohan | Schumer | Wynn |
| Montgomery | Scott | Yates |
| Moran | Serrano | |
| Morella | Sisisky | |

NOES—231

| | | |
|---|---|---|
| Allard | Dunn | Kingston |
| Archer | Ehlers | Klug |
| Armey | Ehrlich | Knollenberg |
| Bachus | Emerson | Kolbe |
| Baker (CA) | English | LaHood |
| Baker (LA) | Ensign | Largent |
| Ballenger | Everett | Latham |
| Barr | Ewing | LaTourette |
| Barrett (NE) | Fawell | Laughlin |
| Bartlett | Fields (TX) | Lazio |
| Barton | Flanagan | Leach |
| Bass | Foley | Lewis (CA) |
| Bateman | Forbes | Lewis (KY) |
| Bereuter | Fowler | Lightfoot |
| Bilbray | Fox | Linder |
| Bilirakis | Franks (CT) | Livingston |
| Bliley | Franks (NJ) | LoBiondo |
| Blute | Frelinghuysen | Longley |
| Boehlert | Frisa | Lucas |
| Boehner | Funderburk | Manzullo |
| Bonilla | Gallegly | Martini |
| Bono | Ganske | McCollum |
| Brownback | Gekas | McCrery |
| Bryant (TN) | Gilchrest | McDade |
| Bunn | Gillmor | McHugh |
| Bunning | Gilman | McInnis |
| Burr | Goodlatte | McIntosh |
| Burton | Goodling | McKeon |
| Buyer | Goss | Metcalf |
| Callahan | Graham | Meyers |
| Calvert | Greenwood | Mica |
| Camp | Gunderson | Miller (FL) |
| Campbell | Gutknecht | Molinari |
| Canady | Hancock | Moorhead |
| Castle | Hansen | Myrick |
| Chabot | Hastert | Nethercutt |
| Chambliss | Hastings (WA) | Neumann |
| Chenoweth | Hayes | Ney |
| Christensen | Hayworth | Norwood |
| Chrysler | Hefley | Nussle |
| Clinger | Heineman | Oxley |
| Coble | Herger | Packard |
| Coburn | Hilleary | Parker |
| Collins (GA) | Hobson | Paxon |
| Combest | Hoekstra | Petri |
| Cooley | Hoke | Pombo |
| Cox | Horn | Porter |
| Crane | Hostettler | Portman |
| Crapo | Houghton | Pryce |
| Cremeans | Hunter | Radanovich |
| Cubin | Hutchinson | Ramstad |
| Cunningham | Hyde | Regula |
| Davis | Inglis | Riggs |
| Deal | Istook | Roberts |
| DeLay | Johnson (CT) | Rogers |
| Diaz-Balart | Johnson, Sam | Rohrabacher |
| Dickey | Jones | Ros-Lehtinen |
| Doolittle | Kasich | Roth |
| Dornan | Kelly | Roukema |
| Dreier | Kim | Royce |
| Duncan | King | Salmon |

Sanford
Saxton
Scarborough
Schaefer
Schiff
Seastrand
Sensenbrenner
Shadegg
Shaw
Shays
Shuster
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Solomon
Souder
Spence
Stearns
Stockman
Stump
Talent
Tate
Tauzin
Taylor (NC)
Thomas
Thornberry
Tiahrt
Torkildsen
Upton
Vucanovich
Waldholtz
Walker
Walsh
Wamp
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wolf
Young (AK)
Young (FL)
Zeliff
Zimmer

NOT VOTING—10

Bryant (TX)
Chapman
Conyers
Edwards
Filner
Harman
Lantos
Myers
Quillen
Quinn

☐ 1513

The Clerk announced the following pairs: On the vote:

Ms. Harman for, with Mr. Quinn against.
Mr. Filner for, with Mr. Quillen against.

Mr. YOUNG of Alaska changed his vote from ''aye'' to ''no.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. LINDER). The question is on the conference report.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. ARCHER. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 245, noes 178, not voting 11, as follows:

[Roll No. 877]

AYES—245

Allard
Archer
Armey
Bachus
Baker (CA)
Baker (LA)
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Bilbray
Bilirakis
Bliley
Blute
Boehlert
Boehner
Bonilla
Bono
Brewster
Browder
Brownback
Bryant (TN)
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Canady
Castle
Chabot
Chambliss
Chenoweth
Christensen
Chrysler
Clinger
Coble
Coburn
Collins (GA)
Combest
Condit
Cooley
Cox
Cramer
Crane
Crapo
Cremeans
Cubin
Cunningham
Davis
Deal
DeLay
Dickey
Doolittle
Dornan
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
Ensign
Everett
Ewing
Fawell
Fields (TX)
Flanagan
Foley
Forbes
Fowler
Fox
Franks (CT)
Franks (NJ)
Frelinghuysen
Frisa
Funderburk
Gallegly
Ganske
Gekas
Geren
Gilchrest
Gillmor
Gilman
Gingrich
Goodlatte
Goodling
Gordon
Goss
Graham
Greenwood
Gunderson
Gutknecht
Hall (TX)
Hancock
Hansen
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Heineman
Herger
Hilleary
Hobson
Hoekstra
Hoke
Holden
Horn
Hostettler
Houghton
Hunter
Hutchinson
Hyde
Inglis
Istook
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kim
King
Kingston
Kleczka
Klug
Knollenberg
Kolbe
LaHood
Largent
Latham
LaTourette
Laughlin
Lazio
Leach
Lewis (CA)
Lewis (KY)
Lightfoot
Lincoln
Linder
Lipinski
Livingston
LoBiondo
Longley
Lucas
Manzullo
Martini
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McKeon
Metcalf
Meyers
Mica
Miller (FL)
Molinari
Montgomery
Moorhead
Morella
Myrick
Nethercutt
Neumann
Ney
Norwood
Nussle
Oxley
Packard
Parker
Paxon
Peterson (MN)
Petri
Pombo
Porter
Portman
Pryce
Radanovich
Ramstad
Regula
Riggs
Roberts
Rogers
Rohrabacher
Roth
Roukema
Royce
Salmon
Sanford
Saxton
Scarborough
Schaefer
Schiff
Seastrand
Sensenbrenner
Shadegg
Shaw
Shays
Shuster
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Solomon
Souder
Spence
Stearns
Stockman
Stump
Talent
Tanner
Tate
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thornberry
Tiahrt
Torkildsen
Traficant
Upton
Vucanovich
Waldholtz
Walker
Walsh
Wamp
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wolf
Young (AK)
Young (FL)
Zeliff
Zimmer

NOES—178

Abercrombie
Ackerman
Andrews
Baesler
Baldacci
Barcia
Barrett (WI)
Becerra
Beilenson
Bentsen
Berman
Bevill
Bishop
Bonior
Borski
Boucher
Brown (CA)
Brown (FL)
Brown (OH)
Bunn
Campbell
Cardin
Clay
Clayton
Clement
Clyburn
Coleman
Collins (IL)
Collins (MI)
Costello
Coyne
Danner
de la Garza
DeFazio
DeLauro
Dellums
Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Durbin
Engel
Eshoo
Evans
Farr
Fattah
Fazio
Fields (LA)
Flake
Foglietta
Ford
Frank (MA)
Frost
Furse
Gejdenson
Gephardt
Gibbons
Gonzalez
Green
Gutierrez
Hall (OH)
Hamilton
Hastings (FL)
Hefner
Hilliard
Hinchey
Hoyer
Jackson (IL)
Jackson-Lee (TX)
Jacobs
Jefferson
Johnson (SD)
Johnson, E. B.
Johnston
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Klink
LaFalce
Levin
Lewis (GA)
Lofgren
Lowey
Luther
Maloney
Manton
Markey
Martinez
Mascara
Matsui
McCarthy
McDermott
McHale
McKinney
McNulty
Meehan
Meek
Menendez
Mfume
Miller (CA)
Minge
Mink
Moakley
Mollohan
Moran
Murtha
Nadler
Neal
Oberstar
Obey
Olver
Ortiz
Orton
Owens
Pallone
Pastor
Payne (NJ)
Payne (VA)
Pelosi
Peterson (FL)
Pickett
Pomeroy
Poshard
Rahall
Rangel
Reed
Richardson
Rivers
Roemer
Ros-Lehtinen
Rose
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schroeder
Schumer
Scott
Serrano
Sisisky
Skaggs
Slaughter
Spratt
Stark
Stenholm
Stokes
Studds
Stupak
Tejeda
Thompson
Thornton
Thurman
Torres
Torricelli
Towns
Velazquez
Vento
Visclosky
Volkmer
Ward
Waters
Watt (NC)
Waxman
Williams
Wilson
Wise
Woolsey
Wyden
Wynn
Yates

NOT VOTING—11

Bryant (TX)
Chapman
Conyers
Edwards
English
Filner
Harman
Lantos
Myers
Quillen
Quinn

☐ 1529

The Clerk announced the following pairs:

On this vote:

Mr. Quinn for, with Ms. Harman against.
Mr. Quillen for, with Mr. Filner against.

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## PERSONAL EXPLANATION

Mr. ENGLISH of Pennsylvania. Mr. Speaker, on rollcall No. 877, my vote was not recorded because of an apparent mechanical failure of my voting machine. Had I been recorded, I would have voted aye.

## GENERAL LEAVE

Mr. SHAW. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to revise and extend their remarks and include extraneous material on the conference report on the bill, H.R. 4.

The SPEAKER pro tempore (Mr. BARRETT of Nebraska). Is there objection to the request of the gentleman from Florida?

There was no objection.

## RESOLUTION AUTHORIZING THE SPEAKER TO DECLARE RECESSES SUBJECT TO THE CALL OF THE CHAIR FROM DECEMBER 23, 1995, THROUGH DECEMBER 27, 1995

Ms. PRYCE. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 320 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 320

*Resolved,* That the Speaker may declare recesses subject to the call of the Chair on the calendar days of Saturday, December 23, 1995, through Wednesday, December 27, 1995. A recess declared pursuant to this resolution may not extend beyond the calendar day of Wednesday, December 27, 1995.

The SPEAKER pro tempore. The gentlewoman from Ohio [Ms. PRYCE] is recognized for 1 hour.

Ms. PRYCE. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the gentleman from Massachusetts [Mr. MOAKLEY], the distinguished ranking member of the Committee on Rules, pending which I yield myself such time as I may consume.

During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, House Resolution 320 is a simple, straightforward resolution that allows the Speaker of the House to declare recesses subject to the call of the Chair on the calendar days of Saturday, December 23, 1995, through Wednesday, December 27, 1995. The resolution further provides that any such recess may not extend beyond the calendar day of Wednesday, December 27, 1995.

Mr. Speaker, the Rules Committee brings this resolution to the floor today for several important reasons. First, the resolution specifically provides for the Speaker to declare recesses, and not to adjourn the House at the end of business this week. This is an important distinction which will permit the House to be on stand-by should further progress be made in budget and other negotiations between our leadership and the White House.

As our colleagues know, several functions of the Federal Government are not yet operating at this time, and adjourning the House may unnecessarily hamper our ability to consider legislation should a breakthrough be reached in our discussions with the President.

Despite recent news stories to the contrary, we are making progress toward resolving our differences, and Members on this side of the aisle remain just as committed today to a 7-year balanced budget plan as they have been all year. By recessing the House, key committees can swing into action, if necessary, to begin the process of crafting final balanced budget legislation and re-opening the Federal Government.

No less important is the fact that Members and staff would certainly benefit from a brief respite from the legislative program. You don't need to be a veteran Hill watcher to recognize that the intensity of our work here over the past several weeks is taking its toll.

In fact, the Congressional Research Service just recently issued a report on the breakdown of civility and decorum in the House. And that is unfortunate because no matter how controversial the issues are which we debate on this floor, rational, reasonable men and women can agree to disagree, and still remain friends.

I am concerned, Mr. Speaker, that if the House does not take a brief recess in the next few days, at least for the sake of goodwill, ''Grumpy Old Men'' will end up being more than just the title of a funny movie.

While some Members may prefer to work right through this holiday weekend, I believe the vast majority of our constituents would want us to legislate carefully, thoughtfully, and deliberately, with clear minds as we undertake the serious challenge of finalizing a fair, workable plan to balance the Federal budget in 7 years' time.

Finally, the resolution before us will give Members the opportunity to enjoy a short, but hopefully meaningful and fulfilling Christmas holiday with their friends and family.

And for some of us, it will mean being able to interact, however briefly, with our constituents back home as we continue to gauge the American people's support for fiscal restraint and responsibility.

Now I would just like to add, Mr. Speaker, that there are many Federal employees who reside in my congressional district and throughout each Member's district. Our message to them is that we have not abandoned you, despite the heated rhetoric you might hear.

While the situation facing many Federal workers clearly is uncomfortable in the near-term, especially as we approach the holidays, our goal for the long-term is to give all Americans the best Christmas gift possible, and that is a balanced Federal budget. It is the key to our Nation's future economic prosperity, and I am confident that all those affected by the current budget situation will understand that we have their best interests at heart.

In closing, Mr. Speaker, let me emphasize that with this resolution, we are not abdicating our responsibility to complete the people's business. In fact, the situation is just the opposite.

We on this side of the aisle are hopeful and optimistic that a budget agreement can be reached in the very near future. We encourage the President to continue to participate in the negotiations so that a serious budget agreement can be reached without any further delay.

If that should happen, the terms of this resolution would permit the House to come back into session to respond appropriately. And I know several key Members of the House, including the distinguished chairman of the Rules Committee, Mr. SOLOMON, will be here this weekend working to bridge the budget gap with the President.

Mr. Speaker, under normal circumstances, the House would more than likely have been adjourned by now and everyone would be comfortably at home enjoying friends and family, and the goodwill of the holidays. But as our colleagues know all too well, circumstances regrettably are far from normal. This resolution is appropriate in light of these circumstances. I urge my colleagues to support it.

Mr. Speaker, I reserve the balance of my time.

Mr. MOAKLEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I thank the gentlewoman from Ohio [Ms. PRYCE] for yielding me the customary half-hour.

Mr. Speaker, let me make something very clear: We would not be here today if my Republican colleagues had done their job; the Government would not be closed today if my Republican colleagues had done their job; and we would not have to pass this rule giving the Speaker the authority to declare recess if my Republican colleagues had done their job.

Congress' primary responsibility is to pass 13 appropriations bills before October 1, but here it is, December 21 and my Republican colleagues are still bickering among themselves over the remaining bills.

For that reason and that reason alone the Federal Government is shut down for the eighth day this year.

Mr. Speaker this shut down is unprecedented and so is this rule.

This rule allows Speaker GINGRICH to declare the House in recess so that he doesn't have to adjourn the House.

I want to remind my colleagues, Mr. Speaker, that the Constitution prohibits the House from recessing for more than 3 days—any recess or adjournment longer than 3 days requires the concurrence of the other body.

When the Democrats were in the majority, we never passed a rule making a recess an adjournment. If Congress needed to adjourn, we adjourned.

It appears that my Republican colleagues want to be able to say that they stood by their guns, that they insisted on cutting Medicare and Medicaid to pay for tax breaks for the rich, even if it meant closing down the Government, but they do not want to vote outright to go home.

Mr. Speaker, make no mistake about it. This is just an adjournment in recess clothing. An adjournment by any other name would still mean Congress is going home.

Anyone who votes for this rules change is voting to adjourn the House. Period.

Without this rule, my Republican colleagues would have to vote to adjourn the House. In other words they would admit that they want to go home for Christmas before they've finished their work. There are 260,000 Federal workers waiting to get back to work, but my Republican colleagues want to call it quits.

Mr. Speaker, Congress should not vote to go home until Federal workers can go back to work and my Democratic colleagues and I are willing to stay until we get the job done.

Finally Mr. Speaker, let me just say that this is a horrendous way to do business. The resolution just reported out of the Rules Committee moments ago is a sham which will allow the Congress to try and fool the American people into thinking that we are still at work.

Make no mistake about it. The resolution we are considering right now is an adjournment resolution plain and simple.

We will go home to our families for the holidays while the Government remains closed and thousands of Federal workers remain furloughed, wondering if they will get paid. This is an injustice and a tragedy.

Mr. Speaker, at the appropriate time I will move that the previous question be defeated. If I am successful, I will move that the rule be amended to include language which will not allow the Congress to recess in any way, shape, or form, until a clean continuing resolution is adopted keeping the Government running until January 26.

This is the right thing to do. I urge my colleagues, if you want to be honest with the American people, defeat the previous question and accept my amendment.

Mr. Speaker, I reserve the balance of my time.

Ms. PRYCE. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. SOLOMON], the distinguished chairman of the Committee on Rules.

Mr. SOLOMON. I say to the gentleman from Massachusetts, my colleague, after that speech, which I would not say that the gentleman was not sincere because I have too much respect for him to do that, but, as my colleague knows, we are going to be back here next Wednesday, I am, and after the gentleman's speech I could almost guarantee him that I am going to have votes on this floor on Wednesday; I want my colleagues all to know that because, as my colleagues are aware, this rhetoric continues to go on. We hear words like, ''These are cuts, cuts, cuts for the rich,'' almost like they could gag when they say ''for the rich.''

Mr. colleagues, capital gains tax cut. I have got people in my district; Sears Roebuck is one of the major employers, and have got people that have worked for them for very low wages because Sears does not pay high wages, but they have good retirement benefits, and they have things called stock options, and I have got people that have worked all their lives that even now, after 40 years with Sears Roebuck, they may be only making $30,000 a year, but they have accumulated stock over all those years, they have saved it, and now they want to sell it. Well, they are rich because they own some stock.

In addition then we have got people where their spouses have died, and they have the stock and they want to sell it and maintain a decent living even though their income has dropped so much over all those years after they lost their spouse, and now they are rich because they want to sell the stock and they do not want to give all the money to the Government.

Then there is a thing called a marriage tax penalty. As my colleagues know, they get penalized for being married around here. And then there is a question of giving a tax break to people with children so that they can keep a little bit of their take-home pay, and they could afford a mortgage, they could afford a downpayment on a car.

□ 1545

I really get broken-hearted when I hear this ''tax cut for the rich'' business. It actually turns your stomach.

Let us just talk about something else here. The gentleman from Massachusetts [Mr. MOAKLEY] was saying that the Republicans have not done their job. Let me tell you something; I have a list of all the appropriation bills which provide for the function of all the Government. This Congress has done its job. This Congress has sent this President all of these appropriation bills. We sent one to the President the other day, which is the Interior bill. That is a very, very important bill. It provides for keeping the Smithsonian Institution open, the Washington Monument, and all the national parks back in your district. And the President vetoed it.

Then we sent him another bill dealing with the Department of Veterans Affairs that funds all of the veterans hospitals across this Nation, and all the outpatient clinics, and he vetoed it because there was not enough money in the bill.

I am just going to tell you Members something. Some of us are going to stay around here, and I am going to personally check up on all of you with your rhetoric saying, ''We wanted to stay here and work,'' because I am going to be here, and I am going to call your offices, your district offices back home, your homes, and I am going to find you, track you down, find out where you are, because we are going to stay here and we are going to provide for this recess authority, we are going to provide for this recess authority, so that in case we do reach an agreement and he wants to sign that Department of Veterans Affairs bill, and the gentleman from Virginia, JIM, your people can then go back to work. We are going to be here to give it to him, and we are going to be here to give him all those bills.

Let us be reasonable. If you do not want to be here, go on home, but the rest of us will. This simply provides for recess authority right now so you could get on a plane tomorrow afternoon or evening and go home for Saturday and Sunday and Monday, the holidays, and be back here Tuesday, and there could probably be votes on Wednesday if we reach any kind of an agreement. The same thing holds true on Thursday and Friday, and then if we have not reached an agreement, maybe you can take Saturday and Sunday off, but you are going to be back here on January 3, and I am going to see to it.

Mr. MOAKLEY. Mr. Speaker, I yield 3 minutes to the gentleman from Virginia [Mr. MORAN].

Mr. MORAN. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I would like to respond to the chairman of the Committee on Rules that the Democrats will be here. We will be here as long as it takes to open up this Government, Mr. Speaker. I want to move over to the Republican microphone here, as my friend, the gentleman from New York, moved to the Democratic microphone, because it is the Republican side of the aisle I would like to address.

The gentlewoman from Ohio [Ms. PRYCE], who introduced this resolution, suggested that she was concerned about us becoming grumpy old men. That may be a concern, but we need to be more concerned about being responsible legislators. We cannot pass this resolution. Let me explain to you why, those Members who are in the body here, and those Members who are watching television.

In the first place, Mr. Speaker, if we do not pass this legislation, on December 26, 13 million welfare recipients cannot get their checks. Many of them can't survive without them. They do not have any assets to tide them over. They live on their monthly checks alone. They will not be able to buy food for their children. Families will not be able to pay their rent which is due on the first of the month. If we do not have a continuing resolution in effect by December 27, the States will not receive $11 billion of Medicaid money. They cannot function without that money. They have to get that money. We have to pass a continuing resolution now. This is too serious a threat to the well-being of this Nation if we don't get a continuing resolution passed now to reopen the Federal Government.

Mr. Speaker, let me also tell the Members if we go until January 3, Federal employees, and I appreciate the fact that the Speaker signed a letter saying they will get paid, but Federal employees will get paid at that point $1.6 billion for not having performed any work. How can we justify that to the American taxpayer? That is what the bill is running, every day we go on. It was $750 million during the first Government shutdown. I am counting that money. It will be $1.6 billion if we do not have a continuing resolution and those 260,000 nonemergency workers are still out of work by January 3. We cannot let this happen. We cannot pass this resolution. We have to stay here and do our work. We cannot leave when the Government is shut down.

Mr. VOLKMER. Mr. Speaker, will the gentleman yield?

Mr. MORAN. I yield to the gentleman from Missouri.

Mr. VOLKMER. Mr. Speaker, it is very obvious to me that the majority does not care a bit about what you are saying. They just do not care if all those people suffer. That is fine.

Mr. MORAN. Mr. Speaker, I am not going to reach any conclusions. I am just trying to tell all my colleagues who I very much respect, I do not think we have a choice. I do not think we can pass this. In any good conscience, we cannot go home and leave the Government shut down, no matter how much we would like to be with our families at Christmas. We have to do our job. Please vote against this resolution.

Ms. PRYCE. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. Mr. Speaker, that was useful exercise, I guess, in shouting in the House, but it does not bear much real resemblance to reality. I personally have had a chance to talk to some of the Governors who were just talked about, three of them this morning. It is

certainly our understanding at this point that the States intend to go ahead and pay the welfare benefits. The States know that the money is going to be coming later on.

There are largely State-administered programs. The States will in fact get made up and are going to go ahead and pay the welfare checks. All three of the Governors that I met with this morning indicated that that would be the case, so the gentleman's hysterics I think enliven the debate, but the fact is that what he is talking about simply is not going to take place.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin [Mr. OBEY], the ranking member of the Committee on Appropriations.

Mr. OBEY. Mr. Speaker, every day in every way, this place gets sillier and sillier and sillier. This is a shameful, adolescent abdication of responsibility. You are going to be going home to the comfort and warmth of your families for the next 11 days, and abdicating your responsibility to the public to see to it that they get the public services which they have already paid for. You are going to cost the taxpayers $1 billion for nothing. You are going to pay workers for work they have not performed.

Last night you would not even let workers volunteer to come in to work. Where is your sense of responsibility? Where is your sense of decency? Where is your sense of judgment? Where is your sense of balance?

I have just been informed that families caring for 273,000 foster care children will not receive maintenance payments, and 100,000 adoption assistance children will be affected by delayed grants. Less than half of the second quarter grants for Medicaid could be awarded. If you want to go home to your Christmas under those circumstances, without opening the Government, shame on you.

Ms. PRYCE. Mr. Speaker, I yield 1 minute to the gentleman from Iowa [Mr. GANSKE].

Mr. GANSKE. Mr. Speaker, I rise to speak against this resolution. We have work to do. It would be one thing to take Christmas off, or maybe even start it on Christmas Eve, and then come back the next day. The Government is not working, at least part of it is not. There is a lot of work to do. I think this is the wrong thing to do. I would urge a ''no'' vote on this resolution.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from North Carolina [Mr. HEFNER].

(Mr. HEFNER asked and was given permission to revise and extend his remarks.)

Mr. HEFNER. Mr. Speaker, it would be very nice here, my grandchildren are in town. I do not have to leave town. All these folks, their grandkids have come in, their children have come in. If someone from this side, if someone can explain to me, people keep saying balance the budget in 7 years. A lot of things can happen between now and 7 years. There can be calamities, a lot of things that change. The assumptions can change.

To guarantee a budget in 7 years, and we have people out there, I will just give Members a personal experience. There is a young lady who saved up her money and she and her fiance want to go to Egypt. They cannot get their visa and passport. She is in tears. It may not be a big deal to folks here or other places, but it is a big deal to her. That is just one of the many that is going to be affected.

My grandkids are in town. Your grandkids are in town. You want to go. Why in the name of God are we keeping 270,000 people out of work when it has absolutely nothing to do with a balanced budget? The people can continue to negotiate and yell at each other on the budget, but this has absolutely nothing to do with balancing the budget.

What leverage does it give you with the President of the United States to keep 270,000 people away from their families, anxious? They have children. They are anxious about the future. If this had some bearing on the budget deliberations and a balanced budget, I could see that. But 7 years? You are keeping 270,000 people out of work for something that is supposedly going to take place in 7 years? I would say to the gentleman from New York, JERRY, for God's sakes, you are a compassionate man; this has nothing to do with a balanced budget. I want to support a 7-year balanced budget, and I am working with a group, but this is ridiculous.

Come on, folks. Let us not be the grinch that stole Christmas. Let us have a good Christmas and go home to our families, our grandchildren, and talk the balanced budget. We have 7 years to talk about it. For God's sakes, let us act in the spirit of Christmas.

Ms. PRYCE. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from California [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Speaker, my colleagues on the other side of the aisle talk about not delaying dollars to Federal workers. A balanced budget, someone with a home mortgage of $90,000, at 8½ fixed over a 30-year period means $38,000 to that individual. You are stealing that money by not balancing the budget. A student loan of $11,000 over a 4-year period is $4,500 back in that person's pocket.

You want to talk about delaying money, you want to talk about being the grinch that stole Christmas, then balance the budget. Mr. Speaker, this is about a principle. It is about a principle whether you want the power here in Washington, DC, so people can disburse money down so they can get reelected, and to do that you need a big bureaucracy, which takes away the dollars. Welfare will only get 30 cents out of a buck down to the welfare recipient. In education we only get 23 cents because of the bureaucracy. We are saying we want to balance the budget, give the money back to the people instead of keeping it here in River City. That is what we are talking about. That is the real grinch that stole Christmas.

Mr. Speaker, if Members really want to help, go along and override the President's veto of a balanced budget in 7 years. You will get more money to those Federal workers, you will give them a brighter future. And guess what? their kids will have something in the future, and the seniors will have something in the future.

Mr. Speaker, if we take a look at those 270,000 workers, the President has appropriations bills on his desk that would put them back to work. I am not saying Republicans or Democrats are to blame. I am saying if you really want to sit about and talk about this thing with some legitimacy, let us do it, but let us do it now. Let us do it. I ask for support of the resolution.

□ 1600

Mr. MOAKLEY. Mr. Speaker, I yield 10 seconds to the gentleman from North Carolina [Mr. HEFNER].

Mr. HEFNER. Mr. Speaker, I would say to the gentleman, I cannot for the life of me, and I am not the smartest guy, but I did not just fall off of a potato truck, either.

Let me tell the gentleman something. We have to pay them. We have to pay these people to do the job that they ordinarily do. If we are going to pay them, for God's sales, let them do their job.

Mr. CUNNINGHAM. Mr. Speaker, we have done that for years with welfare.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois [Mr. DURBIN].

Mr. DURBIN. Mr. Speaker, I have served in this body for 13 years. This is the saddest, cruelest strategy that I have ever witnessed in this Chamber.

I cannot believe that my colleagues on the Republican side of the aisle will go home this Christmas season to be with their loved ones and their children, will kneel down in church in the Christmas spirit, and be able to erase from their minds for one moment that 270,000 innocent Federal employees who showed up for work prepared to work are being denied that opportunity and left with uncertainty.

I cannot imagine the gentlewoman from Ohio [Ms. PRYCE], who is a good person, I have had the good fortune of meeting her family; they are wonderful people. The gentlewoman must be thinking in her mind over this Christmas season that people who receive AFDC checks who have nothing to live on will have those checks delayed because of the strategy behind this resolution—people who are destitute.

I visited a family in Chicago on Saturday on Madison Street on the west side, four people who, because there is no LIHEAP, have no heat in their apartment. Their pipes burst last

month; they have no water, either. A husband and a wife and two small children huddled in a room with a space heater because of our political strategy. In the spirit of Christmas, how can we countenance imposing this suffering on innocent people?

Let me offer this. If you want to stand up for principle, if the Republicans want to show their commitment to principle, here is what I suggest: stay here and work, as the gentleman from Iowa [Mr. GANSKE] suggested; and second, give up your paycheck, say that you will sacrifice your own paycheck in commitment to a balanced budget.

Mr. Speaker, to impose this burden on innocent Federal employees, on innocent poor people across America does not show character, it shows cowardice. Show your character, put your own paycheck on the line, not the paychecks of innocent people. Five different times Speaker GINGRICH has stopped ''No-budget, No-pay.'' If it would pass, this crisis would end.

Ms. PRYCE. Mr. Speaker, I yield myself such time as I may consume.

All of the money for the LIHEAP has been sent to the States already. We keep hearing rhetoric from the other side, and all of it is not completely correct. I believe that the seriousness of this is not going unnoticed by anybody, and we have to be attendant to the details of getting this budget balanced.

The responsibility rests with our leadership and with the President. Everyone in this House knows that these negotiations are going on at a level that many of us are not involved in at all, and the fact of the matter is that we should allow those negotiations to proceed, Mr. Speaker. When we are needed, this resolution gives us the maximum flexibility to be called back into action by the Speaker when we need to ratify action that has been taken. However, for us to linger around here for nothing better than to muddy the waters, it is irresponsible.

Mr. Speaker, I yield such time as he may consume to the gentleman from California [Mr. COX].

Mr. COX of California. Mr. Speaker, Christmas is only a few days away. A balanced budget may be nearer than that, because as we speak, our budget chairmen from the House and the Senate are conducting negotiations with Mr. Panetta who now works in the White House, and President Clinton, to bring us to a balanced budget. This Congress, of course, not just the House of Representatives, but also the Senate, has passed long since a balanced budget scored by the Congressional Budget Office, as the Clinton administration agreed it should be. We have the document, it is there, it is ready.

The issues that are under discussion could be resolved in a day if the White House is only willing to do so, because the White House has yet to produce a balanced budget. The budget passed by the Congress is the only one balanced 7 years that we can work with.

As long as we are needed to vote on a final budget, I suggest that we not adjourn; I suggest that we be here. The resolution that is proposed is not an adjournment resolution, it just says, recess subject to the call of the Chair. We do that around here all the time. The moment the bells ring, we are back in here and we will vote. If they cut a deal at the White House and the White House says we have not produced a balanced budget yet, but we are willing to agree to the following changes in your balanced budget, then you know we are going to be right here on the floor, and that is as it should be. Balancing the budget is what this is all about.

Yes, it is hard. Yes, we are in session later this year than we had hoped, but we are going to stay here, and the reason we are going to stay here is that it is the first time in 30 years that we are going to have solved this crisis of a generation. It is the first time in 30 years that we will, not cooking the books, but using honest numbers prepared by the CBO as the President has agreed, that we are going to have taxes and revenues equal one another and, for the first time, not increase the national debt.

I would just point out before I yield back to the Members of the Committee on Rules who are conducting this debate that interest on the national debt is the cruelest entitlement rip-off of all. It is an entitlement program, because it is completely out of control; there is nothing we can do about it. If we want to appropriate less for interest on the debt, we cannot. We are paying it as the national debt goes up and up and up and every single year of the Clinton unbalanced budget that has been proposed.

Right now, the status quo which everybody is trying to maintain: please, let us open the Government without changing anything; let us just open the Government right now and not do the hard stuff, the people who want to maintain the status quo have to recognize that interest on the national debt right now consumes over half of all of the individual income taxes paid by everybody in America.

Now it is the end of the year and people are starting to think about paying their taxes, just imagine this: everybody in my home State of California, 31 million people, can take all of their 1040's, all of their income tax forms and the checks that they send with them, and everybody west of the Mississippi, every single individual American and all of those income taxes will buy not a single social service. They will not fund a single welfare check, no national security, no education, no environment.

Mr. Speaker, all of that money will go for nothing but interest on the debt: about $300 billion wasted. It is a tragic and cruel thing. That is what we are here finally to stop after 30 years.

For the first time, we are going to produce a balanced budget. I guarantee you as we all sit here, we are not going home. Yes, we will be in recess subject to the call of the Chair because they are negotiating at the White House, not here on the floor of the House of Representatives, but as soon as that deal is ready for us to vote on, as soon as the President agrees: I am going to sign on to a 7-year balanced budget with honest numbers, it is going to be voted on here in the House, it will sail through the Senate, and the American people will have the best Christmas present of all, and they deserve it.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Texas [Mr. DOGGETT].

Mr. DOGGETT. Mr. Speaker, I thank the gentleman. The supporters of this measure refer to it as standby authority. That is the whole problem. They have been standing by while we have a governmental crisis here that affects all of America. It should be better termed a take-our-marbles-and-go-home approach, because rather than staying here and doing the job, they propose to go home and, as the sponsor said, interact with their constituents.

Well, perhaps there needs to be a little more interaction right here on the floor of Congress rather than attempting to confuse an adjournment and a recess. This is an attempt to do the very same thing that our Republican colleagues did back in November when we as Democrats stayed here and worked and saved the people of America money by being here, ready to work, when something was finally resolved.

If there has been any recess here, it is a recess from reality, because surely, anyone who looks at what is happening every day in America has got to feel that something has occurred here that is a recess from reality.

Mr. Speaker, $40 million a day. That is what our Republican colleagues are paying Federal workers not to work. Anyone who needs a passport cannot get it. Anyone who wants to close an FHA loan cannot do it. Anyone in the State of Texas or anywhere else in this country come January 1 that gets foster care, that relies on child support enforcement, that relies on emergency family assistance, that needs child care because they have gotten off welfare and they are back into workfare, they are not going to have it as a result of this. All of this as a result of pursuing your approach or no approach.

I read in this morning's paper the self-described description of the Republican freshman class as the purest, most worthy in my lifetime. I thought they were talking about ivory soap. But no, indeed they describe themselves as being so pure and so much better than everyone else in America that they have to have it their way or no way. I think that the American people are calling on us to come together and solve this problem rather than simply to have Republican excellence in the pursuit of error.

Ms. PRYCE. Mr. Speaker, I yield myself such time as I may consume.

When the gentleman suggests we return to reality, I suggest that we are about to do just that. Reality does not necessarily exist here in the beltway. Reality is out in our districts with our constituents and with our families, and it is good for us as Members to return to that reality on occasion.

Mr. Speaker, I yield 1 minute to the distinguished gentleman from Arizona [Mr. SALMON].

Mr. SALMON. Mr. Speaker, I appreciate this opportunity to address the House.

Let us make no mistake. A lot has been said about this side and that side, the freshman this, the freshman that. Let me make one point perfectly clear. As a freshman, I am perfectly willing to be here and to work as long as there is work worth doing, but this President has made a mockery of this negotiation process. One day he makes an agreement; the next day before the ink is dry on the agreement the previous day, they change their story. It is like playing ping-pong with a person that hides the ball in their pocket or quick-serves while you are not looking.

Frankly, the American people are frustrated. We kept our part of the bargain. The President signed an agreement, a law, 30 days ago that he should abide by a 7-year budget as scored by CBO. Now, the Speaker and the gentleman from Ohio, Mr. KASICH, and the gentleman from New Mexico, Senator DOMENICI, have been in negotiations with the President day in and day out, and it changes every day. He agrees to one thing one day and the next day he says, no, I did not say that yesterday. What does it do to us? We are wasting away precious time when we could be with our families and we are wasting it for a deal that is not going to happen.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. FRANK], my dear friend.

Mr. FRANK of Massachusetts. Mr. Speaker, the Republicans have a problem. We are not simply talking about balancing the budget, but how to do it. They want to do it in a very extreme, radical way that does not appeal to most Americans. They want to cut Medicaid drastically, do away with a Federal guarantee for people who are sick and in need; they want to substantially reduce what Medicare would otherwise produce. They do that to increase military spending, to reduce taxes.

They are in this dilemma. Here is the problem: they send the President their bills; they cannot pass the regular legislation, so they load up the appropriations bills. They do that 2 or 3 months late. The President then, as he is constitutionally entitled to do, vetoes them. What do they do? They take the Government hostage. They started out being for a line-item veto for the President, but then they realized Bill Clinton was president.

Now they are not only not for a line-item veto, they are unconstitutionally trying to write the regular veto out of the Constitution. Because what they say is, if you do not accept our extreme procedures about Medicaid, about school lunches, about environmental protection, we will shut the government down.

The problem, of course, is that they know that that is unpopular, and there is one thing we should be very clear about. One reason they are taking this elongated recess, they are afraid to let their own members vote.

The chairman of the Committee on Rules, he announced last week he was very powerful. He said, people ought to be horse whipped if they disagreed with him on the ethics bill. Now what he is saying is that he will see that the Republicans cannot vote, because if we vote on a clean resolution to keep the Government open it might win. So they do not like the Constitution, they do not like democracy, they are not only taking the Government hostage, they are doing it somewhat incompetently.

I wish this was not a game, but watching them, it appears that to them it is my. I am reminded of what Jim Breslin said in the title of his book, ''Chronicling the First Year of the Mets,'' and this is their first year of running the House: Can't anybody here play this game? Can't anybody here run this House? Can't anybody here keep this Government functioning?

Ms. PRYCE. Mr. Speaker, I yield myself such time as I may consume. In response to the gentleman from Massachusetts [Mr. FRANK] I love the Constitution, and I love democracy, and we are learning, we are learning how to play this game, and I think we are playing it pretty darn well.

Mr. Speaker, I yield 2½ minutes to the gentleman from Georgia [Mr. KINGSTON].

Mr. KINGSTON. Mr. Speaker, I thank the gentlewoman for yielding me this time.

I wanted to offer this to the previous speaker, my friend from Massachusetts [Mr. FRANK] who said, well, Medicare is being cut. Here is your check. If Medicare is being cut, then you have already established what it takes to receive your $1 million, and all you have to do is go prove it.

Mr. FRANK of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. KINGSTON. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Well, first, the gentleman was not listening, because that was addressed to me. I said cutting Medicaid and I said reducing Medicare from what it would otherwise produce. I agree it is more, but it would be a lot less than it would have been if you did not change the law.

☐ 1615

Mr. KINGSTON. Reclaiming my time, I am sorry, the gentleman said reducing.

Mr. FRANK of Massachusetts. I said of Medicaid.

Mr. KINGSTON. I understood the gentleman to say cut.

Mr. FRANK of Massachusetts. I said Medicaid. You will reduce it beyond what it would otherwise be.

Mr. KINGSTON. That is OK. Let me talk about some of the radical extreme problems we are seeming to have.

We want to get rid of SSI for people who are in jail. We want to quit giving American jobs and social benefits to illegal aliens. We want to quit the scare tactics and the demagoguery on American seniors.

I think more than anything else we are driven by the fact that this Congress will be leaving and I would say this administration will be leaving the children of America a $5 trillion debt. If a baby is born today, he or she owes over the next 75 years $187,000 as his or her share of interest on the national debt, above and beyond State, local, and Federal taxes. That is not what we want to do to America's children.

I think, Mr. Speaker, my friends on the Democrat and Republican side, that maybe it is time to take a step back. Maybe it is time to say that this budget dilemma is perhaps beyond Democrats and Republicans in Washington. Maybe it is something that the American people need to drive a little bit more, and we need to all cool off a little bit and think about putting America first and trying to do what is best, because Dwight Eisenhower said, and I will paraphrase, that once the American people have made their mind up about something, there is little that can be done to stop it.

I would say to my friends that the American people have made up their mind about balancing the budget. Let us work together as Democrats and Republicans, as elected leaders of this country, to do what the American people want, and that is to balance the budget.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Mississippi [Mr. TAYLOR].

Mr. TAYLOR of Mississippi. Mr. Speaker, we are being asked once again to waive the rules. The highest lawmaking body in this country, probably in the world, is asking to excuse itself from its own rules once again.

This body has a law called Gramm-Rudman that says we have to balance the budget. Yet the budgets proposed by the Democrats and even the budget proposed by the Republicans this year is $270 billion in annual operating deficit for this coming year, because you waived the rules.

They passed tax increases, you are supposed to have a three-fifths vote, but they waived the rule on that, so a simple majority can do it.

I do not think we are in trouble because of the laws of this land. I think we are in trouble because we will not enforce the laws of this land. It has got to start with ourselves.

If the House has a rule saying that we can only recess for 24 hours at a time, let us obey it. If you want to

change the rule, then propose a change to the rules. But we are the highest legislative body in the world, as far as I am concerned, and no one is going to respect us if we do not respect our own laws.

Person after person came to the floor and talked about a Republican balanced budget. JERRY, I voted for your 5-year budget because I thought it would truly get us there. The budget you all are proposing has $270 billion in deficit for next year.

And my Democratic colleagues, guys, they really are increasing the money for Medicare and Medicaid. You cannot call it a cut, and we are never going to get there if we are not honest.

We are 3 days from Christmas and there are 300,000 Federal employees out there who are counting on us to keep our word to them. If I was them, since we have had so much trouble keeping our word, I would really wonder if their paycheck was going to be there.

So I think we ought to stick around and make sure we pass something so those people get paid. If they are vital, let us pay them. If they are not so vital, then let us let them go but do not leave them out there in limbo, certainly not 3 days before Christmas.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Maryland [Mr. HOYER].

Mr. HOYER. Mr. Speaker, I do not know how many Members are listening to WTOP. There is some dramatic music that comes on: ''Capital Crisis, Shutdown 2, Day 6.'' This proposes day 7 through 18, shutting down the Government by recessing from 3 days to 3 days. What kind of Alice in Wonderland are we subjecting our Federal employees and the country to?

Does anybody believe that because we recess without a continuing resolution to have the Government workers on the job, that we have somehow put pressure on the President? Or put pressure on the Congress that is going to be, as the gentlewoman said, going to go home to reality?

Believe me, nobody believes that reality is here. That is for sure. And this resolution is as far from reality as it gets. A simple continuing resolution which adopts exactly this premise but puts people back to work. That is the only difference. No greater or lesser pressure. No more balanced budget or less.

I voted for the coalition budget. I voted for the balanced budget amended. I believe that we need to balance the budget in 7 years with CBO numbers. Period. And I believe we are going to do that.

But why, my friends, do we in that process compound the deficit, destroy the morale of Federal workers, and disrupt the country? It makes no sense. It makes no common sense. As I have said so many times, it is irresponsible. Let us change our minds. Let us do the right thing. Pass a clean continuing resolution.

Ms. PRYCE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, it is obviously very difficult to predict what will happen with the budget negotiations over the next few days. But if there is some sudden movement, make no mistake, we are not adjourning. We are recessing at the call of the Chair. We will all be back here to ratify the actions taken by our leadership and the President. When the President gets serious, we will be here to do what it takes.

You may call that optimistic, Mr. Speaker, but after all it is a season of miracles and perhaps we will see some movement, and I certainly hope that is the case.

Mr. HOYER. Mr. Speaker, will the gentlewoman, for whom I have a great deal of respect, yield?

Ms. PRYCE. I yield to the gentleman from Maryland.

Mr. HOYER. Mr. Speaker, I appreciate what the gentlewoman has just said. Let me suggest if an agreement is reached tomorrow or the next day or the day after, I think everybody in the House, if an agreement is reached, will come here, most of us, and vote to ratify that agreement on January 2 or 3.

It will make no difference that we have recessed or adjourned and put the Government back to work. We will do that. Why? Because our President will have agreed, your Speaker will have agreed, and the majority leader will have agreed. Therefore, my point was, this gets you nothing other than a continuing disruption of the Government and the country.

I agree with the gentlewoman. If an agreement is reached, we will ratify it. I hope that happens, because I share your objective.

Mr. SOLOMON. Mr. Speaker, will the gentlewoman yield?

Ms. PRYCE. I yield to the gentleman from New York.

Mr. SOLOMON. Mr. Speaker, I say to my good friend STENY HOYER, and he is a good friend and I have a lot of respect for him because he has a lot of common sense, but if you read the resolution, it was constructed this way for the very purpose that you have just stated. It says the Speaker may declare recesses subject to the call of the Chair now, subject to the call of the Chair on calendar days of Saturday—that is day after tomorrow, because we are going to be in here and voting on legislation all day tomorrow, that is Friday—but it will be subject to the call of the Chair on the days of Saturday, December 23 through Wednesday, December 27.

That means we could be back on Sunday. We can be back here on Monday, or Tuesday. And we are going to be here. The only day we probably will not really be here is Sunday itself. But many of us are going to be here and we are going to continue our negotiations.

There are a lot of things that we are going to be working on. We are going to be working on the Balanced Budget Act. There is a lot that has to be done to put that together. We are going to give it back to the President, in a effort to be sincere and to compromise and to work, and we are going to be here, STENY. So it is not as if we are adjourning.

The gentleman from Massachusetts [Mr. MOAKLEY], my good friend up in the Rules Committee, wanted to have a resolution to adjourn, and I said no, we are not going to adjourn. We are going to continue to work and try to get the job done. That is sincerity from this part of the aisle.

Mr. HOYER. If the gentlewoman will continue to yield, I think my friend is sincere, but I say to the gentleman, the construct you have discussed can be accomplished while at the same time putting the Government back to work until January 2 or 3, whichever date you choose, that Monday or Tuesday, without the disruption to the country, and with much less angst to Federal employees that both you and I have supported very strongly through the years.

I say to my friend that I am going to be here. As you know, I live close by, so it is easy for me. I have been here for the last 12 days in a row. I was here last Saturday and Sunday working on this budget, at the White House. You were as well. I do not know whether the gentlewoman from Ohio [Ms. PRYCE] was, but we are all dedicated to doing this.

What I am saying is, common sense, it seems to me, would dictate that we simply tell the Government, ''You are going to operate until January 2 and we are going to continue to stay here and work.'' You do not need to recess from day to day to do that. You can adjourn, or recess, if we have a CR to accomplish that objective.

Mr. SOLOMON. STENY, if I could just reclaim my time, if the gentlewoman has a little extra time, if we had made some progress the last time and if we felt there was really sincerity at the other end of Pennsylvania Avenue, I would be up here fighting for you for that CR. But the trouble is, you know the President the other day met with the Republican leaders, President DOLE—he will be in in about a year—but Senator DOLE and Speaker GINGRICH, and when he came out of that meeting we were all excited because we really thought we had made some progress.

Then Vice President AL GORE comes out and refutes almost everything that was said there. Then the Speaker's press secretary about an hour later came out and even changed what Vice President GORE was saying. Then on top of that, our former colleague, Mr. Panetta, the Chief of Staff of the President, comes out and says something else.

STENY, it is so frustrating and confusing. It is hard to have faith that there is going to be anything there. That is why we cannot gamble. We have to hold their nose to the grindstone and see if we cannot make some progress. I am trying.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. BARRETT of Nebraska). The Chair would make an observation to the body. The Chair would request that all Members address each other through the Chair and not use first names.

Mr. MOAKLEY. Mr. Speaker, I yield 30 seconds to the gentleman from Vermont [Mr. SANDERS].

Mr. SANDERS. Mr. Speaker, all over the State of Vermont our Federal employees are extremely anxious. Those who are furloughed, those who are working. Our Federal employees should not be held hostage because the Republican Party has a 7-year disastrous budget that they want to push through the White House and this Congress. We have the moral obligation to reopen Government today, put our Federal employees back to work, and then we can debate the 7-year balanced budget.

Mr. MOAKLEY. Mr. Speaker, I yield 1½ minutes to the gentleman from New York [Mr. HINCHEY].

Mr. HINCHEY. Mr. Speaker, the resolution before the body today asks us to convey to the Speaker of this House extraordinary powers, beyond those which he normally possesses. It would be irresponsible for me to vote for such a resolution, and I think for any Member of this House to do so, simply because the Speaker has not exercised those powers which he possesses now in a responsible way.

We are in the process of trying to establish a budget to meet the needs, the health, safety, and welfare of the people of this country. In the absence of that budget, the Speaker has the responsibility and the authority to put before the House a continuing resolution which would allow the Government to continue to operate in the interim period, to keep Federal Government workers at their post and to ensure that the 14 million children of families who are dependent upon checks that come from this Government in one way or another do not have a black coal in their stocking this Christmas.

□ 1630

So do not ask me to give the Speaker of this House additional power when he is not doing the responsible thing with the power that he has.

Let us get a continuing resolution out here. Let us keep this Government running while we negotiate a budget. If we do that, then we are doing the right thing, and I am prepared to do that.

I am prepared to stay here every minute. I am prepared.

The SPEAKER pro tempore (Mr. BARRETT of Nebraska). The gentleman did not yield.

Mr. VOLKMER. Regular order. We do not permit that.

Mr. HINCHEY. Mr. Speaker, excuse the interruption. I want to answer my dear colleague and friend from New York who asked that question. I am prepared to stay here every minute. If we get whatever it takes, I am prepared to stay here every minute of every day until we get this Government back working again, whatever it takes, right here. Whatever it takes, I am prepared to be here. And I think to do anything else is irresponsible. Let us get a continuing resolution out here.

PARLIAMENTARY INQUIRY

Mr. VOLKMER. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. VOLKMER. The rules of the House, do they not require that the person who has the time be permitted to exercise that time without interruption by other Members?

The SPEAKER pro tempore. The gentleman is correct.

Mr. VOLKMER. Then why did the Speaker not attempt at least to make sure that the gentleman from New York did not interrupt the other gentleman from New York?

The SPEAKER pro tempore. The Chair did use the gavel.

Mr. VOLKMER. Pardon?

The SPEAKER pro tempore. The Chair did use the gavel in an attempt to prevent that interrogation.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from North Carolina [Mr. WATT].

Mr. WATT of North Carolina. Mr. Speaker, I do not really think there is a Member in this body who would not like to go home for Christmas. So this is really not about whether we want a recess or do not want a recess. It really is about whether it is responsible to recess without having a continuing resolution, and we believe it is not.

So let me talk about this continuing resolution thing for just a second so that people understand.

Without a continuing resolution, we are going to have 270,000 Federal employees out of work, but the Speaker has committed to pay those employees. That makes absolutely no sense. Without a continuing resolution passed either today or tomorrow, 4.7 million families will not get aid to families with dependent children. That is 14 million children.

Listen to what I am saying: 14 million children who do not have any say in this budget fight, who do not have a dog in this fight, the most vulnerable, the poorest people in this country these people would leave exposed without the benefit of their AFDC benefits.

Now, one of them got up and said, well, that is not a problem because the States are going to step into this void. There are 30 States that have legislation on their books that prevent them, prohibit them from stepping into this void if the Federal Government does not live up to its responsibility.

Since when did we start telling States you have got to fulfill the responsibilities that the Federal Government has undertaken already? An unfunded mandate if I have ever heard of one, and we have spent 3 weeks, 4 weeks, 5 weeks talking about how unfair unfunded mandates were.

This is ridiculous. It is irresponsible. And we ought to defeat this resolution.

Ms. PRYCE. Mr. Speaker, I yield 1 minute to my friend, the gentleman from Virginia [Mr. DAVIS].

Mr. DAVIS. Mr. Speaker, my colleague from North Carolina just made a statement that made me come out of my seat.

Do you believe then Federal employees should not be paid for the time? You just criticized the Speaker for saying the Federal employees, who, through no fault of their own——

Mr. WATT of North Carolina. Mr. Speaker, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from North Carolina.

Mr. WATT of North Carolina. If you are going to shut the Government down, then shut it down.

Mr. DAVIS. Should they be paid?

Mr. WATT of North Carolina. You are responsible for shutting the Government down while you stand here and go home and enjoy Christmas. You are irresponsible.

Mr. DAVIS. Should they be paid? Reclaiming my time, the gentleman did not answer my question. I think it was a cheap shot at Federal employees. They are the innocent victims in this. I applaud the Speaker and the leadership of both parties. I applaud the leadership of both parties for recognizing that this budget impasse continues if the President has refused to sign some of the bills.

Mr. KENNEDY of Rhode Island. Mr. Speaker, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Rhode Island.

Mr. KENNEDY of Rhode Island. Mr. Speaker, I think your question was should the Federal workers still be paid, and yet not be able to do the work that they are mandated to do under the laws of this country.

Mr. DAVIS. We are talking about retroactively. I would love to put them back to work today.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from West Virginia [Mr. WISE].

Mr. WISE. Mr. Speaker, from the other side earlier I heard a lot of talk about balanced budget. I heard talk about Medicare. I saw checks for a million dollars. I saw lots of things. What I did not hear was discussion about whether or not you ought to recess, and that is what is on the floor today: Should you recess for 3 days at a time when the Federal Government is in the crisis that it is in? This is about a recess authority.

But this really is not about recess. This is about having a recess to avoid a process, and the process is the honest debate that has to take place and the honest negotiations that have to take place. This is about a recess to avoid a process of debate, to avoid the Constitution, of avoiding a vote whether or not to adjourn.

Make no mistake, when you vote for this recess, which I will not be voting

for, when you vote for this recess, you sign the warrant for continued Government shutdown. You sign a warrant for continued furlough of hundreds of thousands of Federal employees who cannot do the job they want to do. You sign the warrant, for instance, for State Department personnel who have to be called off of furlough to go identify bodies in Colombia or to get visas for people in the former Russian States. You sign a warrant for the 66,000 students who need to apply for Pell grants but are unable to do that paperwork, for the millions of AFDC children. At Christmastime? This is the kind of warrant you want to sign.

Taxpayers are not getting what they paid for. This is the 6th day now of cumulative 12th day of a Nation held hostage. With this recess, this hostage-taking process only continues. When you vote for this, you know you may be voting to go home, but make no mistake about it, Federal workers will not be working, and constituents will not be buying what you are trying to sell. That is what this is about. It is about a recess. It is the wrong time. And it is about a recess to avoid the process.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri [Mr. VOLKMER].

(Mr. VOLKMER asked and was given permission to revise and extend his remarks.)

Mr. VOLKMER. Mr. Speaker, Members of the House, and especially earlier, one of the gentlemen from North Carolina and the gentleman from Maryland [Mr. HOYER], the gentleman from Virginia [Mr. MORAN], talked about the Federal workers. We also heard about the AFDC recipients and the children out there.

Folks, remember, these guys do not care about those people. That is what it is all about. They do not care. To them, the whole idea is something up here in Utopia. We are going to have a balanced budget in 7 years, and anything can happen in that 7 years. In the meantime, children can starve, old folks can go hungry, Federal workers can have no Christmas, none whatsoever, with their kids.

They are still going to get their paychecks. They are going to put it in their pocket. They are going to be under this resolution, which I urge Members strongly to oppose. They are going to be able to be with their families. They already have their Christmas gifts I am sure, already bought because they have plenty of money.

They do not really care about the downtrodden. You can tell that. Just look at the welfare bill we just voted on. They would just as soon do away completely with AFDC. They do not want any AFDC. They would just as soon do away with the Federal Government except defense.

I had one of them once tell me, one of these people, these radicals, tell me all the Federal Government should do is defend our shores, deliver the mail, and get out of our pocketbook. That is what I am hearing over here. That is all they want to do. Anything else can go to pot.

You think they worry about employees at EPA? They want to do away with EPA. They do not want EPA. You name it, all Federal regulatory bodies. What did we see in the 100 days? Look at the legislation. And now they are saying their platitudes, ''We are going to have an agreement in these next few days.'' Baloney.

I say to the President, no CR, no budget negotiations.

Mr. MOAKLEY. Mr. Speaker, I yield 30 seconds to the gentleman from Virginia [Mr. MORAN].

Mr. MORAN. Mr. Speaker, just like the veteran that left the message last night, he did not want his interests being put ahead of the American public's interests, we cannot put our interests ahead of the American public's interests. We cannot go home and enjoy Christmas with our families if we have not done our job, if the Government is still shut down.

Consider these 13 million welfare families. They cannot get payments at the beginning of the month. We know they have no disposable income. They have spent all of their money on Christmas presents at the beginning of the month. They have to pay their monthly rent. They are not going to have money for food, never mind monthly rent.

How can we go and enjoy our families when they cannot even survive because we have not done our job?

Ms. PRYCE. Mr. Speaker, I yield 1½ minutes to the distinguished majority leader, the gentleman from Texas [Mr. ARMEY].

Mr. ARMEY. Mr. Speaker, I thank the gentlewoman for yielding me this time.

I want to thank all of my colleagues for what has been a scintillating debate.

This is a very difficult time for all of us, and certainly we can acknowledge that. Let me just say very quickly what this is about. This is very likely to be the last vote we have today. We have a few items that are important that we will be able to act on tomorrow, and then, quite frankly, even though we have two or three other items that are of consequence to the country, important to us, they would not be ready to be brought to the floor for a while.

That being the case, while the negotiations proceed, beginning with a 9 o'clock meeting at the White House tomorrow on the budget, we feel that it is prudent for us to have a recess authority that would allow us to recess the Chair and, during that period of recess, allow those Members who are able to spend time with their families at Christmastime to do so and, in the process of their doing so, they can do so with a good deal of confidence that the negotiations will continue at the White House and that, in fact, that that work which can be continuing to prepare legislation to bring back to the floor as soon as possible can be in those final stages of preparation. And at that point, when we have important work that is available to the floor, the Members will get a call so that within the day they can get back and deal with any important work that must be dealt with.

That strikes me as an opportunity for us to, on one hand, continue the work on those few remaining items that need to have progress continue on them, while, on the other hand put us in the kind of recess that would enable Members to spend time with their families.

I must say that seems to me to be a reasonable move for us to take on behalf of all of the Members and all of the work that is before the Congress.

Ms. FURSE. Mr. Speaker, will the gentleman yield?

Mr. ARMEY. I yield to the gentlewoman from Oregon.

Ms. FURSE. You know, I think that this is just not very truthful, because I cannot get here from the west coast in anything less than 8 hours. So I have to tell you, Mr. Majority Leader, that it is not true that, if you recess, that I can be back at the call of your office.

Mr. ARMEY. If I may reclaim my time, no Member would have anything less than 12 hours' notice under the most rigorous of circumstances, and there is no doubt that we understand the very large number of our Members who would be traveling from the west coast.

Certainly, we would understand it would be impossible to reconvene the House without giving them ample time.

These things are not that difficult to figure out.

□ 1645

Mr. VOLKMER. Mr. Speaker, will the gentleman yield?

Mr. ARMEY. I yield to the gentleman from Missouri.

Mr. VOLKMER. Mr. Speaker, I would like to inquire of the majority leader, in the negotiations that hopefully will take place, do they not have to negotiate not just Medicare, not just Medicaid, but in that reconciliation package do you not also have such things as school lunches, do you not have food stamps, do you not have big tax cuts? All of these things are in there.

I have been here a little while. Is the gentleman trying to tell me there is a possibility that he is going to have this done by next Wednesday?

Mr. ARMEY. Mr. Speaker, reclaiming my time, we will work as hard as we can. As long as we can make good progress, we will continue working. I cannot promise the gentleman anything. As we know, these are troubled times. We will do our best.

In the meantime, I would say to my colleagues in the House on both sides of the aisle, if they will vote for an opportunity to give us the flexibility to respond to both the legislative needs of

the country and the very real and heartfelt family needs of our Members, we will exercise that with judicious responsibility on behalf of both needs.

Mr. ABERCROMBIE. Mr. Speaker, would the majority leader kindly yield for one question?

Mr. WALKER. Mr. Speaker, time is controlled.

The SPEAKER pro tempore (Mr. BARRETT of Nebraska). Does the gentleman from Massachusetts yield to the gentleman from Hawaii?

Mr. MOAKLEY. Mr. Speaker, I yield 10 seconds to the gentleman from Hawaii [Mr. ABERCROMBIE].

Mr. ABERCROMBIE. Mr. Speaker, in that context, can you inform me then if this resolution passes, does that mean that all codels will be canceled?

The SPEAKER pro tempore. The gentleman has not stated a parliamentary inquiry to which the Chair can respond.

Mr. ABERCROMBIE. Mr. Speaker, I did not ask a parliamentary inquiry. The Speaker admonished everybody to address questions through him. I asked, Mr. Speaker, whether the maker of the resolution could advise me whether or not that means that all codels will be canceled? I think that is a fair question.

Mr. THOMAS. Are you going somewhere?

Mr. ABERCROMBIE. Mr. Speaker, most respectfully, I thought I was obeying your admonition to speak through you.

Mr. MOAKLEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I urge my colleagues to vote ''no'' on the previous question. If the previous question is defeated, I will offer an amendment so that this House does not recess until we adopt a clean continuing resolution keeping the Government running until January 26.

I include for the RECORD my proposed amendment.

PREVIOUS QUESTION AMENDMENT TO RECESS RESOLUTION

At the end of the resolution, add the following:

''SEC. . Immediately upon the adoption of this resolution the House shall without intervention of any point of order consider in the House the joint resolution (H.J. Res. 131) making further continuing appropriations for the fiscal year 1996, and for other purposes. The joint resolution shall be debatable for one hour equally divided and controlled by the chairman and ranking minority member of the Committee on Appropriations. The previous question shall be considered as ordered on the joint resolution to final passage without intervening motion except one motion to recommit with or without instructions.

SEC. . The recess authority provided in the previous sections of this resolution shall be effective only on or after the date on which H.J. Res. 131 is presented to the President for approval.''

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Ms. PRYCE. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, House Resolution 320 was reported by the Committee on Rules last night by voice vote authorizing the Speaker to declare recesses subject to the call of the Chair.

The amendment I will offer would authorize the Speaker to declare recesses subject to the call of the Chair on calendar day Thursday, December 28, through Saturday, December 30.

The amendment would further provide that after the House has been in session on calendar day Saturday, December 30, the Speaker may declare recesses subject to the call of the Chair on calendar day Saturday, December 30, through Wednesday, January 3.

Mr. Speaker, the Speaker needs this authority to keep the House in recess next week subject to the call of the Chair, pending the ongoing negotiations over the budget.

Members should be aware that the House will not be adjourned, but rather in recess on standby, should budget negotiations prove successful.

AMENDMENT OFFERED BY MS. PRYCE

Ms. PRYCE. Mr. Speaker, I offer an amendment authorized by the Committee on Rules.

The Clerk read as follows:

Amendment offered by Ms. PRYCE of Ohio: Strike all after the Resolved clause and insert:

That the Speaker may declare recesses subject to the call of the Chair on the calendar days of Saturday, December 23, 1995, through Wednesday, December 27, 1995.

SEC. 2. The Speaker may declare recesses subject to the call of the Chair on the calendar days of Thursday, December 28, 1995, through Saturday, December 30, 1995.

SEC. 3. After the House has been in session on the calendar day of Saturday, December 30, 1995, the Speaker may declare recesses subject to the call of the Chair on the calendar days of Saturday, December 30, 1995, through Wednesday, January 3, 1996.

SEC. 4.(a) A recess declared pursuant to the first section of this resolution may not extend beyond the calendar day of Wednesday, December 27, 1995.

(b) A recess declared pursuant to section 2 of this resolution may not extend beyond the calendar day of Saturday, December 30, 1995.

(c) A recess declared pursuant to section 3 of this resolution may not extend beyond 11:55 a.m. on the calendar day of Wednesday, January 3, 1996.

Ms. PRYCE. Mr. Speaker, I have no further requests for time, I yield back the balance of my time, and I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Ms. PRYCE. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 228, nays 179, not voting 26, as follows:

[Roll No. 878]

YEAS—228

| | | |
|---|---|---|
| Allard | Funderburk | Moorhead |
| Archer | Gallegly | Myrick |
| Armey | Ganske | Nethercutt |
| Bachus | Gekas | Neumann |
| Baker (CA) | Gilchrest | Ney |
| Ballenger | Gillmor | Norwood |
| Barr | Gilman | Nussle |
| Barrett (NE) | Goodlatte | Oxley |
| Bartlett | Goodling | Packard |
| Bass | Goss | Parker |
| Bateman | Graham | Paxon |
| Bereuter | Greenwood | Petri |
| Bilbray | Gunderson | Pombo |
| Bilirakis | Gutknecht | Porter |
| Bliley | Hall (TX) | Portman |
| Blute | Hancock | Pryce |
| Boehlert | Hansen | Radanovich |
| Boehner | Hastert | Ramstad |
| Bonilla | Hastings (WA) | Regula |
| Bono | Hayes | Riggs |
| Brewster | Hayworth | Roberts |
| Brownback | Hefley | Rogers |
| Bryant (TN) | Heineman | Rohrabacher |
| Bunn | Herger | Ros-Lehtinen |
| Bunning | Hilleary | Roth |
| Burr | Hobson | Roukema |
| Burton | Hoekstra | Royce |
| Buyer | Hoke | Salmon |
| Camp | Horn | Sanford |
| Campbell | Hostettler | Saxton |
| Canady | Houghton | Scarborough |
| Castle | Hunter | Schaefer |
| Chabot | Hutchinson | Schiff |
| Chambliss | Hyde | Seastrand |
| Chenoweth | Inglis | Sensenbrenner |
| Christensen | Istook | Shadegg |
| Chrysler | Johnson (CT) | Shaw |
| Clinger | Johnson, Sam | Shays |
| Coble | Jones | Shuster |
| Coburn | Kasich | Skeen |
| Collins (GA) | Kelly | Smith (MI) |
| Combest | Kim | Smith (NJ) |
| Cooley | King | Smith (TX) |
| Cox | Kingston | Smith (WA) |
| Crane | Klug | Solomon |
| Crapo | Knollenberg | Souder |
| Cremeans | Kolbe | Spence |
| Cubin | LaHood | Stearns |
| Cunningham | Largent | Stockman |
| Deal | Latham | Stump |
| DeLay | LaTourette | Talent |
| Diaz-Balart | Laughlin | Tate |
| Dickey | Lazio | Tauzin |
| Doolittle | Leach | Taylor (NC) |
| Dornan | Lewis (CA) | Thomas |
| Dreier | Lewis (KY) | Thornberry |
| Duncan | Lightfoot | Tiahrt |
| Dunn | Linder | Torkildsen |
| Ehlers | Livingston | Upton |
| Ehrlich | LoBiondo | Vucanovich |
| Emerson | Longley | Waldholtz |
| English | Lucas | Walker |
| Ensign | Manzullo | Walsh |
| Everett | Martini | Wamp |
| Ewing | McCollum | Watts (OK) |
| Fawell | McCrery | Weldon (FL) |
| Fields (TX) | McDade | Weldon (PA) |
| Flanagan | McHugh | Weller |
| Foley | McInnis | White |
| Forbes | McIntosh | Whitfield |
| Fowler | McKeon | Wicker |
| Fox | Metcalf | Wolf |
| Franks (CT) | Meyers | Young (AK) |
| Franks (NJ) | Mica | Young (FL) |
| Frelinghuysen | Miller (FL) | Zeliff |
| Frisa | Molinari | Zimmer |

NAYS—179

| | | |
|---|---|---|
| Abercrombie | Brown (OH) | Dellums |
| Andrews | Cardin | Deutsch |
| Baesler | Clay | Dicks |
| Baldacci | Clayton | Dingell |
| Barcia | Clement | Dixon |
| Barrett (WI) | Clyburn | Doggett |
| Becerra | Coleman | Dooley |
| Beilenson | Collins (IL) | Doyle |
| Bentsen | Collins (MI) | Durbin |
| Berman | Condit | Engel |
| Bevill | Costello | Eshoo |
| Bishop | Coyne | Evans |
| Bonior | Cramer | Farr |
| Borski | Danner | Fattah |
| Boucher | Davis | Fazio |
| Browder | de la Garza | Fields (LA) |
| Brown (CA) | DeFazio | Flake |
| Brown (FL) | DeLauro | Foglietta |

Frank (MA)
Frost
Furse
Gejdenson
Gephardt
Geren
Gonzalez
Gordon
Green
Gutierrez
Hamilton
Hastings (FL)
Hefner
Hilliard
Hinchey
Holden
Hoyer
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (SD)
Johnson, E. B.
Johnston
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kleczka
Klink
Levin
Lewis (GA)
Lincoln
Lipinski
Lofgren
Lowey
Luther
Maloney
Markey
Mascara
Matsui
McCarthy
McDermott
McHale
McKinney
McNulty
Meehan
Menendez
Mfume
Miller (CA)
Minge
Mink
Moakley
Mollohan
Montgomery
Moran
Morella
Murtha
Nadler
Neal
Oberstar
Obey
Olver
Ortiz
Orton
Pallone
Pastor
Payne (NJ)
Payne (VA)
Pelosi
Peterson (FL)
Peterson (MN)
Pickett
Pomeroy
Poshard
Rahall
Rangel
Reed
Richardson
Rivers
Roemer
Rose
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schroeder
Schumer
Scott
Sisisky
Skaggs
Skelton
Slaughter
Spratt
Stark
Stenholm
Stokes
Studds
Stupak
Tanner
Taylor (MS)
Tejeda
Thompson
Thornton
Thurman
Torres
Torricelli
Towns
Traficant
Velazquez
Vento
Visclosky
Volkmer
Ward
Waters
Watt (NC)
Waxman
Wilson
Wise
Woolsey
Wyden
Wynn
Yates

NOT VOTING—26

Ackerman
Baker (LA)
Barton
Bryant (TX)
Callahan
Calvert
Chapman
Conyers
Edwards
Filner
Ford
Gibbons
Hall (OH)
Harman
Jacobs
LaFalce
Lantos
Manton
Martinez
Meek
Myers
Owens
Quillen
Quinn
Serrano
Williams

☐ 1711

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. BARRETT of Nebraska). The question is on the amendment offered by the gentlewoman from Ohio [Ms. PRYCE].

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the resolution, as amended.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Ms. PRYCE. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 224, noes 186, not voting 24, as follows:

[Roll No. 879]

AYES—224

Allard
Archer
Armey
Bachus
Baker (CA)
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Bilbray
Bilirakis
Bliley
Blute
Boehlert
Boehner
Bonilla
Brewster
Brownback
Bryant (TN)
Bunn
Bunning
Burr
Burton
Buyer
Camp
Campbell
Canady
Castle
Chambliss
Chenoweth
Christensen
Chrysler
Clinger
Coble
Coburn
Collins (GA)
Combest
Cooley
Cox
Crane
Crapo
Cubin
Cunningham
Deal
DeLay
Diaz-Balart
Dickey
Doolittle
Dornan
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Ensign
Everett
Ewing
Fawell
Fields (TX)
Flanagan
Foley
Forbes
Fowler
Fox
Franks (CT)
Franks (NJ)
Frelinghuysen
Frisa
Funderburk
Gallegly
Gekas
Gilchrest
Gillmor
Gilman
Gingrich
Goodlatte
Goodling
Goss
Graham
Greenwood
Gunderson
Gutknecht
Hancock
Hansen
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Heineman
Herger
Hilleary
Hobson
Hoekstra
Hoke
Horn
Hostettler
Houghton
Hunter
Hutchinson
Hyde
Inglis
Istook
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kim
King
Kingston
Klug
Knollenberg
Kolbe
LaHood
Largent
Latham
LaTourette
Laughlin
Lazio
Leach
Lewis (CA)
Lewis (KY)
Lightfoot
Linder
Livingston
Longley
Lucas
Manzullo
Martini
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McKeon
Metcalf
Meyers
Mica
Miller (FL)
Molinari
Moorhead
Myrick
Nethercutt
Neumann
Ney
Norwood
Nussle
Oxley
Packard
Parker
Paxon
Petri
Pombo
Porter
Portman
Pryce
Radanovich
Ramstad
Regula
Riggs
Roberts
Rogers
Rohrabacher
Ros-Lehtinen
Roth
Roukema
Royce
Salmon
Sanford
Saxton
Scarborough
Schaefer
Schiff
Seastrand
Sensenbrenner
Shadegg
Shaw
Shays
Shuster
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Solomon
Souder
Spence
Stearns
Stockman
Stump
Talent
Tate
Tauzin
Taylor (NC)
Thomas
Thornberry
Tiahrt
Torkildsen
Upton
Vucanovich
Waldholtz
Walker
Walsh
Wamp
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wolf
Young (AK)
Young (FL)
Zeliff
Zimmer

NOES—186

Abercrombie
Andrews
Baesler
Baldacci
Barcia
Barrett (WI)
Becerra
Beilenson
Bentsen
Berman
Bevill
Bishop
Bonior
Bono
Borski
Boucher
Browder
Brown (CA)
Brown (FL)
Brown (OH)
Cardin
Chabot
Clay
Clayton
Clement
Clyburn
Coleman
Collins (IL)
Collins (MI)
Condit
Costello
Coyne
Cramer
Cremeans
Danner
Davis
de la Garza
DeFazio
DeLauro
Dellums
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Durbin
Engel
Eshoo
Evans
Farr
Fattah
Fazio
Fields (LA)
Flake
Foglietta
Frank (MA)
Frost
Furse
Ganske
Gejdenson
Gephardt
Geren
Gonzalez
Gordon
Green
Gutierrez
Hall (TX)
Hamilton
Hastings (FL)
Hefner
Hilliard
Hinchey
Holden
Hoyer
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (SD)
Johnson, E. B.
Johnston
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kleczka
Klink
Levin
Lewis (GA)
Lincoln
Lipinski
LoBiondo
Lofgren
Lowey
Luther
Maloney
Markey
Mascara
Matsui
McCarthy
McDermott
McHale
McKinney
McNulty
Meehan
Meek
Menendez
Mfume
Miller (CA)
Minge
Mink
Moakley
Mollohan
Montgomery
Moran
Morella
Murtha
Nadler
Neal
Oberstar
Obey
Olver
Ortiz
Orton
Pallone
Pastor
Payne (NJ)
Payne (VA)
Pelosi
Peterson (FL)
Peterson (MN)
Pickett
Pomeroy
Poshard
Rahall
Rangel
Reed
Richardson
Rivers
Roemer
Rose
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schroeder
Schumer
Scott
Sisisky
Skaggs
Skelton
Slaughter
Spratt
Stark
Stenholm
Stokes
Studds
Stupak
Tanner
Taylor (MS)
Tejeda
Thompson
Thornton
Thurman
Torres
Torricelli
Towns
Traficant
Velazquez
Vento
Visclosky
Volkmer
Ward
Waters
Watt (NC)
Waxman
Wilson
Wise
Woolsey
Wyden
Wynn
Yates

NOT VOTING—24

Ackerman
Baker (LA)
Bryant (TX)
Callahan
Calvert
Chapman
Conyers
Edwards
Filner
Ford
Gibbons
Hall (OH)
Harman
Jacobs
LaFalce
Lantos
Manton
Martinez
Myers
Owens
Quillen
Quinn
Serrano
Williams

☐ 1728

So the resolution, as amended, was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## REQUEST THAT COMMITTEE ON APPROPRIATIONS BE DISCHARGED FROM FURTHER CONSIDERATION OF HOUSE JOINT RESOLUTION 131, FURTHER CONTINUING APPROPRIATIONS, FISCAL YEAR 1996

Mr. OBEY. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations be discharged from further consideration of House Joint Resolution 131, a clean continuing resolution extending the date of the existing CR to January 26, authorizing a 2.4 percent military pay raise effective January 1, and eliminating the 6-month disparity between COLA payment dates for military and civilian retirees in fiscal 1996, and ask for its immediate consideration in the House.

The SPEAKER pro tempore (Mr. BARRETT of Nebraska). Under the guidelines issued consistently by successive Speakers, as recorded on page 534 of the House rules manual, the Chair is constrained not to entertain the gentleman's request until it has been cleared by the bipartisan floor and committee leadership.

## NOTICE OF INTENTION TO OFFER PRIVILEGED RESOLUTION PROVIDING DEFICIT REDUCTION AND ACHIEVE A BALANCED BUDGET BY FISCAL YEAR 2002

Mr. TAYLOR of Mississippi. Mr. Speaker, pursuant to rule IX, I rise to

give notice that I will seek recognition as a question of the privileges of the House to offer a resolution in the following form. The resolution is at the desk.

The SPEAKER pro tempore. The Clerk will read the resolution for the gentleman from Mississippi.

The Clerk read the resolution, as follows:

H. RES. —

Whereas clause 1 of rule IX of the Rules of the House of Representatives states that ''Questions of privilege shall be, first, those affecting the rights of the House collectively'';

Whereas article 1, section 9, clause 7 of the Constitution states that: ''No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by law;

Whereas today, December 21, 1995, marks the 81st day that this Congress has been delinquent in fulfilling its statutory responsibility of enacting a budget into law; and

Whereas by failing to enact a budget into law this body has failed to fulfill one of its most basic constitutionally mandated duties, that of appropriating the necessary funds to allow the Government to operate: Now, therefore, be it

*Resolved*, That the Committee on Rules is authorized and directed to forthwith report a resolution providing for the consideration of H.R. 2530 (a bill to provide for deficit reduction and achieve a balanced budget by fiscal year 2002).

The SPEAKER pro tempore. The Chair advises the gentleman from Mississippi that under rule IX, a resolution offered from the floor by a Member other than the majority leader or the minority leader as a question of the privileges of the House has immediate precedence only at a time or a place designated by the Speaker in the legislative schedule within 2 legislative days, its being properly noticed. That designation will be announced at a later time. In the meantime, the form of the resolution proffered by the gentleman from Mississippi will appear in the RECORD at this point.

The Chair is not at this point making a determination as to whether the resolution constitutes a question of privilege. The determination will be made at the time designated for consideration of the resolution.

Mr. TAYLOR of Mississippi. Mr. Speaker, would the Chair be kind enough to give me some indication of how much warning that I would receive as a Member as to when this would be brought before the House?

The SPEAKER pro tempore. The Chair will give adequate notice, as has always been the case.

Mr. TAYLOR of Mississippi. Could the chair give a better definition of ''adequate notice''?

The SPEAKER pro tempore. Not at this time.

Mr. TAYLOR of Mississippi. I thank the Chair.

## REMOVAL OF NAME OF MEMBER AS COSPONSOR OF HOUSE CONCURRENT RESOLUTION 119

Mrs. KELLY. Mr. Speaker, I ask unanimous consent to have my name removed as cosponsor of House Concurrent Resolution 119.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

There was no objection.

## LEGISLATIVE PROGRAM

(Mr. FAZIO of California asked and was given permission to address the House for 1 minute.)

Mr. FAZIO of California. Mr. Speaker, I rise to speak to the majority leader about the schedule.

I yield to the gentleman from Texas [Mr. ARMEY].

Mr. ARMEY. Mr. Speaker, first of all let me express my appreciation for the patience of the Members over these days leading up to the holidays. I know that it has been difficult for Members and their families, but today I am more hopeful that the end is in sight.

I am pleased to announced that today there were very productive discussions between senior White House officials and Members of the House and Senate leadership. I am also pleased to announce that starting tomorrow morning budget negotiations will begin between the congressional leadership and the President on balancing the budget.

It is our hope that these negotiations will be successful and expeditious. We believe that these negotiations, if conducted seriously, could be completed very quickly, perhaps in only a few days. It is our intention to bring to the floor as quickly as possible any agreement that balances the budget in 7 years using CBO numbers. At the same time, I do not want to keep Members in town unnecessarily. I will be announcing tomorrow a more definitive schedule for the next several days, but my expectation is to have the House in recess pending word of an agreement.

Depending on how the negotiations go tomorrow morning, the recess could be only for a day or two or it could last until Wednesday. I will recommend that the Members make plane reservations for sometime after 3 tomorrow afternoon, but understand that, if negotiations are moving quickly, we may stay to complete a balanced budget. I am sorry I cannot be more specific at this time.

Mr. Speaker, if the gentleman will continue to yield, I would like to advise our Members that we have had the last vote of the evening, but we will have important work in the morning. I will be, in a moment, asking unanimous consent for a 9 a.m. time to commence work in the morning. But if that is granted, we would be dealing with House Resolution 299, a proposal for House royalty changes, possibly the ICC conference report. If we can work out all the details related to it, it may be possible tomorrow that we may be able to take up legislation that would affect D.C. government funding and AFDC.

So we still have important work for us to do tomorrow. We hope to be able to conclude it expeditiously and get Members on their way. Again, let me remind Members, we would be in under those conditions, under recess. We would continue to work, and, as soon as something of import were available, we would give Members ample notice and then bring them back as quickly as possible to reconvene the House and complete that work.

Mr. FAZIO of California. Mr. Speaker, the other day the gentleman assured us that we would have a 24-hour notice on any return during the recess, the one we had prior. Is that still the standard that we could all be able to live with so that we could come from wherever we may be with family?

Mr. ARMEY. Mr. Speaker, I appreciate the gentleman's point. Mr. Speaker, I should say that I believe, in fact, I assured 12 hours.

Mr. FAZIO of California. Mr. Speaker, 12 hours did the gentleman say?

Mr. ARMEY. Mr. Speaker, that was the position I took before. I do understand the problems of travel. I can assure that there would be definitely a 12-hour notice before we would convene business. I will try to be as considerate as I possibly can to make sure Members from the most remote locations have an opportunity to get back.

I understand how difficult it is. I would like to be, I would like to guarantee a 24-hour. I am just not sure that I could make such a guarantee and make it stick. But I think I can say with total confidence Members would have a 12-hour notice.

Mr. FAZIO of California. The problem, of course, is going to be that Members are going to be perhaps at greater than normal distance. Their staff is unlikely to be at post here. It may be more difficult for Members to get reservations during the holiday season. All of these things complicate the ability to do a short-time turnaround, and therefore I think, more than last week, we probably will need at least 24 hours for Members to be able to be here for what could be among the most important votes of this session.

Mr. ARMEY. Mr. Speaker, I think the gentleman's point is well taken. Let me just say that I will address the issue with all the generosity and advance notice that I am able to give.

Mr. FAZIO of California. Mr. Speaker, if I could ask the gentleman about the schedule that he has outlined for tomorrow. I have been told that the State of California, that I represent, has a billion and a quarter dollars in Medicaid payments that are needed for us to be able to make our commitments to all the providers and to the people who are beneficiaries of the MediCal Program in our State.

I noticed and I think there is tremendous relief on this side of the aisle that we will be dealing with the AFDC issue that just yesterday we were told was not an issue. Is there any possibility that we could deal with the Medicaid problem in terms of meeting the requirements? At least several of our

States, I think, are up against a cash flow crisis.

Mr. ARMEY. Mr. Speaker, if the gentleman will continue to yield, let me say I share the gentleman's optimism with respect to D.C. funding and AFDC funding. It is only fair for me to say that it is not clear that we will be able to deal with those two issues. We are working with a good many people and, assuming we get the appropriate agreements, we are hopeful to deal with those two issues. As far as the other issue the gentleman raised, I can only say I will take it under consideration at this time.

Mr. FAZIO of California. Could the gentleman tell me, is there any possibility that the telecommunications conference report would be completed? I know that many were hoping that that issue could be dealt with before the first of the new year?

Mr. ARMEY. Mr. Speaker, I could just say to the gentleman that it is unlikely that the issue will be available to be brought to the floor prior to the 27th or 28th of this month.

Mr. FAZIO of California. Mr. Speaker, I yield to the gentleman from Wisconsin [Mr. OBEY].

Mr. OBEY. Mr. Speaker, if I could inquire of the majority leader, when does he intend to be going to the Committee on Rules to obtain a rule for whatever action would be contemplated taken with D.C., AFDC, Medicaid, or, I understand now that the gentleman has several other significant problems which he was not aware of last night.

Mr. ARMEY. Mr. Speaker, if the gentleman will continue to yield, I can only say to the gentleman from Wisconsin it is my hope that it will be unnecessary to go to the Committee on Rules with respect to these issues. We are hoping to do them by unanimous consent. I must say in all seriousness it is very difficult for me to see how we could do them unless we do them that way.

Mr. OBEY. Mr. Speaker, if the gentleman will continue to yield, I do not think that it is appropriate for this House to deal with considerations such as that under unanimous consent because it would preclude our opportunity to discuss in any meaningful way whatsoever the issues that are before us. It would also preclude us from trying to amend it in any way to deal with other legitimate concerns and needs. I would urge the gentleman, if he wants this considered on the square, to do it the way it ought to be done, which is to go to the Committee on Rules.

Mr. ARMEY. Mr. Speaker, let me remind the gentleman, I understand the gentleman from Wisconsin makes a point, and that is to be taken seriously. Obviously we understand the need for Members to speak. We would hope in the interest of being expeditious in these matters that the debate time would not be lengthy. But certainly there would be an opportunity for Members to express their points of view.

Mr. OBEY. Mr. Speaker, if the gentleman would continue to yield, will the gentleman assure us that there will be an opportunity for us—let me put it this way. If there are certain specific programs which are to receive the favored attention of the House, I would like to know how we might also get into play several other crucial programs that also ought to be brought to the attention of the House. We cannot do that under unanimous consent unless we have an initial request which makes it possible to do so. That is why I think it would be preferable to go to the Committee on Rules if the gentleman is looking for cooperation from those who have other legitimate concerns.

Mr. ARMEY. Mr. Speaker, if I may respond at this point, I would say that we have had serious discussions that have lasted most of the day on the two issues I have mentioned. We feel confident we have an opportunity to act.

We think it is a very narrow and a very necessary effort to be made. The opportunity to do so is very limited. We want to exercise that, and we will pursue it the best we can. But I must say to the gentleman that I would be constrained to believe that, if we could in fact achieve what we have hoped to achieve in the two areas before mentioned, we would have achieved all that is possible at this time.

□ 1745

Mr. OBEY. If the gentleman would continue to yield, I want to make it clear to the gentleman that, if he expects to put us in a box tomorrow in which we are asked to provide for the opening of the Government only for a few narrow categories, we expect to have the right to try to expand that opportunity to open the Government, and if he expects us to cooperate on any unanimous-consent agreement, I think then he needs to understands right now that we need some cooperation in that respect.

Mr. ARMEY. If the gentleman from California would continue to yield, I would only say to the gentleman from Wisconsin we are responding to concerns that were raised to us by Members from the gentleman's side of the aisle, we are trying to do so behalf of their genuine concern, and if the gentleman from Wisconsin objects to our efforts, I regret that. I will continue to work with those people with whom I have been working, making every effort I can to respond to the needs we have been discussing, and I hope that it is possible for us to conclude these efforts we have been making satisfactorily.

Mr. OBEY. If the gentleman would continue to yield, I think a number of Members would be very disturbed if they are asked to provider an opportunity to only open the District of Columbia Government without also having an opportunity to try to open up the Government for all taxpayers.

Mr. ARMEY. If the gentleman would continue to yield, I would just say that the body is always, of course, prepared to deal with disturbed Members.

Mr. FAZIO of California. If I could ask the gentleman to give us a little more finite response about tomorrow's schedule, my understanding is the only issue that is absolutely certain to be before us is the royalty rule change; is that correct? The others are all hopeful, but not necessarily definite, items; is that correct?

Mr. ARMEY. Mr. Speaker, if the gentleman would yield?

Mr. FAZIO of California. I am happy to.

Mr. ARMEY. Mr. Speaker, I have grown to be accustomed to attaching probabilities. Absolute certainty, I think, is a good characterization of probability for House Resolution 299, extremely high probability for ICC conference report. I am very optimistic, and until a few minutes ago I was optimistic about the other two matters as well.

Mr. FAZIO of California. May I ask how long the gentleman expects us to be here? I have heard from 9 to 3. Is it possible that the bulk of that time would be taken up with the debate on the rule change? That is, I understood, a 3-hour debate potential.

Mr. ARMEY. If the gentleman would yield, I do not think it will be that long. The Committee on Rules, I am just told, has not in fact met yet, but I do not believe it will be that much time. We are sensitive to having had a year's experience, if the gentleman would continue to yield, and we are sensitive to the nature of schedules of our airlines, and it is our hope and we believe that we can be maximumly responsible for the needs of the maximum number of Members if we can have a target for 3 o'clock because of just the rigors of the airline schedules.

Mr. FAZIO of California. Finally, let me wrap up with this one, Mr. Leader.

Is it the gentleman's position that the only thing that would call us back would be an issue related to a continuing resolution or a balanced-budget proposal? There would be no other legislation that would be considered during this proposed recess period; is that correct?

Mr. ARMEY. If the gentleman would yield, the recess period authority I think takes us until Wednesday evening, Wednesday. Certainly within that framework the only thing that would interrupt the recess would be the balanced budget, and, if I might, obviously we would have to come to terms with the end of that recess authority on Wednesday, but it would be a useful thing, I think in the interests of all our Members on Monday or Tuesday, Tuesday at least, to check their whip phone. We will try, if there is any information to share, we will try to get it over the whip phones for our colleagues.

Mr. FAZIO of California. Mr. Speaker, I thank the majority leader.

## HOUR OF MEETING ON TOMORROW

Mr. ARMEY. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 9 a.m. tomorrow.

The SPEAKER pro tempore (Mr. BARRETT of Wisconsin). Is there objection to the request of the gentleman from Texas?

There was no objection.

## FURTHER MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate had passed with an amendment a joint resolution of the House of the following title:

H.J. Res. 132. Joint resolution affirming that budget negotiations shall be based on the most recent technical and economic assumptions of the Congressional Budget Office and shall achieve a balanced budget by fiscal year 2002 based on those assumptions.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2539) ''An Act to abolish the Interstate Commerce Commission, to amend subtitle VI of title 49, United States Code, to reform economic regulation of transportation, and for other purposes.''

The message also announced that the Senate had passed a concurrent resolution of the following titles, in which the concurrence of the House is requested:

S. Con. Res. 37. Concurrent resolution directing the Clerk of the House of Representatives to make technical changes in the enrollment of the bill (H.R. 2539) entitled ''An Act to abolish the Interstate Commerce Commission, to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation, and for other purposes''.

## SPECIAL ORDERS

The SPEAKER pro tempore (Mr. CAMP). Under the Speaker's announced policy of May 12, 1995, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arkansas [Mr. DICKEY] is recognized for 5 minutes.

[Mr. DICKEY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. POSHARD] is recognized for 5 minutes.

[Mr. POSHARD addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

## BALANCE THE BUDGET BEFORE IT IS TOO LATE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Tennessee [Mr. DUNCAN] is recognized for 5 minutes.

Mr. DUNCAN. Mr. Speaker, this past Friday night, ''Nightline'' had a special program entitled ''Mr. Longley Goes to Washington.''

This program was about our colleague, the gentleman from Maine [Mr. LONGLEY], and the very strong commitment by him and the other House Republican freshmen to balance our budget.

Mr. LONGLEY said at one point that if we do not get our fiscal house in order, ''we are going to have a crash that will make the Great Depression look like a party at the beach.''

I thought his was a very strong but very appropriate and accurate way of describing the situation we are in now.

There is hardly anyone today, on either side who disagrees with the goal of balancing our budget.

We simply cannot go on like we have without causing very serious economic problems.

Yet some people just pay lip service to this goal. They say, yes, we need to balance the budget, but—

And it is this ''but'' that has gotten us $5 trillion into debt—so deeply into debt that many people think we will never get out without greatly inflating our money.

I take the floor at this time, Mr. Speaker, because I am sure there are many people who think—well it would be good to balance the budget, but it really does not make that much difference to them.

Let me try to explain why this does make a difference, and a very big difference to everyone, even those making minimum wage, and those receiving food stamps or other Federal benefits, and students, and everyone else.

First, as Mr. LONGLEY said, we could very easily have a major economic crash in a few years if we do not straighten this mess out.

That may be hard to believe when the stock market is at record highs, but the stock market was at record highs just before the Great Depression of the 1930's.

Second, times are good now for some, but they could and should be good for everyone.

People making $5 or $6 an hour could and should be making two or three times what they are if we did not have a national debt of $5 trillion holding us back economically.

Third, anyone who is receiving any type of Federal check should be insisting that we balance this budget.

If we don't, it won't be long at all before we will no longer be able to meet our obligations to veterans, Social Security recipients, Federal retirees, and others.

Fourth, buried in the fine print of our last budget, and something that was picked up and written about by former Senator Paul Tsongas, is the fact that young people of today will have to pay average lifetime tax rates of an incredible 82 percent if we don't get things under control.

If we keep going like we have been, we will absolutely destroy the standard of living of our children and grandchildren. They won't be able to buy a tenth of what we do now.

Fifth, no one—young or old, should be misled into believing that balancing the budget in 7 years requires anything radical or extreme.

All we seem to hear about are cuts—cuts—cuts. But the Washington Post columnist James K. Glasman called the Republican budget the ''No Cut Budget.''

All we are trying to do is to slow spending increases down to about 3 percent each year, about where inflation has been for the last 10 to 12 years.

Federal spending right now is almost three times what the first Reagan budget was—an almost 300 percent increase in 15 years.

Almost no private businesses are spending three times what they were 15 years ago. Very few employees in the private sector are receiving salaries three times higher than they were 15 years ago.

And that brings us one more very important point, Mr. Speaker. The middle class is being wiped out, and the gap between the rich and the poor is growing rapidly.

Why? Because of big government, that's why. Our Federal Government has become too big, and very few have received the benefits from this, at the expense of the very many.

Federal bureaucrats have benefited, because they pay and retirement benefits have gone way up.

Federal contractors have benefited, because they have been allowed to reap exorbitant profits, because even with exorbitant profits, they can still do things more cheaply and efficiently than our Federal bureaucracy can.

Extremely big business has benefited because they get most of the big Federal contracts, most of the favorable regulatory rulings, and favorable tax breaks.

Federal rules and regulations have a much greater impact and a much more harmful effect on small business than on large ones. In fact, big government has forced many small business out of existence or into merging with other larger companies.

Thus, the big get bigger, and the small go by the wayside. This is not a conspiracy, but simply an inevitable consequence of big government.

The only really fair system, Mr. Speaker, the only system where an average person without great capital or great political influence really has a chance, is a true free enterprise, free market system.

What we have today is a free enterprise system that has been greatly and unfairly distorted by a big government that favors big, well-connected companies.

If we are going to save this Nation from fiscal disaster—if we are going to give someone without great wealth or political connections, a real chance, once again, we have got to get our Federal Government under control.

And we do not have much time left—we must do it now, before it is simply too late.

## CORPORATE INTEREST IN THE REPUBLICAN BUDGET

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Ohio [Ms. KAPTUR] is recognized for 5 minutes.

Ms. KAPTUR. Mr. Speaker, I rise to call attention to the sanctimonious advertisements in favor of the Gingrich budget that have been taken out in major newspapers across our country signed by some of the richest, most powerful chief executive officers in this Nation representing large multinational corporations like Boeing, IBM, Eastman Kodak, Zenith, Sarah Lee, and General Motors.

Did you ever stop to wonder why these corporations are spending a small fortune lobbying for the Gingrich budget? In fact it costs $60,000—double the salary of an average worker in my district—just to buy one page, much less two, in major dailies like the Washington Post, USA Today, the Wall Street Journal, and many of the other ones in which they have been advertising. In fact, they spent over a half a million dollars just in four of these papers over the last couple days.

Now do you believe what they say in the ads, that they really have a common concern for America's future? You know, I was trying to put this together as I was reading various articles, and I came upon the Time magazine special, the Christmas issue.

□ 1800

It talks a lot about Speaker GINGRICH in this issue. I turned to page 65 of the Christmas issue of Time. I read down here where it says, ''The Speaker invited a small group of chief executive officers'' from these very same companies to meetings here in the Capitol on the first floor, and it names names: Jack Welch of General Electric, Jack Smith of General Motors, Business Round Table, Chairman John Snow of CSX, who by the way has a very large signature in this ad, and they talked about how they could work together on this problem. I thought to myself, ''Why would the Speaker invite them, but he does not invite people from my district?'' In fact, the senior citizens of this country did not even get 1 day of hearings on the Medicare changes that are proposed.

Mr. Speaker, how did they get that much access? Bingo: money. For example, CSX Corp.—one of the organizers, chief organizers of this advertising effort, and part of the group calling itself the Business Round Table—contributed nearly $100,000—to the Republican Party in the first 6 months of this year alone. Another signatory, Prudential, contributed over $90,000; AT&T over $150,000; Chevron contributed over $125,000. Listen to these numbers. This is not a new few pennies, this is not a hundred dollars, these are not a thousand dollars, these are hundreds of thousands of dollars by these very same interests.

You might ask yourself, what did these corporations get in this access with the Speaker for all of their money? How about this: The Gingrich budget includes a $64 billion set of tax breaks for wealthy individuals like these very same CEO's, many of whom make up to $12 million a year. They include a $36 billion capital gains tax cut which they will all benefit from, a $16 billion cut in the corporate alternative minimum tax, $12 billion in other tax cuts, such as estate tax exemptions, which of course they personally are all interested in.

It used to be in 1945, not so many years ago, that corporations paid about a third of the taxes that flowed into the Government of the United States. Today they pay about 10 percent. So we hear them crying these crocodile tears when their profits and Wall Street, the profits are going through the roof, and Wall Street has never been happier. At the same time as we see this, we see the Gingrich budget allowing these very same companies to withdraw over $20 billion of our workers' money from their pension funds to use it any way they well please.

Mr. Speaker, we see pharmaceutical companies like Abbott Laboratories, American Home Products, by the way, they are listed in this very same ad, Baxter International, Johnson & Johnson enjoy multimillion dollar tax breaks through the 936 program, a subsidy that is included in the Gingrich budget; energy corporations like Amoco, Exxon, Chevron, benefit from provisions in the Gingrich budget that allow them to extract oil and gas from the Gulf of Mexico without paying any royalty to the public coffers for that privilege, making their profits at the expense of the United States of America and its people; companies like AT&T, Exxon, Ford Motor, and GTE have enjoyed millions of dollars of foreign sales assistance through the Overseas Private Investment Corporation [OPIC], and those benefits are retained in the Gingrich budget.

What is interesting is these very same companies that want all these benefits and are paying all this money for access here in Washington have not created a single job in this country for the last decade and a half. For the RECORD, Mr. Speaker, I submit some of these names, like IBM, that has laid off over 23,000 workers in this country just over the last few years.

I would like to say to Mr. Fisher, their CEO, what a merry Christmas you have given to the American people.

Mr. Speaker, I include for the RECORD the following:

WITHOUT A BALANCED BUDGET, THE PARTY'S OVER—NO MATTER WHICH PARTY YOU'RE IN

A bipartisan appeal from business leaders to the President of the United States Bill Clinton, House Speaker Newt Gingrich, Senate Majority Leader Bob Dole, Senate Minority Leader Tom Daschle, House Majority Leader Dick Armey, House Minority Leader Dick Gephardt, and all Members of Congress:

There are moments in history when a single choice can mean the difference between vastly differing futures—one bright, the other dark. We believe that you, the political leaders of this country, are now confronting such a choice in your deliberations over a plan to balance the federal budget.

We are convinced that the health of our economy rests on your ability to avoid political gridlock and give the American people what leaders of both parties say they favor and, indeed, have agreed to—a credible plan to balance the budget. By ''credible'' we mean that such a plan should:

Use realistic projections that assume the fiscal and economic scenario developed by the Congressional Budget Office and reviewed by objective third parties;

Take no longer than seven years as the maximum time period by which a balanced budget would be achieved;

Ensure that the process of deficit reduction is achieved in roughly equal steps throughout these seven years, rather than ''backloading'' the politically difficult decisions into the next century; and

Have everything on the table, including long-term entitlement programs as well as the size and shape of any tax cuts.

Included among us are Democrats and Republicans, Liberals and Conservatives. What unites us in this appeal is our common concern for America's future.

All of us are leaders of institutions keenly sensitive to interest rates and the short- and long-term outlook for the U.S. economy. We believe that the recent decline in long-term interest rates and much of the boom in the stock market is directly predicated on the financial markets' expectation that a successful bipartisan budget-balancing compromise will be reached quickly, and that a credible long-term plan will be put in place in short order.

Federal Reserve Board Chairman Alan Greenspan recently observed: ''If there is a shattering of expectations that leads to the conclusion that there is indeed an inability to ultimately redress the corrosive forces of deficit, I think the reaction would be quite negative—that is, a sharp increase in long-term interest rates . . . I think we would find that with mortgage rates higher and other related rates moving up, interest-sensitive areas of the economy would begin to run into trouble.''

As you continue your negotiations, we ask you to reflect on the full consequences of success or failure. However Americans ultimately resolve our honest and principled disagreements over the size and scope of government, America must begin to live within it means.

The time for good economics as well as good politics is NOW.

America is waiting.

Respectfully yours,

Paul Allaire, Chairman and CEO, Xerox Corp.; Richard H. Jenrette, Chairman and CEO, The Equitable Companies, Inc.; Jon Corzine, Chairman and Senior Partner, Goldman, Sachs & Co.; Peter G. Peterson, Chairman, the Blackstone Group, President, The Concord Coalition; M.R. Greenberg, Chairman and CEO, American International Group, Inc.; John Snow, Chairman and CEO, CSX Corp., Chairman, The Business Roundtable.

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## TRAGEDIES OCCURRING AMONG AMERICA'S CHILDREN

The SPEAKER pro tempore (Mr. CAMP). Under a previous order of the House, the gentleman from Florida [Mr. FOLEY] is recognized for 5 minutes.

Mr. FOLEY. Standing in this Chamber, I wonder if anybody appreciates business at all. The statements made by the last speaker would indicate that all of those national corporations are just terribly money-grubbing corporations, seeking only profit, with no concern for employees. A lot of those companies have made major contributions, not only to their employees, but to the communities in which they reside, to the arts and other things that they have paid for and benefited from.

There was a statement made that the gentleman from Georgia [Mr. GINGRICH] obviously only holds meetings with corporate executives. Nobody has gone by his office when he has had Habitat for Humanity in his office, and groups that do not give any campaign contributions but care about the inner cities and developing homes for families.

I guess some of the speakers today were not in the office when the gentleman from Georgia entertained several that were physically challenged, that were working on strengthening the Americans with Disabilities Act. These are people that were concerned about access to public buildings. They are handicapped. They were there, not contributors, but they were concerned about how government functions. Mr. GINGRICH met with them as well.

Schoolchildren from the District of Columbia certainly do not have any money for campaign contributions. The gentleman from Georgia [Mr. GINGRICH] did not have them in his office; he went out to their schools and into their community forums to talk about that.

So I think the record needs to reflect that. You hold up an article and suggest corporations in America are all bad. I commend corporations in America for employing people, for giving people jobs, for giving people hope. The stock market is moving forward. That is great for all America. Small investors from Main Street to Wall Street are benefiting from the rise in the stock market.

Let us talk about some other things today. One thing I want to focus on is the tragedies occurring among our children. I want to put in a special word for the National Center for Missing and Exploited Children. Jimmy Ryce died a tragic death at the hands of a molester who sexually assaulted Jimmy and then dismembered his body. That person has been caught. Of course, the first thing that happened was the defenders, the public defenders, rushed to the aid of the perpetrator of the crime and suggested that maybe the officials had interrogated him too long, and possibly they should try and seek to get the charges dismissed against a person who readily admitted he raped and brutally assaulted young Jimmy Ryce. Now they are thinking of ways to get him off those charges. The tragedy is that it is happening far too many times in America where children are taken advantage of, children are assaulted, children are molested, and it has to stop.

We are all familiar with the Susan Smith case in South Carolina, where a mother tragically put two of her own children in a car seat, strapped them down, and sunk the car in a lake, killed two children.

I stressed before on this floor that if people are not comfortable or happy with their children, put them up for adoption, seek other alternatives, seek

psychiatric counseling. But the kind of tragedies that are occurring to our children are just that, they are tragedies.

I had a chance to talk to John Walsh. One of the things that was most frightening to me was the fact in 35 States you have to have a license to sell real estate, you have to have a license to sell mortgages, you have to have a license to be a hairdresser. Yet in over 35 States, you can be in child care without any background checks or verifications.

Tragedies are occurring to our children in the most private of settings, in child care and other things. This is not to malign the child care industry, believe me, it is not at all. But the fact remains that our children are in deep jeopardy. If this is truly a spirit of thanksgiving and holiday renewal and Christmas spirit, then we must turn to the children in our communities and figure out a way, not necessarily by government action only, but by community spirit, that we reach out and save those lost young souls who are at the mercy of some very, very sick individuals.

It is also important at this time that we all accept responsibility for our actions. It is about time that we stop trying to place the blame on other people. Oftentimes, in fact there was a killing of five young people in Gainesville, and the person who went before the judge said, ''I was abused as a child so you should let me off of these charges. I know I killed five people, but it was due to the torment that my father provided me as a youngster that I committed this heinous crime.'' Far too often people are looking to blame others in society. ''It is something else. It is something I watched on TV. It is a movie I saw.'' People have to accept responsibility for their actions. We in government have to.

I also want to suggest that none of us take any pride or pleasure in the closing of Government. Some suggest that the freshmen are gleefully celebrating the fact that the Government shut down and that is the way it should be. We grieve for those Federal employees that are wondering what is happening to their job.

The gentlewoman from Maryland, Mrs. MORELLA, the gentlemen from Virginia, Mr. DAVIS and Mr. WOLF, and others, are very critically concerned with the work force in this Capital, and so are the entirety of the Congress. We are not looking to make anybody's holidays miserable. We are not looking to keep people out of work, but some of us feel honor-bound to the commitment to balance the budget. We are anxious to work with the President. We are anxious to encourage the Speaker of the House to move forward with deliberation and discussion with the White House. There is not one person that sits in a back room and chuckles at the thought that Federal employees are not working and we are doing it in a malicious fashion.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. RUSH] is recognized for 5 minutes.

[Mr. RUSH addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

## EARLY RETIREMENT INCENTIVE ACT AND STRATEGIC AND REEMPLOYMENT TRAINING ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Maryland [Mrs. MORELLA] is recognized for 5 minutes.

Mrs. MORELLA. Mr. Speaker, in light of the streamlining goals of the administration and the additional budget cuts proposed by this Congress, Federal workers are bracing themselves for difficult times. I recently read in the Washington Post that one out of every four Federal workers believes that budget cuts will affect him/her.

In the Washington area alone, studies have indicated that over 60,000 Federal jobs will be lost over the next 5 years. And the simple truth is that retirement and attrition will not help Congress and the administration reach the goal of 272,000 job cuts mandated by the Workforce Restructuring Act of 1994. RIF's will be needed. This fact further increases the anxiety of Federal workers, reduces agency productivity, and sends a chilling message to local economies with a strong Federal workforce base.

Today, I am introducing two bills that will help offset the negative effects of RIF's and restructuring. These bills will provide executives and managers with humane options for streamlining the workforce and assisting displaced employees, while controlling the disruption in agencies and assuring that they can continue to meet their missions.

I am a firm believer that loyalty must be repaid with loyalty. The Federal work force has provided outstanding service to the Nation. They have helped build, protect and preserve this land, and now this workforce needs Congress' help. It is time take on this responsibility and devise strategies that will help them through this tough period.

I believe the strategies must center around two fundamental concepts: First, creating incentives for retirement, and Second, retraining displaced workers for jobs in the private sector.

### THE 2-PERCENT SOLUTION

As a member of the Civil Service Subcommittee, I have sat through a number of hearings where the 2-percent penalty associated with early retirement has been called a deterrent to early-out initiatives. Clearly, a waiver of the 2-percent penalty would cause a significant number of individuals to leave the workforce, but it would also have tremendous financial implications for the government.

The bill that I will introduce will bridge these two concerns by redefining the ''2-percent'' penalty. The bill would reduce the penalty for federal retirees by 2 percent for each birthday celebrated toward age 55. The end result would be that the individuals would be entitled to the annuity they would have received had they been age 55 when they retired.

For example, an employee who is 48 years old with 25 years of Federal service will suffer a 14-percent penalty under the current law. Under my bill, when this retiree reached age 49, the penalty would be reduced to 12 percent; when the retiree reached age 50, the penalty would be reduced to 10 percent. This would continue until the retiree reached age 55.

To assure that this is a cost-effective measure, agencies would establish a 90-day period to offer this incentive to employees. The agencies also would not be allowed to fill positions vacated by employees. This would reduce salary and other related expenses.

In addition, employees who receive buyouts under the ''Federal Workforce Restructuring Act'' or under the proposed, ''Federal Employee Separation Incentive and Reemployment Act'' could not participate in this program.

### REEMPLOYMENT TRAINING

In a report entitled, ''Improving Transition Assistance for Federal Employees Affected by Downsizing,'' OPM found ''* * * that placement of RIF-ed workers within the Government will not be a realistic option for many employees affected by downsizing.'' It goes on to say that ''* * * any new program to help displaced workers find jobs must logically focus on private sector as well as public sector opportunities.''

I, too, believe that the partnerships must be forged with the private sector to assure that displaced workers are successfully placed. Part of this partnership will hinge on our ability to retrain Federal employees for private sector jobs.

In a study prepared by the Greater Washington Research Center for the Greater Washington Board of Trade, it concluded that the private sector—Washington area—is projected to add 322,500 jobs during the 1995–99 period.

However, many of these jobs will require strong technical and computer skills. The potential exists for skill mismatches between the Federal workers who lose their jobs and the skill requirements of jobs created in the private sector.

My bill, which I call the Strategic and Reemployment Act of 1995 will amend the current law governing employee training to allow the head of an agency to pay for retraining for placement outside of Government. This simple, but very important change to the law will help Federal agencies be more proactive in the retraining of their employees and assure their retraining and downsizing objectives are in concert with their strategic plan and mission.

In most cases, the Federal agency is in the best position to assess the skills of their workers and arrange reemployment training and outplacement assistance.

Mr. Speaker, I feel these bills make an important statement to the Federal workforce—this Congress appreciates their hard work and dedication in serving this country, and during this time of downsizing, we are committed to assuring that there is stability in their lives too.

## WHAT HAVE THE GINGRICH REPUBLICANS DONE FOR AMERICA?

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Missouri [Mr. VOLKMER] is recognized for 5 minutes.

Mr. VOLKMER. Mr. Speaker, as this year comes to a close the American people should be aware of some facts about the new GINGRICH-controlled mean-spirited radical Republican Congress. The list of achievements of this Congress will go down in history as the worst since the beginning of this country. What have the Gingrich Republicans done for America? Well for one they have closed down the Government twice. No other Congress ever achieved that. They have threatened senior citizens with reductions in their health care. No other Congress has ever done that. They have offered the most wealthy in this country a huge tax break while raising taxes of poor working Americans. No other Congress has ever done that. They have removed the word compromise from Government. No other Congress has ever done that. They have threatened to turn back environmental gains over the last 20 years. No other Congress has ever done that. They have cut school lunches and food for the poor. No other Congress has ever done that. And finally, they have called themselves the family-friendly Congress while putting hundreds of thousands of Federal workers on furlough at Christmas time. No other Congress has ever done that. What a sad record of achievement, but certainly one no other Congress has ever had.

Mr. Speaker, people who knowingly break rules are cheaters. People who write the rules and then blatantly break them for their own benefit are even worse. The new Gingrich House passed new rules for this House last January which limited committee membership to two committees, and four subcommittees. Every Democrat in this House is abiding by those rules. How about the majority. Twenty-nine members of the majority are serving on more than four subcommittees. Nineteen Republicans are serving on more than two full committees. You wrote the rules and all year you have blatantly broken the rules. Perhaps this Christmas Eve you can go home to your families and instead of reading the ''Night Before Christmas'' you can instead tell your children how breaking rules for their own benefit is good. Be sure and tell them that rules are for everyone else not them. Nearly 30 percent of the new Republican Members that came here in January are violating the rules, they pushed for. So much for honesty and fairness in the House of Representatives as controlled by the Gingrich radical Republicans.

□ 1815

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania [Mr. ENGLISH] is recognized for 5 minutes.

[Mr. ENGLISH of Pennsylvania addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New York [Mrs. MALONEY] is recognized for 5 minutes.

[Mrs. MALONEY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. KIM] is recognized for 5 minutes.

[Mr. KIM addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

## PROPOSED RULE CHANGE ON BOOK ROYALTIES

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Connecticut [Ms. DELAURO] is recognized for 5 minutes.

Ms. DELAURO. Mr. Speaker, last week the bipartisan House Committee on Standards of Official Conduct unanimously passed a resolution in response to a complaint involving Speaker GINGRICH'S $4.5 million book deal with Harper Collins. Together, five Republicans and five Democrats agreed that the Speaker's book deal gave the appearance of capitalizing on public office. The committee has proposed changing the rules of this House to avoid any future allegations of Members cashing in on public office in this manner.

The rule change would limit outside royalty income to $20,400 a year, and the Committee on Standards of Official Conduct promised that that proposal would come up on to the floor before Christmas. I might add that the $20,400 is the amount of outside earned income that Members cannot earn from a variety of different kinds of professions that they might be in.

The only exception has been the book royalty exemption, and what this resolution is about is to try to close that loophole which was heightened by the fact that the Speaker was in the process of a $4.5 million book deal with Harper Collins last year.

The Committee on Standards of Official Conduct is charged with establishing the bounds of acceptable behavior for Members of this institution. That bipartisan committee has made a unanimous decision that accepting millions of dollars of outside income in the form of book royalties is beyond the bounds of acceptable behavior. I might add that after weeks and weeks of delay in this effort of bringing this resolution to the floor, that I understand from the colloquy that was held on the floor tonight with the majority leader, that in fact the resolution will come up tomorrow, and I applaud that decision. There had been a fair amount of stonewalling on this issue, despite the work of the Committee on Standards of Official Conduct and the work of the chairperson of the Committee on Standards of Official Conduct.

It is time to allow this Committee on Standards of Official Conduct to do its job. Bring this rule change to the floor of the House for a vote, and I know that I will follow the recommendations of the Committee on Standards of Official Conduct members, and I suspect that most Members of this House, of the people's House, will follow the lead of Committee on Standards of Official Conduct members.

My hope is that that resolution will be on the floor tomorrow morning before we depart here for the holidays. We must deal with this issue; we must remove any cloud or anything that puts into question whether or not a Member is using his or her office for personal gain. That is not why people in our districts give us the faith and trust that they do to come here and vote on their behalf. Our time, our effort, has to be focused on their interests, what their concerns are in their lives. That is why we hold these offices.

So I am pleased that this will come up tomorrow. We do not need any more delays. Finally, I do believe that the majority of this house will vote and follow the lead of the Committee on Standards of Official Conduct members.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida [Mr. MICA] is recognized for 5 minutes.

[Mr. MICA addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

## ONE TRAGEDY AFTER ANOTHER

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Colorado [Mrs. SCHROEDER] is recognized for 5 minutes.

Mrs. SCHROEDER. Mr. Speaker, I awakened this morning, as many Americans did, absolutely riveted and saddened by hearing about the great airline tragedy that had happened in Colombia. I think every one of us identifies with that and thinks of what a horror this is during the holiday period, and we all send great condolences to the families. There is just nothing anyone can say.

And the news got worse. Here we are in this body where all of our pay is being taken care of, where we have just voted a recess until January 3, and the next bit of news made me feel terrible, because to deal with this awful crash they called on Americans, Americans representing this great flag of ours in Colombia who had been furloughed, who had been furloughed in our Embassy during the shutdown. They called them out of being furloughed to send them to the crash scene, which is in an area that is not secure, there are all sorts of guerrillas around there. They risked their lives, even though they are furloughed, coming back on, to go search for these crash victims, hoping to find someone alive, and to start doing all of the grisly work that we just shudder as we even imagine it. Then, of course, when they are done, because of the inaction of this body, they can go back to being furloughed.

Now, is that the vision this Congress has for how we treat people who deal with taxpayers and our problems all over this world? Do we just call them when we need them and then furlough them all of the rest of the time? I do not think so.

I must say, I am terribly saddened to see us in this mode right now where we are going to go have Christmas and we are going to get our pay. We now hear that Medicaid checks probably are not going to go out to most states to people who really need them for their children; that Aid to Families With Dependent Children is not going to get out in time, because that has all been shut down, and we can go on and on and on. I have students calling from Colorado saying that they are trying to make plans for their next term in college, but they cannot get in to get their loans. Small businesses needing money to get through the season, they cannot get in. I mean we could go on and on.

How can we take off and leave this Government shut down? It has never been shut down for more than 48 hours before. How can anybody think this is a great idea? Only Scrooge could go along with this. This is Scrooge. Yes, let Tiny Tim suffer. Who cares if he does not get his medical checks? Let people go without food. Let Federal employees who have given their life, who are always willing to come out, whether it is in the Colombian mountains or whatever, too bad.

Mr. Speaker, I think this is a horrendous way to treat people, and I am ashamed. If there was ever a week where I must say I felt good about my retirement, this has been one. It is like I do not want to be a part of this body.

But then I got to thinking, how did we get here? First we have had this hassle that the gentlewoman from Connecticut was talking about, that we might not even bring the Committee on Standards of Official Conduct thing. Hopefully we are going to do that tomorrow. It is on the schedule now; I hope we see it. Because I think the taint in this place about people selling their offices and all of that is really awful. So hopefully we get that behind us before we go home.

Then I came across a profile in the New Yorker of the Speaker in which I suddenly began to understand what has happened in this body to split us apart like this. In this profile of the Speaker, they are talking about how GOPAC, the Speaker's PAC, sent all of this information to Republican candidates, many of whom are now Members of this body, and here are some of the things that they said you should do if you wanted to speak like NEWT. That is the quote: ''So if you want to speak like NEWT about Democrats, you are to call Democrats sick, traders, corrupt, bizarre, cheaters, stealers; that they are devouring the taxpayers; that they are self-serving; that they are criminal.''

Well, no wonder we have some extremists here. No wonder. I mean, how could you call people those names and then sit down and deal with them decently?

Now, I must say, until I read this article I had no ideal this went on. GOPAC did not send me any tapes. But if that is how the Speaker is speaking about us as Democrats, what a great tragedy this is, and it certainly is not in the Christmas or the holiday or the human spirit or the great spirit of this country.

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The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida [Mr. GOSS] is recognized for 5 minutes.

[Mr. GOSS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

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## CONGRESS GOES HOME WHILE FEDERAL WORKERS SUFFER

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey [Mr. PALLONE] is recognized for 5 minutes.

Mr. PALLONE. Mr. Speaker, I never cease to be amazed at what the Republican majority does, and what they have been doing, in the last few days with regard to the Government shutdown and not moving forward in a positive way on the budget.

This I guess is the sixth day now for the second shutdown that we have had of the Government, and amazingly, rather than coming forward with a continuing resolution today in some form that would allow the Government to continue to operate, but what we received instead was a motion or a resolution that was recently voted on, which I voted against, and which most Democrats voted against, that would allow the Speaker to recess the House of Representatives throughout all of next week.

Let us not kid ourselves. Regardless of what rhetoric was on the floor before by the Republican leadership, the authority has been given now to the Speaker, to Speaker GINGRICH, to basically go into recess, beginning tomorrow, into January 3.

If that happens, and I fully expect it to happen, we will not only to through the sixth day, today, of the Government shutdown and the seventh day tomorrow, but by my calculations probably another dozen days with the Government being shut down.

Basically, we, the Congress, goes home for Christmas and the Federal employees who do not know whether or not they are going to get a check; although they have been promised it, how can they presume that there is any guarantee of that, and they have to worry over the Christmas holiday about whether or not they are going to be able to make ends meet, whether their children are going to be provided for while we in Congress go home.

☐ 1830

I find it totally objectionable. I was particularly amazed today with the continued onslaught, if you will, against children that is taking place in this Congress by the Republican majority.

There was a brief dialog with the Republican leadership an hour ago about whether or not AFDC payments or SSI payments or Medicaid payments, much of which goes to children, were going to be made within the next couple of weeks without a continuing resolution. I do not know if the Republican leadership is even aware of it.

The suggestion was, ''Well, maybe tomorrow we'll take up AFDC. We don't know if we'll take up Medicaid, we don't know if we'll take up SSI'' or some of these other things. They do not even seem to know whether or not with the Government shut down these benefits are going to be paid. And if we do shut down and then we find out next week that some of these benefits are not going to be paid to children or to other people who are disadvantaged in some way, how are we going to be in a position to make those benefits payable? What are we going to do when we are not even here?

Additionally, today a welfare reform bill came up and amazingly, even though the House of Representatives and the Senate a few weeks ago voted for welfare reform that still guaranteed Medicaid or health care coverage for all children who are now receiving Medicaid payments, all of a sudden the conference report comes back and eliminates that guarantee.

So when we talk about the Nation's children at Christmastime, whether it is the Government employees, whether it is the unfortunate children who may not receive cash benefits during the holiday season, or whether it is the ongoing concern over whether or not children in this country will receive health care, I do not see any real concern on the part of the Republican leadership or the Republican Representatives that make up this majority. They just do not seem to care.

I have said over and over again that my biggest concern in this whole budget debate is what is going to happen with Medicare and Medicaid. There were two things that happened today on those two fronts, so to speak, that were particularly disturbing.

It was indicated in several newspaper reports today that we should expect large increases in MediGap premiums, as much as 30 percent on the average, over the next year. The reason for that is because of what is happening here with Medicare.

Right now many senior citizens who do not feel that Medicare covers them sufficiently, because they have to make copayments or pay a lot of money out of pocket for things that are not covered by Medicare, purchase supplemental insurance called MediGap insurance. MediGap premiums are going up as much as 30 percent. Why? Because increasingly the Medicare program does not cover what is necessary for health care for seniors.

So if we cut back, as the Republican majority is proposing, on the amount of money that is available for Medicare for seniors, it is inevitable that that supplemental MediGap insurance will go up and continue to rise.

The other thing that happened today, and this is the last thing I wanted to say in the time that was allotted to me, is that we had an event with a number of people who are taking care of elderly parents who are covered by Medicaid. They are terribly concerned, and I listened to their stories today, over the Republican budget and what it is going to mean for Medicaid.

Under the Republican budget, Medicaid is no longer guaranteed for anybody, and many people who are children or care givers, whatever, are concerned that without the guaranteed eligibility for Medicaid there will not be nursing homes available for their loved ones or there will not be payments under Medicaid for their loved ones.

Again, the process continues, the Government shutdown, the Republicans do not do anything to move toward these budget priorities on Medicare and Medicaid, and it is truly tragic that we are not going to be here next week to try to address these concerns.

## REPUBLICANS TO HANG FIRM TO BALANCE BUDGET

The SPEAKER pro tempore (Mr. TIAHRT). Under a previous order of the House, the gentleman from Indiana [Mr. BUYER] is recognized for 5 minutes.

Mr. BUYER. Mr. Speaker, it is with a strong heart I come here. I am really surprised that Members would even take the well and somehow try to claim ownership to issues of children and demagoguery. It is completely unfortunate, and to say that somehow because I am a Republican in this body that I do not care about children is incredibly insulting.

Let me also say that even to say words about assault upon children shows poor judgment. We get that kind of language here on the floor. I do enjoy and I am one who advocates the opening up, and I love the dialog that happens in this body, but perhaps because we are moving into the Christmas season and many of us are upset that we still have to be in this town, we get some of those words come about.

I have no regrets being here in this town at this moment. I have no regrets, because the Reserve unit which I went to the gulf war with has been called up and is on their way to Bosnia. So when I think of them, I remember what that deployment was like, and I think of them now being in the snow of the mountains of Bosnia away from their families.

But I also view that, yes, what they face, the cowardly acts of terror and the threats to the force, we also have the same cowardly acts of terror that face those of us who seek to balance the budget. The acts of terror come in the form of words. You see, I am one who believes that words have meaning. So when you say, ''Oh, I want to balance the budget,'' then you ought to really mean you want to balance the budget. Do not say, ''I want to balance the budget, oh, sometime in the future but I am unwilling to make tough choices.''

Let me share that when I returned from the gulf, I was one that was extraordinarily upset with regard to the direction of our country. When you are touched by the experience of war, you begin to understand that there are many people throughout our society who have sacrificed, sacrificed for future generations and recognized the obligations that we have to take care of our parents and our grandparents, at the same time our obligation to see that our children have it better than what we had.

My fear when I look at our children is, are they going to have it better than what we have had? When I look at economic stagnation and the effects upon the wages, there are a lot of issues out there. But when I look at the national debt, I look at that and say that is the greatest threat to our security.

Serving on the Committee on National Security, we have briefings all the time about threats abroad to national security. But what about the threat from within? The threat from within when we have Members of Congress who are unwilling to act responsibly, and only want to reach into their wallets and pull out the credit card and keep stealing from future generations so they can continue to come back here. Then they wrap themselves in the cloak as if they are compassionate and they have ownership of sincerity, and that if you want to act responsibly, then you are cold, callous and uncaring.

That is wrong. That is wrong. But that is kind of the words that are used in this body and it is extraordinarily unfortunate. What it does is, it seeks to divide this body instead of unite the body.

So you have the far left and you have the far right and they seek to pull, and those in the middle when we seek to bridge an agreement, we scratch our heads and say, ''What is going on?'' When I go back home to Indiana, they scratch their heads and say, ''Jeez, put NEWT and BOB DOLE and Bill Clinton in the same room so they can solve it.'' Come on.

Coming to this body and saying that the national debt is the greatest threat to this country, and then finally to be able to do something about it. You see, for the longest time conservatives, we advocated freezing the budget. Then when we got control of the Congress, we no longer advocated freezing the budget, because now we have an opportunity to change systems. So when over the years we work hard to change systems, streamline and make government more effective, we get attacked.

Well, we are going to hang firm and balance the Nation's budget because this is about the future of the country.

## REPUBLICANS VOTE TO GO HOME IN FACE OF SHUTDOWN

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. WATERS] is recognized for 5 minutes.

Ms. WATERS. Mr. Speaker, this has been a strange day, and these are strange times. We have my colleagues on the other side of the aisle, the Republicans, who claim they have kept us here because they want to negotiate. They have literally caused people to change their plans, change their lives, caused so much uncertainty with the families they claim to care about.

Do not forget, these are the family values people. These are the folks who say they know more about family values than most of us. But yet when they had an opportunity to be sensible, to be credible, to make sure that we operate in a way that respects our families, they have done some strange things.

After all of this, when they had an opportunity to negotiate, the President called them up, met with them, and their leader, NEWT GINGRICH, went back to them and said, ''We have an agreement. We can get a continuing resolution to keep Government open.''

Mind you, Government is not really operating. We do not have the authority. We have a lot of Federal employees that have been told to go home. This is Christmastime. They do not know what is happening. They do not know when they are going to be returned. We have parks that are closed down. We have people who cannot get passports.

Then my friends on the other side of the aisle got cute and they decided, ''Oh, let's strike a blow for veterans. That's a great constituency. They vote. When we say we're doing something for veterans, we really look good. These are the person who have defended our

country, so if we go on the floor and we make sure we said they should get paid, it's going to make us look good with the American public.''

And so we did that. In all of this, we failed to negotiate, we don't have a continuing resolution for everybody, but we struck this little blow for veterans.

And after NEWT GINGRICH went to them and said they could have a deal with the President to have a continuing resolution, they said, ''No, we don't want to do it. We don't care what you say, NEWT GINGRICH.'' The new Members, the freshmen, said, ''No, we don't want a deal.''

After not having a deal, they said the reason they did not want to do it is because the President had not committed to a 7-year balanced budget, nor did he want to accept the Congressional Budget Office projections and their understanding of how the economy would be working over the next 7 years. That is what they said.

Well, that has been cleared up, so you would think they would have negotiated today. But no, they have not done that. They took a vote, led by the Republicans on the other side of the aisle, to just go home. Just go home. Go home to their families, to our families.

And, yes, most of us would like to do that. But what about the Federal employees and the others that do not know what is going to happen to them? We could have passed a continuing resolution. They did something strange called a recess, an adjournment that is called a recess, and they kind of said, ''and we have the opportunity to call you back at some given point in time.''

And so this adjournment fashioned as a recess has taken place. But before they left, a lot of damage was done. A lot of damage was done because we passed out a conference report on welfare.

This conference report on welfare basically cuts about $60 billion out of welfare and, oh, that is easy to do, because welfare has become kind of the political football of politics. If you get up and rant and rave against worthless people who are getting the taxpayers' dollars, oh, you can get some votes. You can get some votes, and you can have people believe that somehow you are protecting the taxpayers.

It is easy to beat up on children. It is easy to beat up on poor people.

''They don't have any power. They can't do anything. And I can get get some votes.''

Well, they struck a blow against the children, $60 billion in cuts. Oh, they took the safety net from under the children. You should see the havoc that was wreaked upon these children and their families, because protective services will be hurt.

□ 1845

A lot of things will be done to children that I do not think any of us can be proud of. So I stand here this evening to say, it is shameful what has taken place over the last few days. None of us should be proud of it. None of us should want to go home and face our constituents or our families because it is not honorable what we have done here.

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The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia [Mr. NORWOOD] is recognized for 5 minutes.

[Mr. NORWOOD addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

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## BALANCING THE BUDGET IS FOR THE CHILDREN

The SPEAKER pro tempore. Under the previous order of the House, the gentleman from Georgia [Mr. KINGSTON] is recognized for 5 minutes.

Mr. KINGSTON. Mr. Speaker, as I listened to the debate today and this week, and I think many of the Members in the House and across the country have listened to it, there is a lot of blame going on. Some people are blaming Mr. DOLE; others are blaming Speaker GINGRICH. Some are blaming the freshman class. Others are blaming the President. Others are blaming—and I understand the President actually got mad at the moderates tonight—and then there is a Democrat coalition that is getting some of the blame. And so there seems to be plenty of blame and plenty of theories as to who is the problem here. But whatever the excuse is, whatever group you blame it on, the fact is we still have not resolved this budget impasse.

There is an old World War II saying of the veterans that said that the difficult we do immediately; the impossible takes a little bit longer. And it would appear that it is impossible right now in 1995 America for us to settle this budget quickly or easily. But I am confident, Mr. Speaker, that we will be able to resolve it. I say that because of a great confidence and belief in the American people, in the American system. Sure, we are having a very difficult debate. It is extremely hard. Democrats are coming, every day they are saying the Republicans hate children, the Republicans hate the elderly, it is the book deal, it is one thing or the other.

I know on their side that the Republicans are accusing Democrats of wanting to spend all the money in the world and yet, when you look at it, Democrats have something to say in this argument. When you look at it, the Republicans have something to say.

I think what the American people really want is a balanced budget and we are the folks who have been elected to do the job. I believe that we can get together and resolve this. Dwight D. Eisenhower said, I am paraphrasing, that once the American people have made up their mind to do something, there is little that can be done to stop it from happening. I think the American people have made up their mind about the balanced budget and I believe in that context this debate is, I say, fortunately beyond Washington. We will get a balanced budget.

What is it that we are fighting about? The Republican plan, for all the cries about the deep cuts, the Republican plan does not even freeze spending. It increases it $3 trillion over the next 7 years. The President wants to increase it $4 trillion over the next 7 years.

As I talk one to one to my Democrat friends and Republican friends, we are all confident that we could resolve it. People from urban areas, people from rural areas, people from the West Coast, East Coast, it does not matter, we believe on an individual basis we can resolve it.

I am seeing a little bit more movement this last week in that direction, informal talks, nothing big, nothing that has picked up in the media, nothing that some of the leadership has even recognized. Yet there is a lot more talking going on than the media would have the American people believe.

So I say with a great optimism, yes, it is too bad we are going to be going home and folks are still out of work and so forth. I think it is important for us to all realize, these are real people, real paychecks, real jobs. They want to be working. They want to know that the security of that paycheck coming in twice a month is going to be there. At the same time, though, I am confident that we are going to get this thing resolved because, and to quote another great leader, Ronald Reagan, we are Americans. We will do the right thing. We will get this thing done, Democrats and Republicans alike.

People are using the children as their shield a lot around here. We are doing this for the kids. What if kids could vote? What if the American children, what if that average 10-year old out there could suddenly vote and, realizing the issues as the rest of us do, and that 10-year old, like my son John, would look up and say, wait a minute, Dad, you mean to tell me that all that spending that you are doing today, all that money that you act like it is yours when it is not, you mean to tell me that you are borrowing money that I am going to have to be paying back and my friends are going to be paying back. Dad, I think you all better so some serious cutting or do some serious spending reductions or do whatever it takes so that my generation is not strapped hopelessly with this $5 trillion debt that you are bumping against right now.

I would say, we bring kids in the argument, what would happen, Mr. Speaker, if children were allowed to vote? I think this whole formula would change and I can promise you, we could balance that budget in a hurry because it is not fair what we are leaving our children in the way of debt.

## A TEST FOR DEMOCRATS

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from the District of Columbia [Ms. NORTON] is recognized for 5 minutes.

Ms. NORTON. Mr. Speaker, I come to the floor this evening to appeal to good sense and good government and accommodation consistent with principle on my side and on the other side. Today there have been requests to the GOP leadership to consider that AFDC checks are due to go out with no one to send them out, to consider that the District of Columbia Government is up and running without the necessary authority. One of the leaders offered that in the State of California it was not clear that Medicaid bills could be paid.

On the Democratic side, occasionally I have heard what the other side has become more closely identified with. That is a kind of all or nothing response. I must tell you, Mr. Speaker, my heart is with the all or nothing response, because my largest employer is the Federal Government and its Federal employees in my own district who are being penalized as they sit home waiting to be called back to work on an involuntary furlough. But at least my Federal employees have been promised by the majority that they will be paid.

What promise has been made to children on AFDC that they will be paid before Christmas or that those on Medicaid will be paid before Christmas and, God help us, that the Nation's Capital will be standing before Christmas?

It is time for cool and mature heads to consider what is at stake. This is a real test for my side of the aisle, I must say, for we have gotten up consistently this year to speak for the poor, to speak for those who cannot speak for themselves. I do not see how it would be possible for us to go home for Christmas and tell people that we had said that, if it all does not come through, then no way AFDC will come through, no D.C. will come through, no Medicaid will come through. In that case we have adopted the tactics of the other side.

Both sides need to step back. I appreciate, frankly, that the majority is willing to consider relieving those most in need of relief by some kind of special CR and have only said that this should not be the subject of great contention. This is a test for my side. Do you mean it or not, or is it only the Members of Congressional Black Caucus who mean it or the Hispanic Caucus who mean it, or the women who mean it, or do all the Democrats mean it? Do the Republicans mean it? Can we put aside as Christmas dawns our rancor to say we do not want to go home, and say to poor children on welfare, I am sorry, your check will come sometime in the future?

For us, a missed check may get us over. For people on welfare, a missed check means no food and no shelter for far too many. For the District of Columbia, it is a shameful day when we have abandoned our constitutional responsibility and said to the District, well, we will reach out and get you when we can. Meanwhile, you are on your own.

Eighty-five percent of the money up here that we cannot get out because no appropriation has been passed is money raised in the District of Columbia from District taxpayers. There is a moral obligation, especially on these three issues, not to say all or nothing, not to get up and make some kind of vein motion knowing it will lose and, therefore, toss us all out.

There is a moral obligation on this side and this side to say, at the very least, we will call a truce when it comes to poor children on welfare who will not be fed and might be put out on the street before Christmas. We will call a truce when it comes to whether or not 600,000 people in the District of Columbia will have a government that is open and collecting trash and doing what government must do for people to keep going. We will call a truce when it comes to Medicaid. Is that what we want? It is not what we want. But if we have gotten the majority to understand that they must consider that, how can we pull back now?

It is a test and we must look at each and every one of us to see whether any of us causes this test to be failed. We must take it into account. If, after all, we have had to say about children and about the poor, we are willing, we are willing to stand here and allow checks to be missed for them, it is a test. Either we mean it or we do not. Whose principles are these? Who do we speak for? Can we pass the test?

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The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia [Mr. COLLINS] is recognized for 5 minutes.

[Mr. COLLINS of Georgia addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

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The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey [Mr. MARTINI] is recognized for 5 minutes.

[Mr. MARTINI addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

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## BUDGET NEGOTIATIONS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania [Mr. GEKAS] is recognized for 5 minutes.

Mr. GEKAS. Mr. Speaker, there is not a dime's difference between the two major political parties, was the observation of a political writer some years ago. I think that that description can be in a broader sense applied to the negotiations that are now taking place even as we speak and which have so much to do with the eventual outcome of the cherished balanced budget.

Why do I say there is very little difference in applying it to the current negotiations? If we would recall only in a brief recent history, the President of the United States, when he was candidate Clinton, offered a tax cut and said that, when he became President, he would make certain that the middle class would at his hands receive a middle class tax cut, much needed tax cut.

When the current negotiations began, one of the big issues was whether or not we should have a tax cut. So it seems that both parties, the Republicans, who want this tax cut and who have promised it in the Contract with America, have matched the President, who offered it when he was candidate Clinton in the 1992 elections. So has not the issue of tax cuts been resolved once and for all? Should not the American people expect a tax cut?

If they have agreed on that, what are they arguing about with respect to whether or not there should be a tax cut? President Clinton, after he became the Chief Executive, criticized the Republican tax cut as being unworthy of consideration for one reason or another. Yet he has proposed a tax cut. Now let us skip over to the other big element in the negotiations: Medicare reform.

The Republicans are being excoriated on an hourly basis by the opposition on their daring to try to slow the growth of Medicare. Will we not recall, Mr. Speaker, that it was the President and the President's people who first brought that consideration before the public by offering, in the 1993 session, 1993, the first year of that session, a plan to slow the growth of Medicare? So now the second largest issue which is on the table in these present negotiations is also one on which the major parties show that there is not a dime's worth of difference between them.

The President's people want the Medicare growth to slow. The Republicans offer as part of the balanced budget the slowing of the growth of Medicare. What is left to negotiate? It seems to me that all that is left is proportions of those two elements. We ought to be able to settle it.

My gosh, I would be willing to do anything to have the President actually agree to the balanced budget. Maybe we could offer the President, look, Mr. President, perhaps we, the Republicans, would offer you, you take your choice. Take the Medicare proposals that are offered by the Republicans, and we will give you your tax cut. That way both parties, both sides of the table will have earned something on which they both agree.

□ 1900

They both want a tax cut, they both want Medicare reform. The President now takes the Republican version of Medicare, and we give him his version of a tax cut.

I know that that will not work, but the point should be made clear to the American people that both sides are

saying the same thing in different ways and that neither side should be accorded more credibility than the older.

I hope that the President begins to reduce his rhetoric against the Republicans who want the same thing he does, and I hope that the Republicans will understand that a tax cut that is offered by the President is not out of consideration altogether. Someplace we should have both a tax cut and Medicare reform.

One final point, Mr. Speaker, I acknowledge here and now that we Republicans have failed the public-relations war to make clear to the American people why we seek a balanced budget, because every time we say we want this cold steel unattractive item called the balanced budget, we are met by the opposition who say, ''What are you doing to the children, the orphans, to the disabled,'' and all of that. They win that battle, but the balanced budget that we seek will bring an era of prosperity in which all the needs of the American people will be met, and the balanced budget that the Republicans seek here and to which the President has agreed over 7 years will reduce the chaos that we have in this country and all the segments of the society.

## BASING THE BUDGET ON ITS MERITS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota [Mr. VENTO] is recognized for 5 minutes.

Mr. VENTO. Mr. Speaker, I take this time to comment on the events concerning the budget and the controversy that has engulfed the Congress and the Nation concerning it.

First and foremost I must say that I think that the contributions, the focus this year and the focus in the past campaign, which was largely due to efforts in 1994 on the part of the Clinton, the Bush, and the Perot factors to focus on a balanced budget, was a good focus for our Nation. I think that that is a desirable goal. In fact I think that in 2 years in the programs that were passed have actually moved us in that direction, probably not as dramatically as some would want, but they have moved us in that direction. But I think that it is very important, as we move toward trying to resolve the budget deficits on an annual basis, and in the long range we hopefully can get there, and I hope and I think that that is possible, I think we have to look also at the fact of what happens in terms of the balance of the programs that we have. Achieving a balance in terms of no annual deficits is important, but we also have to recognize that there is a human deficit that could develop and that is developing in our Nation today as we look at the disparities in incomes and wages that people earn and the unwillingness today in this Congress, largely by the majority party, the Republican majority, my friends, that they are not willing to move on the minimum wage. I think that we ought to do that, try to address that. More importantly, I think we ought to be working to empower workers and to give them the skills, and the education and the ability in training and skills they need, as I said, so that they can be more productive workers, so that they can earn better wages.

But, Mr. Speaker, as we look at the events that have happened here, the controversy that is going on with regards to plans and schemes to try and achieve a balanced budget, I would just want to remind my colleagues that, having served here through the 1980's, this is not the first plan that we have had with good intentions to balance the budget, no, not at all. In fact I think, as has been mentioned on the floor by both Republicans and Democrats, both President Bush and President Reagan had sought and, of course, pledged their fidelity to a balanced budget, that they were going to attain it sometime in the future. In spite of the fact that that was the goal, and I think many in Congress, some in Congress, with regards to the Gramm-Rudman I, Gramm-Rudman II, they all had plans to achieve a balanced budget. So I think that they had 4-year plans, 5-year plans, but the fact is that what happened is that events in the economy overtook those plans. I think sometimes they were premised on unrealistic tax and unrealistic policy and program changes that did not achieve that, but, too, notwithstanding that, the other major factors, I think, are some of the unforeseen things that happened in the economy.

I note that one of the—throughout this week one of the accomplishments, or goals, or the basis for the balanced budget and the achievement of it is the suggestion that somehow interest rates are going to go down, that that is going to be a big accomplishment. Well, I would suggest modestly to my friends that the Congress of this country does not completely control the economy. We do have a free economy and a global basis. We do not control that economy, nor should we. I do not think that we should. I think we can have an impact on it. Whether it is going to be as dramatic and positive as what my colleagues believe I would very much question. So I think that most of us that have served in this body understand that we are going to have to address this issue of trying to achieve a balance each year. Each year we are going to have to take incremental steps.

Having a plan; well, that is very good. Trying to do this within a certain period of time, 4 years, 5 years, 7 years I think is probably more realistic than trying to do it all at once where we would cause a catastrophic impact on our economy in terms of its performance. But I must say that while we strongly disagree, I strongly disagree with many of the elements that have been put into the reconciliation bill, which is this year's, this 7-year program to in fact try to achieve a balance, because I think while it might indeed balance the budget at the end of that given the—if the economic predictions were to hold out, which I think would not hold out, not because of any bad faith, but simply because of the nature of our economy; but I think the programs inherent in that, that make the cuts, that make the changes, are inherently, are inherently unfair.

I think the premise of a balanced budget that is going to work, the programs that are going to work, is going to have to be shared sacrifice. When you start out with half of the reductions taking place in Medicare and Medicaid, and start out with putting in a large tax cut, distributed in an unusual way to those that have higher incomes, I think you start out with a bad premise.

Now the fact is that—the fact is with regard to that type of budget—it simply is not going to do it, it is not fair, it is not going to get the support of the President, and it should not receive the support of the President.

So I would hope that this week we—if you cannot solve it on the merits, I think it is wrong to try to push this down the thoats of the American people based in terms of the annual appropriations bills. You have to sell it on the merits. It has failed on the merits, so now we are trying something different, and that is trying to cut off the appropriations in November, and again now in December and through the new year.

So I would hope my colleagues would consider that and consider my words in terms of the decisions they make in the weeks ahead.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington [Mr. METCALF] is recognized for 5 minutes.

[Mr. METCALF addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

## COMMENTARY ON BOOKS AND MOVIES IS IMPORTANT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. HUNTER] is recognized for 5 minutes.

Mr. HUNTER. Mr. Speaker, before I get into my subject, let me just comment briefly on what my colleague just stated in respect to the balanced-budget negotiations. He mentioned, the last thing he mentioned, were the tax cuts, and you know I have looked at the tax cuts, the $500-per-child tax credits, and I do not think that is a strange tax cut, and that is, by far, the biggest amount of money that is manifest in the Republican package. That says that you get $500 credit per child.

Now that means, if you are a person who is a working person who only pays today $1,500 in tax liability, you have three children, at $500 apiece your tax

liability is erased. A person who has a $50,000 tax liability, an upper-income person, and you have three children, your children count just as much as anybody else's, and you get $1,500 off your $50,000 liability, and you still pay $48,500 in taxes, and I just do not understand why that—I would be happy to yield.

Mr. VENTO. I appreciate it.

I would suggest that there are two factors here that are inherent in this bill that weigh in against workers, low-income workers specifically. First are the changes prospectively in the earned income tax credit, which is reduced in the plans that have come from the House and Senate out of conference, and second of all is that, if you do not pay a Federal income tax, then you are not entitled to any type of credit, and of course I am talking about income tax because those same individuals of course pay Social Security taxes on a regular basis, so those children that are about a third of the children in this country come from families that are affected, where they would not get the benefit because—the fact that their wages—of the parent are so low that the child is denied the benefit.

I thank the gentleman for yielding.

Mr. HUNTER. Mr. Speaker, let me just answer my friend.

That is a long—what the gentleman has just described is a far cry from saying this is a tax cut for the rich. I do not consider a person who makes, who has only a $1,500-per-year tax liability, as being a wealthy individual, and yet that person, if that person has three children, he get to multiply that by $500 per child, and that totally eliminates his tax liability. That takes it from $1,500 to zero. Now that is hardly a tax break for the Rockefellers.

So the gentleman was arguing in favor of having a balanced discussion, using not pejorative terms in trying to find a middle ground somewhere, and I would suggest that there is a lot of merit to a child-based credit—you know the tax credit we started with that we had in 1948, if you adjust it for inflation, is much lower in real dollars than it was back in the 1940's.

I think the gentleman——

Mr. VENTO. If the gentleman would yield, I would acknowledge that, but I think that, if you look at the broad array of taxes here over a 7-year or even a 10-year period, you find that the majority of these taxes do go to those that have investment income and to corporations. You know, they way we get to some of these adjustments is first looking at the individuals and not treating the corporations——

Mr. HUNTER. Reclaiming my time, I just take my time back for a second. The difference that I have seen in the amount of money of income that is derived or the amount of money that is attributed to the child-based tax cut is roughly, if the last figures I looked at were correct, was about five times as much the amount of income that is considered to be given up, if you will, by the capital gains tax cut.

Mr. VENTO. If the gentleman would yield back——

Mr. HUNTER. Child-based tax cut is by far the big——

Mr. VENTO. I think the issue here gets to be how long you run that, so first of all the Senate—the example you use, usually use a 5-year time frame. This is a 7-year program, but, if you run it to 10 years. You find that about three-quarters of the tax benefits in this go to investors, some, of course, small capital-gains beneficiaries, but a lot of it to corporations. You know in this measure that you have, Some of it will take the corporate tax down to zero.

Mr. HUNTER. I appreciate the gentleman's commentary. I would be happy to discuss this with him further but, Mr. Speaker, I would like——

Mr. VENTO. I thank the gentleman for yielding.

Mr. HUNTER. I thank my friend.

Let me say, Mr. Speaker, that sometimes it is important to comment on books and movies because those books and movies reflect history, presume to reflect history, and that history is drawn upon by leaders in government when we make further decisions, and one movie that is currently playing in this country is called ''Nixon.'' It is a movie by Oliver Stone, and I think that commentary is always an important thing, and it is important to have a commentary that is delivered by an honest broker.

There is no more honest broker in this area and no person more qualified to comment on the movie ''Nixon'' than Herbert Klein, who first met Nixon in 1946 when he was first running for Congress, and ultimately became the Communications Director of the White House in 1969, and was the director until 1973, and I would offer for the RECORD this article in the San Diego Union entitled ''Truth Subjected to Oliver's Twist'' in which Mr. Klein tries hard to find a grain in truth in the movie ''Nixon,'' but finds it very difficult to achieve.

So I would ask, Mr. Speaker, that this article by Herbert Klein be put in the RECORD.

The article referred to is as follows:

[From the San Diego Union-Tribune, Dec. 19, 1995]

TRUTH SUBJECTED TO OLIVER'S TWIST

(By Herbert G. Klein)

The Richard Nixon portrayed by Oliver Stone in the new movie ''Nixon'' comes nowhere close to the realities in the complex life of the late former president.

In its article on the highly publicized new film (which opens tomorrow), Newsweek saw Stone as having discovered ''complexity, ambiguity and even a measure of restraint.''

For those who knew Nixon well, that description of this picture is difficult to comprehend. Stone has created few movies that were not controversial, and ''Nixon''—like ''JFK''—is sure to create controversy.

For ''Nixon,'' Stone recruited outstanding actors, including Sir Anthony Hopkins (who plays the president) and Joan Allen (the first lady). But given the script, which jumps without warning from fact to fiction, acting alone falls far short of reality.

I watched the movie at a private screening last week at Mann's Hazard Center, where I was alone to analyze my feelings as I recalled the highs and lows, the wins and losses, that I had experienced with Richard Nixon.

The film appropriately showed the warts of the president and then went beyond. The happier, high points were largely ignored.

It gave me a bewildered feeling to watch actors who never have known the sill-living people nor the issues they portray, and who miss true characterization.

This is a movie mainly tuned to Watergate and parts of Vietnam, but it is interspersed with scenes of Nixon's childhood and, finally, his disgraced departure from power.

Even the early family moments are inaccurate, particularly when they portray Nixon's brother as a renegade who died after suffering from tuberculosis for 10 years.

Scenes featuring Nixon's mother, Hannah (played by Mary Steenburgen), depict her as an ''angel'' who had tremendous impact on her son Richard. That was true. The scenes brought back memories to me of her Quaker funeral. Such memories included the Rev. Billy Graham, who later presided over the funerals of both Pat and Dick Nixon.

The early family depictions surprised me. I didn't expect to see shots of the happy days with kings, presidents and prime ministers in the state dining room, or other shots of congressmen crowding around the president for pictures of bill signings on major issues, such as school desegregation.

I did expect less Watergate and more of the international events that shaped Nixon's policies and that are a part of history.

Fortunately, I never met the Watergate burglars or its masterminds, G. Gordon Liddy and E. Howard Hunt, but most of the reallife persons portrayed in the film were men and women with whom I worked closely sometime during the time I knew Dick and Pat Nixon, from 1946 until he died in April of 1994.

Even with that background, I had difficulty determining which actor was which Nixon deputy or which parts of the movie were based on fact and which were part of a screenwriter's imagination.

RUBINEK AS KLEIN

The greatest surprise for me came when I discovered Saul Rubinek playing Herb Klein in scenes from the 1960 and 1962 elections. I didn't recognize myself or my role until someone on the screen called out, ''Herb.'' Among other things, Rubinek appears to be short, dumpy, wears suspenders, swears frequently and smokes cigarettes. I'm not Beau Brummel, but none of those things applies to me.

In a more important way, the actor playing me on the screen was arguing a point that was directly opposite my point of view.

The debate was over whether Nixon should take legal action to protest the results of the close 1960 election against John Kennedy. In the movie, I am arguing with Nixon's early campaign manager, Murray Chotiner, on the night of the election.

In fact, the historic question was not seriously considered by Nixon until days after the election, when we were in Key Biscayne, Fla., and my position—along with that of Chotiner and (the late longtime Nixon confidant) of Bob Finch—was that Nixon should not contest the election because such action could endanger national stability.

Nixon listened to both sides and decided not to challenge the results, and in a historic scene not portrayed in the movie, he and John Kennedy met in a Key Biscayne villa a week after the election. Nixon rejected an offer to serve in the Kennedy Cabinet, declaring himself to be the leader of the ''loyal

opposition.'' The two men agreed to try to unite a divided country, while recognizing their differences.

No one ever asked me or any other persons portrayed in the movie what the facts were.

COFFEE HIS BEVERAGE

The Nixon on Stone's screen drinks almost constantly and comes off as an evil, angry buffoon who believes that his problems center on not being understood by anyone including his wife.

Nixon was not a teetotaler, but coffee was his beverage during the day, and I can recall only a half-dozen times in almost 50 years when I saw him bordering on too much to drink during the evening.

Stone touches on Nixon's feelings toward the Kennedys, and at one point Nixon is seen staring at a picture of President Kennedy and asking: ''When they look at you they see what they want to be. When they look at me, they see what they are.''

That probably portrays Nixon's true feelings. He disparged ''Eastern intellectuals'' and yet he knew that, in truth, he was an ''intellectual'' who liked to feel he was outside the Eastern elite community. Some of those he admired most were eliteist. He resented the fact that the Kennedys ''got away with everything'' and that the news media and Congress looked for faults where he could be criticized. At one time, (chief domestic-policy adviser) John Ehrlichman Persuaded Nixon to set up a Camelot-like ''royal guard'' for the White House. That lasted only a few days.

The most dramatic parts of the film come in conversations between Dick and Pat Nixon. Those obviously are fabrications since no one witnessed them. Allen plays Pat Nixon's role well and shows her to be family-oriented, warm and intelligent. The Pat Nixon I knew also was a strong and caring ''first lady.'' The film wrongly portrays her as a chain smoker. She smoked occasionally in private.

Nixon used to say everyone loves Pat. He was right.

During the scenes between the president and his wife, Nixon refers to her with the nickname ''Buddy.'' I had never heard that, Nixon's daughter, Tricia Cox, whose White House wedding is portrayed tastefully, told me she never heard her father use the name Buddy, but she does recall that Buddy was a childhood nickname for her mother.

Julie Nixon Eisenhower also is shown pleading with her father not to quit. That was a plea Julie made, but the passion of the real Julie was far greater than that of the actress (Annabeth Gish) who portrays her.

STONE OBSESSION

As I watched the film unfold, the most surprising innuendoes concerned Castro, the Bay of Pigs and a mysterious attempt by Stone to insinuate that there was some type of plot involving Nixon, Howard Hunt, the CIA, J. Edgar Hoover, the Mafia and the Kennedy assassination.

Over the years, I have heard discredited theories involving the CIA or the FBI, Kennedy and the Mafia and attempts to assassinate Castro. Stone seems to attach these long repudiated stories to Nixon as if the former president had some part in the death of John Kennedy. That, of course, is pure Stone obsession on Kennedy assassination plots.

The vagaries of the Cuban-plot theories did stir within me memories of some of the most tense moments of the Nixon campaign against Kennedy in 1960.

Just prior to the fourth and final debate between the two candidates, both men addressed an American Legion convention in Miami, Kennedy got major applause with comments about organizing a force to attack Castro. Nixon knew that such Cuban refugee troops were being trained secretly by the CIA under President Eisenhower's direction. Nixon felt that for him to take this hard line, as had Kennedy would break the code of secrecy he held as vice president. He, therefore, was made to look weak with a suggestion urging a blockade.

The encounter made Nixon so angry that it was difficult to prepare him for the all-important final debate. He had me call CIA Director Allen Dulles to see if Dulles had told Kennedy about the secret training exercise. Dulles denied this, but Nixon did not believe him. This exercise later became the Bay of Pigs.

In the final days of the 1960 campaign, Nixon was forced during the debate to take a weaker position than he believed in, and Kennedy scored points.

None of this was in the movie, but I recall taking reporters to Club 21 for a drink, hoping that would distract them from what was going on.

I became angry during the movie when Nixon was portrayed in sinister fashion as ready to bomb civilians in Hanoi, North Vietnam. Stone goes to the trouble of showing Nixon turning back a steak that was so raw that blood covered his plate. This bloody scene was supposed to be symbolic, but it almost made me sick.

The fact is that Hanoi was bombed, and nearby Haiphong was mined, a bold move that forced the North Vietnamese to agree to a cease-fire. I recalled that Henery Kissinger and I were in Hanoi immediately afterward, and I saw with my own eyes that Hanoi civilians were spared, but military targets such as bridges and airfields were hit with precision. This was not in the movie.

Among those who will resent this film most will be Henry Kissinger. Only recently, he was unfairly depicted as being evil in Turner Broadcasting's TV movie, ''Kissinger and Nixon.'' In the Stone movie, Kissinger appears to be a devious fat, sycophant who was almost ousted from the White House staff by (White House chief of staff) Bob Haldeman and aide Chuck Colson.

One of Kissinger's happiest moments was when he won the Nobel Peace Prize in 1973. The disparaging movies may provide Kissinger with some new low points in life.

When, in ''Nixon,'' I saw the Kissinger character having lunch or dinner with reporters at Washington's Sans Souci restaurant, I recalled dining in the same cafe and often wondering what Kissinger was leaking. This did become a White House controversy, and he may have wondered the same thing about me.

But the movie's implication that Kissinger was about to lose his job was the opposite of truth. The film reminded me of times when I was in Haldeman's office or on an airplane and heard Kissinger—then the frustrated national security adviser—seek to displace Secretary of State Bill Rogers. No one effectively threatened Kissinger.

For me, the saddest moments of the movie came near the end, when Nixon finally begins to comprehend that he has lost the battle, that he is about to be forced from office. I had left the staff a year earlier.

Stone is more sympathetic in these scenes and allows Nixon to ask why no one remembers what he did in ending the war, in opening relations with China and what he did in the SALT treaty agreements with the Soviet Union.

I left the theater wondering why the movie was made and seeking quiet where I could again sort out fact and fiction.

I also pondered the coincidence that within less than two years after Nixon's death, we suddenly see a flurry of shows reviving the Vietnam War and Watergate—TNT's ''Kissinger and Nixon,'' Stone's ''Nixon'' and a forthcoming History Channel program titled '''The Real Richard Nixon' 3½ documentary hours of Tricky Dick.''

The A&E Channel also has scheduled a two-hour presentation of Nixon on ''Biography,'' to air in january. Its producers say it is a true documentary.

## FEDERAL EMPLOYEES, VETERANS, AND CHILDREN BEING HURT

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Georgia [Ms. MCKINNEY] is recognized for 5 minutes.

Ms. MCKINNEY. Mr. Speaker, I have come to the floor this evening to voice my utter dismay at how our Federal employees, our veterans, and children are being treated by this GINGRICH-led farce called leadership. Republicans are hurting those who do not deserve it. We have dedicated employees in the State, Justice, and Commerce Departments who are being manipulated by those who claim that they care about the American people. We have Medicare recipients and children who will not receive benefits because the Republicans simply do not care. We have devoted State Department employees who were called in from furlough to cope with an airplane disaster in the dangerous hills of Bogota, Colombia. There are individuals who were deemed nonessential and are not being paid but are risking their lives to travel into the guerrilla-controlled hills of Colombia to insure that Americans' lives are protected.

☐ 1915

This is the Christmas season. This is the season where good will toward men should be the order of the day. However, we appear to have many Members of this body who have a personal agenda that not only casts a scrooge-like haze over this season and the lives of Americans, but demonstrates a cold-hearted callousness for the well-being of our elderly, our children, our most vulnerable citizens.

I am here this evening because it is a sad day for America and this Congress. We have a few Members of this body holding the entire country hostage, and behaving as if they are, in fact, involved in a guerrilla war themselves, high up in the hills of the Sierra Madre. It is unfortunate that my colleagues on the other side of the aisle have truly made this a season not to be jolly.

I also have a lot of constituents who are undergoing quite a bit of concern right now as it relates to the 11th Congressional District and the recent ruling from the judges that really turns the entire congressional map upside down, topsy-turvy, and places incumbent Members of Congress in the same district, and generally creates havoc on the congressional election plain, just a few short months away.

While we are here trying to protect the rights of average, ordinary Americans who are going to be hurt by this

shutdown of government services, we also need to note that, particularly to my constituents who are concerned, that also the Department of Justice is shut down. That means that if there are some who are interested in the timely filing of an appeal to the Supreme Court for the drastic measures that were taken by the lower court in Georgia, we are just out of luck, because the Department of Justice is among those whose Federal employees have been called off of the job.

We have definitely got to do something to put our Federal employees back to work. The work of our government employees is necessary, it is essential, it is valuable, and it is critical. To deny our Federal employees paychecks just a few days before Christmas is about the most cold-hearted kind of treatment that I have ever, ever thought that anybody could visit upon other people.

The SPEAKER pro tempore (Mr. TIAHRT). Under a previous order of the House, the gentleman from New Jersey [Mr. SAXTON] is recognized for 5 minutes.

[Mr. SAXTON addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

## FRESHMAN REPUBLICANS DEDICATE THEMSELVES TO GETTING AMERICA'S FINANCIAL HOUSE IN ORDER

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Connecticut [Mr. SHAYS] is recognized for 5 minutes.

Mr. SHAYS. Mr. Speaker, it is one of the greatest privileges in the world to serve in Congress and represent constituents who have sent you to Washington. I have had the pleasure as well to represent a smaller constituency in the State House in Hartford, and it never ceased to amaze me, as a State legislator, how I as a State legislator had to make sure that our State had its financial house in order, and yet the Federal Government could deficit spend. I often wondered how those men and women in Congress could do such a terrible thing to our country, to burden future generations with horrific debt, on which we have to pay annual interest payments which are in excess of over $235 billion annually.

Mr. Speaker, when I got down to Washington I vowed that getting our financial house in order would be my first and highest priority, making sure that we balanced our Federal budget. I have seen during the past 8 years that there has been here a greater awareness that we needed to do this and more and more Members willing to put their, candidly, political lives on the line to do that.

I pay special salute to the freshman class that have joined us this year, because this number of 73 Members has given us the opportunity to lead. We have not had an opportunity as a Republican conference to lead in 40 years. What we have done in that short period of time, Mr. Speaker, I think is extraordinary. We passed major reforms in the first day of the session by reducing the size of Congress, reducing the number of committees, reducing the staff on committees, requiring or no longer allowing proxy votes, requiring all committee meetings to be open to the public, requiring that Congress live under all the laws we impose on everyone else. I want to say that again; to require Congress to live by all the laws that we impose on everyone else.

Mr. Speaker, we not only voted during the beginning of the year for a balanced budget amendment, but we did something obviously more important, we voted to balance the budget. That is what I want to address at this point.

Mr. Speaker, we are going to get our financial house in order and balance our Federal budget. At the same time we are going to save our trust funds, particularly Medicare, from insolvency and then ultimately bankruptcy. Our Medicare fund will go bankrupt if we do not take corrective action to restore funds in the Medicare Part A fund, which will go bankrupt in 7 years. We are looking to transform our caretaking social and corporate welfare state into a caring opportunity society. We are set to do all three of these objectives, and we are working hard to accomplish that task.

Mr. Speaker, Prime Minister Rabin, who was the former prime minister in Israel, made it very clear that he viewed his responsibility this way. He said he was elected by adults to represent the children. That is what I think Members in Congress have to do. We are talking about not having a horrific debt that mortgages our country's future.

We have a plan. The plan is very simple: We balance the budget in 7 years. Admittedly, we have a tax cut. What do we do? We balance it in 7 years. I could forego a tax cut if we balance the budget in 6 years, but I will be darned if I am going to reduce the tax cuts and then take what we had saved to allow for tax cuts and just spend more money. We are allowing this Government to grow. In the past 7 years we spent $9 billion. We are going to spend $12 billion. The issue is should we spend $13 billion in the next 7 years. We say no. The other issue is we say it should be balanced by the seventh year.

Mr. Speaker, I constantly hear about Republican cuts to the budget. They are just not true. At least they are not true when they refer to the earned income tax credit, a very important program to provide proactive financial assistance to individuals who do not pay taxes, but work. The earned income tax credit grows from $19.9 to $25.4 billion. The school lunch program under our plan grows from $5.1 to $6.8 billion. The student loan program grows from $24.5 to $36 billion. That is a 50-percent increase.

Only in this place when you spend 50 percent more do people call it a cut; Medicaid, growing from $9 billion to $127 billion, Medicare from $178 billion in the seventh year to $289 billion. That clearly is an increase in spending.

Mr. Speaker, we are cutting some programs, and maybe some we should not, but we had to make choices. Now it is up to the President. We have spent a whole year working on our budget. We have closed it and advertised it, and have proclaimed it to our constituency and the entire United States. Now it is time for the President to say where his priorities are.

A member of our conference pointed out that we have been authors and the President has been a critic. It is important now that the President be an author of what he favors and show us what he wants, and then compare the two options. I think we can have an agreement on 24 hours, as soon as the President and the leaders in the Democratic side of the aisle, the gentleman from Missouri [Mr. GEPHARDT] and the gentleman from South Dakota [Mr. DASCHLE], determine that the American people want to balance the budget in 7 years and get our financial House in order. We are not asking that they agree to what we are doing with Medicare and Medicaid or the tax program or our discretionary spending. We are asking them to present their plan, see where we agree and, where we agree, case closed. Where we disagree, then iron out our differences.

Ultimately, the President is the President of the United States. He is going to have to pass judgment on what we do. There will have to be an agreement. But rather than compromise, we are looking to find common ground and save this country from bankruptcy. We are determined to get our financial House in order and balance the Federal budget. We are determined to save our trust funds, particularly Medicare, from bankruptcy. We are determined to transform this social and corporate welfare state into an opportunity society and end this cycle of 12-year-olds having babies, 14-year-olds selling drugs, 15-year-olds killing each other, 18-year-olds who cannot read their diplomas, 24-year-olds who have never had a job, and 30-year-old grandparents. That has to end.

We need to transform this society into truly what is an opportunity society. I look forward to doing that, and working with colleagues on both sides of the aisle to accomplish that task. Mr. Speaker, I would just conclude by saying I am proud to serve in this incredible opportunity as a Member of Congress, and to represent the people of the United States.

## REEMPHASIZING THE DETERMINATION OF REPUBLICANS TO BALANCE THE FEDERAL BUDGET

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Colorado [Mr. MCINNIS] is recognized for 5 minutes.

Mr. MCINNIS. Mr. Speaker, the issue that we have got to address is this deficit. This Government is accumulating a debt of $30 billion an hour more than it brings in. In other words, it is spending $30 million an hour more than it brings in. How, you would ask, is that done? It is done by using a credit card. The most misused credit card in the history of this country is right here in my hands.

What is this misused credit card? It is the congressional voting card. For 40 years this card has been inserted in that slot and additional debt has been put onto the next generation. It is like any other credit card. You can go ahead and charge things without having the cash to pay for it. That is exactly what this country has done. The status quo in this country is not a pay as you go. The status quo is not to act like every other American family has to act; that is, they cannot spend any more than they bring in. The status quo in Washington, DC is to get more taxes and more taxes and spend more money and more money. If the money coming in does not match the money going out, that is okay, just spend more money, and periodically go back and get more taxes.

We cannot continue to allow this society to run on a deficit. It does not work. No country in the history of this world has been able to run their country with deficit spending like some in this body would like this country to run.

Mr. Speaker, we are up against the status quo. Anytime you take on the status quo—and frankly, there are a lot of us who have had enough guts, and there is the momentum this year to take it on—whenever you take on the status quo you are going to be criticized. They are going to blame everything they can on you. Tonight, earlier, I heard one of my colleagues even somehow associating the tragic plane crash last night in Colombia to the Republicans and the balanced budget idea. That is the kind of thing we are being blamed for. We are going to throw seniors out on the street. No more student loans. What a bunch of baloney. No more school lunches for the kids. What a bunch of garbage. That is not going to happen. A year from now the people of this country will be enjoying the fruits of a balanced budget. And you know what? None of these scare tactics being used by the protectors of the status quo will come true.

We can all remember in our own history when Christopher Columbus sailed for the new world. Where was that criticism? ''What is the guy, crazy? The world is flat.'' He had to sail through some rough waters. He had to go through severe criticism, but he did it. Look what happened. He sailed into a new world. In this country, we can do the same thing.

Sure, we get a lot of naysayers around here that say to us, ''You cannot balanced this budget,'' or ''Let us pretend we are balanced it,'' and continue to spend more and more and more. We are being criticized for everything you can imagine, but we are determined to sail through those rough waters. We are determined to deliver to the next generation a balanced budget. We are determined to force the Government in Washington, DC to behave just like every other family in America has to behave. That is that they cannot spend any more money than they bring in.

Mr. SHAYS. Mr. Speaker, will the gentleman yield?

Mr. MCINNIS. I yield to the gentleman from Connecticut.

Mr. SHAYS. Mr. Speaker, the gentleman's analogy of leaving the old world for the new world, I just want to make this point. We have left the old world for the new world, and we are not going back to the old world. We have burned our ships. We are in this new world, and we are determined to save this country from bankruptcy. I thank my colleague for yielding to me.

□ 1930

Mr. MCINNIS. That is what we are going to do. That is the beauty. I know that right now the storm is out. A lot of people like to bring their ships into the harbor when the storm is out there. We are right in the center of it. We are willing and ready to do that, and I think that is the optimistic news for this country.

Mr. Speaker, I will end on an optimistic note. No. 1, the spending and the spending and the spending of this government has to be brought under control. We are going to do it. For those young people in our country, let me tell you, there are so many more things that are going right with this country than are going wrong, and you have a great future. My colleague, the gentleman from Connecticut [Mr. SHAYS], myself, and most of the people, a majority in this body, will deliver to this next generation economic sensibility in the Nation's Capitol. We will deliver to that generation a credit care like the one I have that is not loaded with debt. We are going to do something about it. We are in the new world. We are ready to take the pot shots that people are making at us. We do it for the next generation.

## A CHRISTMAS RECITAL

The SPEAKER pro tempore (Mr. TIAHRT). Under a previous order of the House, the gentleman from California [Mr. DORNAN] is recognized for 5 minutes.

Mr. DORNAN. Mr. Speaker, a Christmas recital. Man does not live by legislative tension alone, and my apologies to Mr. Moore.

The night before Christmas.

T'was the night before Christmas and all through this House, the liberals were playing the cat and the mouse. The budget was hung by threads of despair, while we hoped and we prayed Bill Clinton would care.

The night before nestled all sung in his bed, visions of veto pens danced in his head. He dreamed of Web Hubble all through the night and vowed he would hold out if only for spite.

While out in the land there arose such a clatter, taxpayers demanding, just what is the matter? Balance that budget, shut some Feds down. Our poor Army's in Bosnia, they said with a frown.

The moon on the breast of the new fallen ice gave delusions of grandeur to Hillary; how nice. When what to our wondering eyes should appear, but Willie as Santa, his gang as reindeer, passing out pork in Fed buckets and pales, while frightening the old folks with Medicare tails.

More swooping than vultures his coursers they came, they whistled and shouted and called them by name: Now Al Gore, Panetta, McCurry and Stephie; on Flowers, on Troopers, McDougal and Betsy. From the top of the heap to the top of the Hill, now bash away, bash away, go for the kill.

While back in the House the hurricane rages. The freshmen are busy inspiring the pages. What sad words from ladies, and gentlemen too, who would rather be home with an eggnog or two. Where children and grandchildren snuggle in bed, waiting for Santa, the real one, in red.

But struggle we will until our promise is met, a budget that is balanced; down national debt. A tax break for families with children to raise, a gift to the Nation in conservative days.

And then in a twinkle we heard on this roof the stomping and pawing of each liberal hoof. As the Speaker called order, we all turned around. Bill came through the cloakroom looking smug and quite round. He was dressed all in glitter, because fur is not allowed. He threw Big Macs and french fries all over our crowd. You have won now; it is over, I fear. The budget is signed, my election draws near. But if I should lose, I will still be around. I am heading to Hollywood. It is my kind of town.

He plopped in his sleigh, to his libs gave a yell, and then they were gone like bats out of hell. But we heard him exclaim as they galloped toward heaven. BOB DORNAN impeaching me? Film at eleven.

Mr. Speaker, may I place in the RECORD the update of:

REAL SLEAZE IN THE NOT-SO GAY NINETIES

I. WITH WHOM DOES ANY THINKING PERSON ASSOCIATE THESE NAMES AND EVENTS?

*A. First the good guys & gals*

Jean Lewis and other law respecting workers at the Resolution Trust Corporation.

Paula Corbin Jones—victim of criminal flashing—the ultimate sexual harassment, right up there with criminal groping—worse if you are the employer, i.e. the Governor.

Billy Ray Dale and 6 other innocent Travelgate victims.

*B. Once ''in sin'' but now seeking redemption*

Sally Perdue, Gennifer Flowers, Mailyn Jenkins, and Arkansas Troopers #1, #2, #3, #4, #5 (''J.D.'').

*C. Bad guys:*

Bimbos IV through XX, maybe higher.

James McDougal, cheating owner of Madison Guaranty.

Susan McDougal, embezzler of Zubin Mehta and wife and partner of James.

Bernard Nussbaum, former White House Counsel.

Current convict Webster Hubbell, former Associate Attorney General (No. 1 fix-it man at Justice).

William Kennedy III, former White House Associate Counsel.

Dan ''Cocaine'' Lasater, ex-con who laundered drug money through S&L's and paid Roger's $10,000 cocaine debt, was pardoned by Governor.

James Blair of Tysons Chicken, controlling investments for whom?

Margaret Williams, Chief of Staff and Enemy of Truth.

Patsy Thomasson, F.O.B., Enemy of Truth #2.

Morton Halperin, National Security Counsel, he was rejected for Asst. Sec. of Defense by U.S. Senate.

Hazel O'Leary, Energy Secretary, world traveler.

Bruce Babbitt, Interior Secretary, master of babble.

Strobe Talbott, #2 at State Department (Dayton Conference ''Greize eminence''—brother-in-law of Derek Shear) Time Magazine lying editor and senior F.O.B. in 1992.

Ira Magaziner, former Health Care Reform Guru, can't add simple financial figures.

Roger Clinton, ex-con and former cocaine addict.

Robert Altman, BCCI.

Clark Clifford, BCCI, avoided justice trial.

Catherine Cornelius, president's 24 year old cousin, the failed nepotistic appointment to run White House travel office.

Robert ''Red'' Bone, stock broker who dealt cattle futures punished by Chicago Merchantile Exchange.

Convicted Ex Judge David Hale, John Dean of 1995.

Ron Brown, Commerce Secretary, Rich F. of fired F.O.

Kristine Gebbie, former AIDS Czar.

Henry Cisneros, Housing Secretary.

Bruce Lindsey, Former Deputy Counsel (falsely claimed attorney/client privilege in Whitewater hearing on taxpayer payroll).

David Mixner, senior homosexual fundraiser.

Susan Thomases, F.O.H.

Betsey Wright, Bimbo Patrol ultra fixer-upper.

Jack Paladino, personal detective, ''fixer'' with heavy cash.

Jean Bertrand Aristide, defrocked priest, ''I love the smell of burning flesh,'' anti-Christian, anti-American accessory to multiple murders.

Paula Casey, belated self-recused U.S. attorney in Little Rock—bad memory.

Zoe Baird, botched Attorney General nominee (badly vetted Liberal Victim #1.

Kimba Wood, botched Attorney General nominee (badly vetted Liberal Victim #2 ).

Lani Guanier (badly vetted Liberal Victim #3).

Henry Foster, sometime Abortionist (badly vetted Liberal Victim #4). Double dipping prior female Surgeon General who wanted to teach self-gratification to grade schoolers. Still does. Ugh.

Charles Ruff, liberal Democrat prosecutor, potential political appointee.

Vincent Foster, Marley's ghost for third Christmas in a row, former inside super fix-it lawyer, either a victim or guilt ridden over WACO children deaths and Travelgate assassination of reputations of 7 innocent working folks.

Christophe and the infamous $200 haircut at LAX.

Ex-Trooper Captain Buddy Young, coverup artist and chief of procurers. Double income payoff at F.E.M.A.

II. EVENTS ASSOCIATED WITH WHOM?

$100,000.00 Cattle Futures ''lucky'' trading— or was it criminal ''donation.''

FIve ''culture of death'' executive orders pushing abortion-on-demand for any reason or no reason at all of first working day in office.

Bimbo turf, otherwise known as Astroturf, in pickup truck. Investing in cattle futures for whom?

Normalizing Relations with Vietnam in spite of live sightings and missing heroes (on advice of 'ol Raw Evil MacNamara).

Herb and Lois Shugart, parents of Medal of Honor recipient, refusing to shake President's hand, 25 May '93.

''Loathsome'' letter to Bataan Death March survivor, Colonel Gene Holmes, stating we've come to ''loathe'' the military.

The magnificent but suppressed response from Col. Holmes. Mena Airport.

The return of anti-American, psychotic, defrocked priest to power in Haiti. White House Travel Office worker reputation assassinations. Waco deaths of pregnant women and 20 or more children who were hostages of a cult guru.

Bootlicking by political appointees of Communist Poliburo in Hanoi. Secretive Health Care Task Force of 511 socialists or pointy headed bureaucrats.

Bisexuals and homosexuals in the military.

On MTV: ''Is it boxers or briefs?'' ''Briefs.''Ugh. Worn above or below copiuos love handles??

19 heroes cut down in the allies of Mogadishu, then heroes' bodies dragged by crowds, desecrated and burned.

Offensive photo ops: 4 May '93 30 U.S. on White House South Lawn; 19 July '93 Joint chiefs of Staff, four star rank, everyone used as puppets for pro-homosexual charade. Now that is loathing the military.

50th anniversary of D-Day, 4 June '94, Omaha beach loathsome posing. 1 December 1995 Baumholder, Germany, 1st Armored Division, 10 yard ''Follow me'' march to nowhere with Division staff.

Pornographic, pro-bisexual, pro-homosexual ''AIDS in the Workplace Training'' for all federal employees—temporarily reduced until January 20, 1997.

Whitewater financing of 1986 Arkansas Governors race, 1990 Arkansas Governors race.

August '93, largest tax increase in the history of our nation—the history of any democracy ever!

Military officers ordered to serve hors d' oeuvres at White House picnic.

Socialized medicine for Americans, doctors and nurses be damned.

Encouraging condom ads in family hour, prime time television programming.

Organizing pro-Hanoi demonstrations in a foreign country in 1969 and 1970.

Triple draft dodging, July 1968, April 1969, and political reversal of induction show-up date of 28 July 1969.

Attempting to disarm the law abiding citizens by unconstitutionally circumventing the 2nd Amendment.

Forcible return of Haitian refugees, breaking promises made during '92 campaign.

''I didn't inhale'' vs. ''Sure I would, I tried once didn't I?'' (MTV television appearance. June 1992).

Middle class tax cut—NOT!

Failed BTU tax.

Nannygate, over and over.

White House senior staff abusing U.S. Marine helicopters to zip over to golf courses.

Sacrilege of appropriating our Messiah's Self-description of ''New Covenant,'' (Jesus Christ is the New and Everlasting Covenant. Amen.)

Daughter to elite Sidwell Friends School.

Desire for U.N. control of U.S. troops, everywhere.

Heber Springs Hideaway, ''liaisons dangereuse.''

Vadis Bosnia? Whither goest our emperor's whims?

## AMERICA DESERVES BALANCED BUDGET

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan [Mr. CHRYSLER] is recognized for 5 minutes.

Mr. CHRYSLER. Mr. Speaker, let's be serious about this debate. Despite the rhetoric we're hearing from the White House and my colleagues on the other side of the aisle, there is only one man standing between the American people and the benefits of a balanced Federal budget.

The President signed a contract with us that said he agreed that a balanced budget over the next 7 years, as determined by honest Congressional Budget Office numbers, would be enacted before the end of this year.

Yet the President has dodged and diverted attention for the last month since he signed that agreement and refused to negotiate in good faith toward a balanced budget.

By standing in the way of a balanced budget, the President is denying every American family the benefits of a balanced budget.

Mr. Speaker, a balanced budget will mean a tremendous bonus for every American. According to Americans for Tax Reform, if we balance our budget today:

Over 4.25 million more jobs will be created over the next 10 years.

Per capita incomes will increase by over 16 percent.

Families would save as much as $37,000 off the cost of an average 30-year mortgage of $75,000.

Students would save $2,160 on the cost of an $11,000 student loan.

An average family would save $900 on the cost of a $15,000 car loan.

The Chairman of the Federal Reserve Board, in testimony before this Congress, stated that interest rates would come down at least 2 full percentage points.

Mr. Speaker, our balanced budget plan will also save Medicare from bankruptcy, preserving and strengthening this program for our Nation's seniors. In fact, our plan would increase per beneficiary spending on Medicare from $4,800 this year to $7,100 in the year 2002—that's an increase of $2,300. Only in Washington would anyone try to call that a cut.

A balanced budget is good for America. The country deserves a balanced budget. The President should stop standing in the way of a balanced budget and let Americans see the benefits that will result from putting our country back on sound financial footing.

If we do nothing to balance our budget today, we put every Federal program at risk for tomorrow. In just a matter of years, if we do not balance our budget, every dollar paid by every American in taxes will be used just to pay for entitlement programs and interest on the national debt.

That means no money for education, the environment, roads, bridges, the national defense, and countless other programs.

Already, the debt that we have run up will cost every baby born today over $187,000 over the course of her lifetime just to pay for interest. And that number is only getting higher the longer we wait to balance the budget. This year, the interest we pay on the debt is more than we will spend on the Army, the Navy, the Air Force, the Marines, the FBI, the CIA, and the Pentagon combined.

It is not fair to leave our children this crushing burden of debt. I do not want to leave my children Rick, Phil, and Christie, and my grandchildren Chloe and Heather, with this debt on their shoulders. They don't deserve it. They at least deserve the same opportunities many of us have had when its their turn.

We have got to turn this situation around. We have got to stop spending more than we take in and start living within our means. It is only fair for our children and grandchildren.

If we balance our budget today, we will begin reversing the trend of piling up debt that our children will have to pay and begin to create a brighter future for them.

Mr. Speaker, the American people should know that they are being denied these benefits because the President of the United States refuses to negotiate in good faith toward a balanced budget, and created and bought TV ads nationwide the day before he came to the table to allegedly negotiate.

And last, it is an insult to the intelligence of the American people for the President or the Minority Whip to blame 73 freshmen Members of Congress for the budget impasse.

Just this Monday, this House voted for a 7 year, CBO-scored balanced budget. That's not just the freshmen position. That's the position that 351 Members voted for, Republicans and Democrats.

The only way the freshmen are extreme, is that we are extremely in touch with the American people, who want us to keep our word and balance the budget.

## HAS UNCLE SAM PROMISED AWAY THE AMERICAN DREAM

The SPEAKER pro tempore. Under the Speaker's announced policy of May 12, 1995, the gentleman from California [Mr. HORN] is recognized for 60 minutes as the designee of the majority leader.

Mr. HORN. Mr. Speaker, the question is, has Uncle Sam promised away the American dream? The message today is that by any business standard the United States of America is probably bankrupt. We probably have promised away the American dream.

The first step in ending America's possible bankruptcy is to balance the budget. Why is not America's bankruptcy frontpage news? It is not frontpage news because America's bankruptcy can be explained only by pouring through a massive amount of numbers.

I asked a professional staff member on my subcommittee, the Subcommittee on Government Management, Information and Technology, Dr. Harrison Fox to dig into those numbers and let us see how close we are to bankruptcy, if we are not already in it and simply do not realize it.

Usually, when you talk numbers, most people either say, ''I do not want to be bothered with those numbers.'' Perhaps they are afraid of what story the numbers will tell.

So how do we get the message out that America is going bankrupt? As part of this hour, I will put America's bankruptcy in people terms. How much is your share of the debt? What will your children's tax rate be if we keep funding Federal programs at current levels? What are the top 11 Federal promises? By using the David Letterman-style list, tying the numbers to your family and your children, your grandchildren, your grand nieces, your cousins, and all of us as Americans. By doing that, I think we can begin to appreciate the terrible financial shape in which the Federal Government finds itself. We must begin a discussion of how we are going to work our way our of the bankruptcy mess.

I am going to show a series of tables. Table 1 will have a number of components as we look at various aspects of this problem. The year 2045 might seem to be a long way away. But it is not. Some high school and college graduates will be celebrating their 50th wedding anniversary. If current Federal spending we left on automatic pilot, by the year 2045 then, federal tax rates will have to be raised to an average of over 80 percent of annual income. That would be the average for the people making $35,000 a year or $3.5 million a year.

Currently, the highest income tax rate is 36 percent. We will have a very confiscatory tax rate in the year 2045 unless we do something to redirect this Government over the next few years, the next few decades. The result of such a tax rate to pay the obligations of the Federal Government would mean that families would end up having quite a bit less to spend on life's necessities and life's pleasures.

□ 1945

Paying this tax rate, the average family, which today makes approximately $36,000 a year, would have only $346 per month available to spend on housing compared to the $648 currently available. With $648 monthly, you can pay the mortgage on a house. Now you can get at least one bedroom—maybe two, a living room, and a kitchen for that amount of money in most places but California, New York, and Washington, DC. Compared to the $648 the average American currently spends for housing or an apartment. By 2045 that would be barely enough. With the $346 equivalent left available for housing that would just be enough for a one-room efficiency.

The weekly spending on food would be reduced from $108 to $54. There will be no more family meals at McDonald's, at Wendy's, at Mimi's, at Nino's, even L'Opera.

Available yearly personal spending for medical care would fall from the almost $5,200 it is now down to perhaps $2,600.

When it comes to clothing in 2045, available funds for clothing would drop from the current $2,075, almost $2,100, to a little over $1,000.

And then let us think of transportation. If you are a Californian, you drive your car to the 7-Eleven a block away. By 2045, the average family would only have $130 a month for the car, or mass transportation. In 2045, most would not be able to get much more than a used car with a minimal engine.

And then there is recreation. Families would be spending much less for vacations, visits to relatives, and even going to the movies. They would have available much less discretionary funds than they have now. Why? Because the average Federal tax rate would exceed 80 percent in order to pay the bills of this Government. The yearly amount available in 2045 would decrease from the average of $2,600 today to about $1,038 in 2045.

Federal taxes paid by the average family will have to be more than doubled from the current $14,527 that is the average family's tax in this country to an average family tax of over $30,000 yearly by 2045. And we have not even mentioned the State and local taxes.

If we look at table 2, which is the share one has of the Federal debt, liabilities and assets between 1955 and 1995, the year we are just ending, you can look back over the last four decades, from 1955 to 1995, Congress and a succession of Presidents of both parties have taken on debt and made promises, which are liabilities financially on the Federal Government—you, me, we, the taxpayers—that far exceed the ability of you, your children and your grandchildren and other citizens and residents to pay.

Since 1955, dramatic increases in the Federal debt and other liabilities have occurred. The rapid escalation in Federal promises has not been matched by asset accumulation. That is, the Federal Government has not been saving or purchasing land or other assets that have long-term value.

In current dollars, the debt has increased more than 12 times over the last 40 years. Federal promises, as worthy as some are, as I suggested earlier,

are financial liabilities. They increased more than 1,000 percent, while hard assets, such as land, property, plant and equipment, have increased less than 400 percent.

The average citizen's share of the national debt has increased from $1,652 in 1955 to over $19,000 today.

If the assets of the United States were sold, a citizen's share would have been $1,361 in 1955, and $5,283 this year.

This sounds like a lot of money, until Federal promises are tallied.

If your grandchild—let us say Jonathan Aaron Yavitz or Jefferson Thomas or Michael Gordon or Raul Gomez or Eddie Komomoto—if your grandchild was born this year or next year, they come with a share of these promise—financial liabilities, if you will—bearing with them a bill to pay nearly $193,000 during their lifetime. That is an increase of $175,000 over what their share would have been if they had been born in 1955 when a number of us were just getting out of college.

We are not talking here about the liquidation of all the assets of the Nation to pay the bills. If we were, each one of us would be left with over $185,000 in promises to pay.

By the way, no one is going to sell Yellowstone or Yosemite or Dwight Eisenhower's home in Abilene, KS or Franklin Delano Roosevelt's home in Hyde Park, NY. But there is something terribly wrong with the financial condition of the United States and it is sure to have consequences for each of us, for our children and our grandchildren.

It will take at least 30 years for the United States to work its way out of the overextended promises that have been made by the big government welfare state.

Think of what we are going through now as we simply try to eliminate the annual deficit. On a $1.6 trillion annual budget, we are spending our time arguing between parties, between this institution—Congress—the House and the Senate—and the President of the United States, about how we deal with eliminating that annual deficit, which is generally $250 million, $200 billion, sometimes less, a year, depending upon the interest rates. And we have not even started the discussion as to how we eliminate the annual public debt that goes up and up and up. We are now nudging that authorized ceiling and about to pass the $5 trillion mark. That discussion has not even started.

We are having great difficulty getting the administration to face up to what every American knows: You cannot go on forever spending money. The $100 billion budget of Lyndon Johnson would only pay for half of the interest on the national debt. The interest does not retire that $5 trillion debt. We have to face up to retiring it. And even if we retire the current national debt, we have not faced up to what I am discussing tonight, which is the extended liabilities that go beyond the national debt well into the next century.

As we look at table 3, Federal Spending by Category, of course, we look at the Federal budget outlays—spending, if you will—and the priorities have clearly changed over the last four decades.

The big gainers have been interest payments. As I mentioned, Lyndon Johnson ran the whole domestic government, the war in Vietnam, with over a half a million men and women there into the late 1960's and his budget at that time is what it takes us just to pay half of the annual interest charge on the national debt. That interest payment does not enrich our society. It does not help people and meet our domestic commitments and our national security commitments.

The big gainers besides interest payments are, of course, Social Security—which we have a basic commitment to keep that was brought about by both parties in the 1930's—and Medicare.

As I have said before on this floor, in my role as the legislative assistant to the then Republican whip Senator Thomas H. Kuchel of California, I happened to be a member of the drafting team of Medicare, working with the late Wilbur Cohen, who became Secretary of Health, Education, and Welfare under President Johnson. It was a wise group of Republicans and Democrats which framed that legislation in the Senate on a bipartisan basis and enacted it into law.

Every young person, every parent knows that their grandmother, grandfather needed that help. Look at the escalating costs that have confronted us in this country in hospital care and health care generally. So we need to protect Medicare. That is what we are doing in the current budget battle. You would not know it by some of the scurrilous, stupid comments that we hear on the airwaves, but that is what we are doing.

Then of course we have other mandatory spending since the 1960's:

For Medicaid, called MediCal in California where there is a State match as there is in most States; to assistance to Cuban and Haitian immigrants and refugees. The big losers in funding over the last four decades are primarily domestic and some national security defense programs.

Our Federal Government is now a benefits distribution machine. That is the only category I can think into which fit most of the activities I have mentioned.

By 2002, nearly 75 percent of all spending will be directed toward individuals and, of course, interest payments for the $5 trillion national debt. And if we do not balance the budget by January 1, 1996, and we have a con job that takes us through the November 1996 elections, we will have a $6 trillion budget. And if we keep going as we have been going until this Congress came and this majority came, then that budget will add $1 trillion every 3 or 4 years based on the level of the current annual deficit.

Over the last 40 years, Congress and a succession of Presidents have redefined the Federal mission. In 1955 the Federal mission in spending terms was heavily weighted toward national security, international and domestic programs. Today the predominant Federal mission is to provide citizens with benefits.

In 1955 benefit entitlement spending and interest payments were 12 percent of total Federal expenditures. By 1962—a few years before Lyndon Johnson's Great Society programs began in 1965—etitlements rose to 30 percent. Today they exceed 64 percent of the annual Federal budget.

By 2002, even with the 7-year balanced budget program of our majority in Congress, entitlements and interest are projected to reach 75 percent of the Federal budget.

Since 1955, Federal promises—financial liabilities—have increased from $2.8 trillion to over $50 trillion. When you look at the liabilities as a business would look at liabilities and under laws passed just a few years ago and the standards of the various accountancy boards that regulate that profession, a business must put on its balance sheets the liabilities that it will have to face from either retirement plans for its employees or other obligations and loans that that business has taken to continue its activity.

These estimates that I have made of going from $2.8 trillion to over $50 trillion are not just something we dreamed up one evening. These estimates are based on the Social Security intermediate actuarial scenario projects.

The Social Security Administration has had for decades highly respected actuaries, highly respected outside experts. They have a good record. Medicare also has responsible actuaries. That is why the outside advisers as well as three Clinton Cabinet officers concluded that the system was headed for bankruptcy.

That is why we have provided a Medicare plan that will preserve, protect, and save Medicare and provide options for the first time for the senior citizen. No longer will it be Big Government telling senior citizens what to do. It will be the individual making a choice that is in that individual's self-interest.

So the Social Security Administration has made these projections. Some are high. Some are low. This projection is intermediate. Perhaps it is splitting the difference. These costly promises resulted mainly from rapidly growing new entitlement programs.

Entitlements, very frankly, become political currency.

☐ 2000

What do we mean by political currency? We mean votes. Frankly, that is why three decades ago a lot of us were early drumbeaters for Medicare. Every time an election was around the corner, Congress added benefits to the Kerr-Mills Program that was an ancestor of Medicaid. What we saw was Congress constantly voting benefits but

never voting the taxes to bring in the revenue to pay for those expanded benefits.

Medicare is a very conservative program, although Congress has muddied that up a lot in the last 40 years. And that is why I was an enthusiast of Medicare from the beginning and helped on the drafting team. If Congress provided more benefits, then Congress was to raise the Medicare tax to pay for those new benefits. That idea seems to have been lost somewhere in the last decade or so in this Chamber. But that is why it is a conservative approach. You try to measure the outputs and make sure the inputs in the trust fund will cover those particular outputs.

Now, that political currency of modern America, the votes, obviously affects what we do. And only citizens, by being aroused and angered by the continuation of a budget deficit of billions of dollars, a national debt rising to $5 trillion and going to go to 6 trillion before the end of this century, if we do not do something about it. I am talking about eventually seeking to retire the national debt, or at least lower that debt into a more manageable shape than it now is. We must begin to deal with the unfunded liabilities, which few, if any, are talking about.

Today's conflicts over Medicare, Medicaid, and 80 means-tested welfare programs reflect a reassessment of the Federal mission, and a national referendum on the continued use of entitlement benefits as political currency. The current Federal mission providing citizens with benefits is unsustainable at current levels. Major changes must be made in a number of benefit programs, and we are not talking about Social Security. Every to-be political demagogue is sitting out there waiting for somebody to trip over Social Security. So as the Speaker said, do not even consider touching Social Security. The fact that citizens might have secured greater benefits if Social Security had been properly organized, that is a debate for another time. Citizens should have better benefits under Social Security, but to do that, you are going to have to do what a few other countries are doing.

Priorities have to be set. The performance of current programs must be evaluated and that is the role of every authorizing committee here, every appropriations subcommittee, the Committee on Government Reform and Oversight, and our subcommittee and the others in particular that are the oversight subcommittees. Congress must decide which programs are effective and then how some of them must be administered. That is another battle we are having right now.

Do we continue to administer most programs out of Washington? Is all wisdom here? I was not aware of it. Or do we establish block grants to the States? That would let the governors—who also meet the test of the people every two or four years—administer many programs and adapt them to the needs of the people. There are very able civil servants that exist at the State, county, and city level. They are just as capable as the very able civil servants in Washington, D.C. They can run these programs and they can run them closer to the people and they can adjust them to the particular needs of their State.

When we look at table 4, the Federal spending from 1955 compared to 1995, and recall that the fiscal year 1955 budget was President Dwight D. Eisenhower's first budget to be prepared entirely by his administration for review by the then-Republican Congress. After that, it would be 40 years before a Federal budget would be approved by a Congress controlled by the Republicans.

And look what happened over those 40 years? First remember that not one dime can be spent by the executive branch of this government unless this House with the Senate passes a law which provides for a permanent appropriation. In brief, pass a law that make a program an entitlement. It is the Congresses before 1995 that have spent, spent and spent. And now we are trying to change that, not by cuts. The attempt is to slow the growth and have better programs .

Can we save a trillion out of revenue increases of several trillion? We can and we will.

During the last 40 years, Social Security spending has increased from 3 percent of the Federal budget to 22 percent. Medicare was not funded until 1967. Today it receives an allocation of 11 percent of the Federal budget. Other mandatory spending programs have increased from zero to 16 percent of the Federal budget. Other mandatory spending programs have increased from zero to 16 percent of the Federal budget. Today discretionary spending has a much lower proportion of the annual budget than it did in 1955. The national security budget allocation has been reduced from 63 percent of the total budget in 1955 to 18 percent in 1995.

Other domestic spending has decreased from 24 percent to 18 percent. Interest costs, however, have increased from 9 percent, when Eisenhower was President, to 15 percent. That is because our national debt has risen from less than a trillion dollars to almost 5 trillion today.

The bottom line is that the Federal Government's spending priorities have changed significantly over the last 40 years. The Federal Government's major role has been redirected from program initiator to benefits provider.

Today nearly 50 percent of Americans receive some form of government payment. Is this the essence of the American dream? A resounding ''no,'' I think most of us would say. And increasingly the voters are going to shout it so all elected officials can hear.

Members of Congress, parents, government workers, the media, every citizen must have the courage to seek the truth about what is happening fiscally in our Federal Government today.

If we look at table 5, the growth of assets and liabilities, 1955 compared to 1995, we see that since 1955 Federal assets have increased six times while liabilities have skyrocketed by a factor of 18. Why does the Federal Government have a significant asset liability mismatch? Because little attention has been paid to tie in revenues, taxes, fees, duties, to each specific promise and spending decision as we do in our family and business. The Federal Government operates using a cash budget that is ill-suited for looking out into the future. Thus our future spending commitments overwhelm our capacity to raise revenues.

Our option is to cut some programs dramatically. A second option is to increase taxes. A third option is to create more debt. The latter two options have been rejected by those of us in the Congressional majority.

What does this asset liability mismatch really mean for future spending and citizen taxes? Matching assets and liabilities is prudent fiscal policy. Spending and taxes are linked to Federal liabilities through the debt. Just as a family must not spend more than it earns, over the long run governments must make sure that revenues match expenditures. Federal debt reduction will be a key factor in determining each family's standard of living in the 21st century.

Many nations—including New Zealand, Singapore, Taiwan—and the European Economic Community have recognized the importance of matching revenues to equal expenditures. Many nations as well as State and local governments in this country have recognized the importance of matching specific assets, such as dedicated trust funds—as in the case of Social Security and Medicare—with the promises that are made.

Federal regulatory agencies, such as the Comptroller of the Currency, have required banks to match assets with their liabilities—their promises—in order to protect the government from losses. We should expect at least as much from the Federal Government when it makes long-term promises, and these promises should be matched to anticipated assets or income streams so that all who are entitled to the benefits will know that they are there.

Table 6 looks at the top six Federal assets, again, comparison from the Eisenhower administration to today. The bottom line for the Federal Government is the need to manage its assets in a prudent manner. By far the most important Federal asset is the power of the Government to tax. The power to tax results in the cash flow that sustains the yearly obligations of government.

I think it was Mr. Justice Holmes who said taxes are the price we pay for civilization, although I am also aware that taxes are rather heavy in a few dictatorships.

For the last quarter century, in the United States, tax revenues have been less than Government expenditures, thus the deficit. And the deficit which consumes our attention does not even consider the long-term unfunded liabilities which we are now discussing. The power to tax is what the Federal Government is expected to collect in fees, duties, and individual corporate taxes.

Expressed in today's dollars, over the next 75 years, the power to tax makes up over 95 percent of all Federal assets. This was true for both 1955 and 1995.

The willingness of citizens to pay taxes is what keeps our government operating. Between 1955 and 1995, using the value of the dollar for each period, the power to tax has increased from 3.5 trillion to 20.6 trillion, or a little over six times. Federal asset values have generally increased proportionally over the last 40 years, according to the estimates made by the citizens for budget reform.

One exception is gold. The U.S. gold stocks have been reduced by half since 1955, from 622 million ounces to 262 million ounces. As the price of gold increased from the Government mandated price of $36 per ounce, to nearly $400 per ounce today, the Federal gold stock was being reduced over this period by one half.

Other significant Federal assets include property, plant and equipment, inventories, cash, monetary assets, loans receivable and other assets. Property plant and equipment includes Federal buildings, military equipment, other equipment, construction in progress and land. With nearly 650 million acres of land in its inventory, the Federal Government controls almost 29 percent of the land within the United States. The vast majority of this land inventory is in Alaska, 248 million acres. Over 50 percent of Oregon, Idaho, Nevada, Alaska, Utah are owned by the Federal Government.

Federal land is valued at $20.6 billion. Obviously we must strive to protect our national parks, our national monuments, historic sites, wilderness and other natural wonders. High on this list are the Grand Canyon, Yellowstone, wild and scenic rivers, ancient forests and the home of our Presidents, among other historic homes and monuments. The Federal Government has over $130 billion in loans receivable, not counting the over 60 billion that has been written off by the Internal Revenue Service.

I am planning to hold a hearing on that probably around April 15 to see why that has happened and to try to get us through a debt collection act that will collect the 50 billion they are still owned and another 50 billion the rest of the government is still owed.

There is roughly about $146 billion in inventories. Other Federal assets include the national defense stockpile. My colleagues will remember that years ago with the strategic metals that were placed in it during the cold war. That is valued at $20 billion and 42 billion held in presidential funds directly under the control of the President.

When we look at table 7, we look at the top 11 Federal financial liabilities. Some are very good programs. We all need. We want to preserve them. We want to straighten them out so they will be here for the younger generation who very much doubts that they will ever be around by the time they become eligible due to age or means testing.

□ 2030

The liabilities of the Federal Government include the total of all promises, loans, guarantees, claims, contingencies, contracts, and undelivered goods. In 1955 Medicare and Medicaid did not exist. In 1955 welfare, cash aid, food benefits was funded at very low levels. The major Federal promises of the Government in 1955 were meeting the payments needed to write the benefit checks for Social Security, to pay the interest on the national debt, to pay the claims on deposit insurance if a bank went broke, and to pay for the weapons systems to meet the needs of our Armed Forces at that time.

By 1995 the Federal Government had taken on substantial promises. For example, the retirement-related fiscal liabilities add up to 38 percent of the total 1995 Federal Government liabilities. Future welfare benefits are now responsible for over 24 percent of the total 1995 Federal liabilities. Health-related fiscal liabilities account for 20 percent of our promises and our liabilities.

These three classes of liabilities, retirement, welfare, and health, amount to 82 percent of the Federal Government's long-term promises. Additional liabilities are Federal guarantees of deposits in our banks, our savings and loans, and our credit unions. The deposit insurance fund liabilities equal nearly 6 percent of future promises as of September 30, 1995.

When we look at table 8, the entitlements in the mandatory spending, and what are the top five during the fiscal year 1995, which end on November 1, midnight October 30, the key to a balanced Federal budget depends on how our ability to better manage entitlement benefit programs is carried out. Programs providing entitlement benefits; that is, mandatory spending, includes the vast majority of all Government expenditures.

Entitlements can be grouped into five major categories. There are eight groups of means-tested programs; that is the first category, and we have got in there medical benefits such as Medicaid and eight health programs related in a similar manner; cash aid, there is about 11 programs; food benefits, 11 programs. We have heard a lot about school lunches. The fact is we are substantially increasing school lunches, but you would never know it if you listen to the campaign rhetoric. Housing benefits, 15 programs; education, 17 programs, various services, another 8; jobs and training, 7; and these are the means-tested ones, and energy aid, 2 programs.

Then you have got the Social Security payments in the second category. They make up over one-sixth of all Federal liabilities. Benefits currently being paid total over $300 billion a year. Social Security payments are not assured to all current contributors, and this statement is in quotes.

Young Americans find it easier to believe in UFO's, unidentified flying objects, than the likelihood Social Security will be around when they retire, unquote. That is based on a survey commissioned by Third Millennium, a forward-looking group, and it is a survey of those between 18 and 34 years of age, and they found in that survey that fully three-quarters of the 18- to 34-year-olds had doubts, grave doubts, about their capacity and opportunity to receive Social Security payment when they retire somewhere in their mid-sixties while nearly half of this same group think there are UFO's. so right now it is UFO's one, and Social Security, perhaps half of one.

Pensions and compensation in terms of the other main category. The Federal Government administers over 40 pension and compensation plans. The largest two, for civilian and military employees, account for 98 percent of the Federal Government's pension liability. The unfunded liability of these plans include roughly $905 billion, and the civilian plan is $630 billion—rather for the civilian plan it is $905 billion; for the military plan it is $630 billion. Federal spending for retirement income is thus substantial, but it would be even more so if the Federal Government were required to fund their retirement plans as private companies must fund them, Federal spending would be increased by at least $53 billion per year.

The other fourth category is other retirement plans and health actuarial liabilities which include veterans' compensation, the tragic black lung disease, Federal employees' retirement compensation, as well as other benefits.

Then the fifth category, the unemployment benefits paid in 1995, totaled over $½ trillion. As you know, we pay into that fund, another trust fund.

Mr. Speaker, we need to develop win-win solutions as we redefine Federal retirement, medical health, and unemployment programs. Those with the greatest need should be protected. Those in the middle- and upper-income economic levels should be willing to give up their benefits for reduced taxes and newly designed retirement security programs that are actuarially sound.

When we get to table 9, we are talking about the net worth of the United States, again 1955 compared to 1995. In 1955, which was the third year of the Eisenhower administration, the net worth of the United States was positive. It was slightly under $1 trillion.

By 1995 it was a negative of slightly over, minus, $28 trillion.

Remember now that the national debt is at $5 trillion, and, if nothing is done with the suggestions the majority has made in the House and the Senate to deal with eliminating the annual deficit, it will be $6 trillion, and add another trillion every 3 or 4 years into infinity.

So right now in 1955 you had a plus $1 trillion positive net worth. By 1995 it was a negative of slightly over $28 trillion. Now that is a ''t,'' not a ''b''; that is a ''t'' for trillion dollars. On the average for each year since 1955 over $1 trillion was added to the gross liabilities of the United States. Each year the Federal Government takes into its Social Security trust funds over $340 billion, it pays out to current claimants nearly $300 billion, and it has generally run surplus of about $1 billion a week for the last few years. That is not going to be there forever. As the baby-boomers begin to retire, you will see rapid use of that trust fund, and there will not be a billion dollars a week surplus. Thus each year approximately $40 billion is added to the so-called trust fund. The bad news, as reported by the Treasury Department, is that each year since 1989 the Federal Government has added nearly $400 billion to its Social Security unfunded liability.

Additional liabilities beyond Social Security, such as the increases in entitlements and infrastructure, are estimated to increase each year by at least another $400 billion. If the Federal Government had to follow business balance-sheet practices, dramatic steps would need to be taken since the Federal net worth is less than zero. The Federal Government has much more than a little problem with its net worth. It is faced with a catastrophic situation.

The recent experience in Orange County, CA, is instructive. Citizens and elected officials were not kept up to date about investment policies and related management decisions. Financial disaster struck. Undue interest risks were taken that eventually led to the insolvency of Orange County, one of the richest counties in America.

Our Federal Government is exposed to similar risks. Assuming undue credit risks have cost the Federal Government billions of farm loans, student loans, and small business losses. Mismanagement of Social Security interest rate risks are projected to cost the trust fund a trillion dollars over the next 30 years. Widespread mismanagement of Federal programs, including defense weapons systems, acquisition, job programs, welfare initiatives, have increased management risks resulting in greatly reduced program performance, and I am calling for the Federal Government to use basic financial management accounting and budget tools that are used every day in business and by many of us.

As we get to table 10, the new Federal programs created since 1955, we see that hundreds of new programs have been created over the last 40 years. This Congress has tried to consolidate some of those programs and delegate them to the States with Federal funding, but put them into groupings where they can be manageable. You now have dozens and dozens, hundreds, of competing Federal bureaucracies, dozens in the same area that are not talking to each other, and all they are asking for is additional budget funds, and we do not measure them properly.

The States are way ahead of us. Oregon has a benchmarking program. They worked with the citizens to talk about what is it you expect from government, how can we measure it to know we are satisfying the customer, our taxpayer?

We are not the most reform-oriented government in the world. This majority is, but the Government that is being reformed, has been reformed and I say to my friends on the other side of the aisle they were started by two Socialist prime ministers, and that is New Zealand and Australia. They have dealt with problems that we have ignored. We will now start dealing with those problems.

Programs were created from the 1950's up for almost every imaginable purpose: health care, education, welfare, national security, international assistance, commerce, transportation. The Federal Government has been a program-generating machine during the last 40 years. For instance, the Appalachian Regional Commission, formed in the mid-sixties, has created dozens of highway, economic development, health, and education programs which duplicate many Federal programs. Within the Department of Education new programs were established for Alaska Native culture and arts development, cooperative education, innovative community service projects, upward-bound talent search, student support services, educational opportunity centers, State student incentive grants, national science scholars, teacher corps, Javits fellows, legal training for the disadvantaged, to name but a few, many of them very worthy programs helping a lot of people become constructive citizens in our society. The top six new Federal programs created since 1955 in terms of current spending, however, include Medicare. Benefits reached an estimated $174 billion in 1995. Under the 7-year Balanced Budget Act of the majority which we passed in its proposal to reform Medicare before it went bankrupt, the increase in benefits would total over $100 billion by 2002. Medicare benefits are paid in addition to Social Security to persons over 65. Medicare spending is approaching one-half, 50 percent, of total Social Security benefit costs. In 1995 Medicare spending was $174 billion compared to Social Security payments of $334 billion.

Now medical benefits, which covers a number of programs, includes Medicaid accounts, MediCal, as we call it in California, and since the 1960's there are nine major programs besides Medicare that have been added, and together they account for roughly 89 percent of the medical benefit health category.

Medicaid serves six groups, and many people do not know about these: Current and some former cash recipients, low-income pregnant women, and children, the medically needy, persons requiring institutional care, which is a growing area, low-income Medicare beneficiaries, because it is based on the amount of income one receives, and low-income persons losing current employee coverage, which is a serious problem in society since some corporations, because they had to meet the unfunded-liabilities test, cut off their health benefits for their retirees.

□ 2030

Some are trying to restore that, once they got past the problem of having to deal with accounting standards in the business community.

Other medical groups include veterans without service-connected disability, general assistance, Indian health services, started under President Eisenhower, maternal and child health, community health, family planning, migrant health centers, and medical aid for refugees.

Then we have another one. Nuclear weapons cleanup costs have been escalating almost geometrically over the last few years. The actual nuclear weapons costs cannot be estimated with confidence until Congress and the regulators determine the level of health and safety risks to be assumed. The Department of Energy currently stores 100 million gallons of highly radioactive waste, 66 million gallons of plutonium waste, and even greater quantities of lower-level nuclear waste. At the current level of funding, which is under $10 billion per year, the nuclear cleanup could take 100 years or more to be completed. In 1988 the Department of Energy estimated that the nuclear cleanup costs would be between $66 and $110 billion. Knowing government estimates, I would suggest we just double it to start with.

In 1993, Department of Energy officials raised the cost of the nuclear waste cleanup. They did more than double it, to between $400 billion and $1 trillion. Perhaps we ought to triple that.

Then you have the category of Pension Benefit Guaranty Corporation, and that ensures private pension plans. The total potential liability of the Pension Benefit Guaranty Corporation is nearly $1 trillion. Senator Dirksen, the Republican leader of the Senate when I served on the Senate staff used to say, ''A million here, a million there, pretty soon you are talking about real money.'' Then it got to be ''$1 billion here and $1 billion there, pretty soon we are talking about real money.'' Well, we are now talking about trillions. That is real money.

Then we come to the transportation insurance that is provided for both aircraft and ships that are dedicated to national service during a national emergency. Aircraft under this program were first used in the Gulf War. And we get to the Government National Mortgage Association packages, and the Veterans Administration mortgage loans and Federal Housing Administration mortgage loans for sale into the secondary mortgage loan market. A Federal loan guaranty is issued. At the end of fiscal year 1995, more than $550 billion in loans had been guaranteed.

With the Federal Home Loan Mortgage Corporation, like its slightly older twin, the Federal National Mortgage Corporation, it provides a secondary market for mortgage loans, and the risk to the Federal Government is less than it seems. The Federal Home Loan Mortgage Corporation has nearly $500 billion in gross mortgage loan liability. Even in the worst possible economic scenario, its losses would not exceed 20 percent of the liability.

We look at the conclusion here, and what do all these numbers, charts, tables, figures, tell us? There are five major conclusions we can make out of that. Certainly the first is the Federal Government has changes its mission over the last 40 years from program administration to bestowing benefits on millions of citizens. The Federal Government certainly, in the case of the Veterans Administration and other areas, has a lot of analysis to do. We need in the months ahead to be looking at some of these areas and to do that analysis.

We need, once we get the balanced budget, to stimulate a discussion on retiring the national debt and to stimulate a discussion of the long-term liabilities of this country, so that young people, young adults, when they are interviewed, do not have to say, ''It is more likely that I will see a UFO than I'll see the guarantees the Federal Government now makes to me about Social Security and Medicare.''

While we have prevented Medicare from going bankrupt, if the President signs off on it, we still will have problems with many entitlements, and we need to have more efficiency, more effectiveness than we have had in the past.

Mr. SHAYS. Mr. Speaker, will the gentleman yield?

Mr. HORN. I yield to the gentleman from Connecticut.

Mr. SHAYS. Mr. Speaker, I would love to get the gentleman's chart 3 beside him, because to me it just raises a very interesting point as it relates to democracy. Mr. Speaker, as I read it, and I would love the gentleman to comment, as I look back in 1955, it is fairly clear that nearly 90 percent of all expenditures are what we call discretionary spending, spending that was voted out by the Committee on Appropriations, and that what we call mandatory spending, entitlements, interest on the national debt, was close to 20 percent. We vote on what we call the discretionary spending, then.

What my colleagues seems to point out is that sometime, I gather, in the 1970's or a little beyond, at that point mandatory spending overtook discretionary spending with, I think, tremendous significance, because I was elected 8 years ago. I do not vote on 50 percent of the budget. It is on automatic pilot. In fact, I do not vote on 60 percent of the budget, basically.

Mr. HORN. You vote on only a third of the budget.

Mr. SHAYS. I vote on a third of the budget. Gramm-Rudman, which was attempting to get our financial House in order, only focused in on discretionary spending, so while we tried to control the growth of discretionary spending, nondefense and defense spending, we had entitlements just continuing to grow, and what to me is most alarming, interest on our national debt is about 15.3 percent.

What it seems from looking at that chart, I am just wondering if the gentleman could project this out beyond the year 2002, and tell me if we do not deal with this challenge, what is likely to happen.

Mr. HORN. Mr. Speaker, my second conclusion would be today's spending by the Federal Government for mandatory programs is unsustainable. In other words, Congress needs to get control, one, through modern efficiency and effectiveness. My distinguished colleague [Mr. SHAYS] is chairman of one of the subcommittees, as I am, of oversight on a substantial portion of the Federal Government. You have some of the major spending programs within your jurisdiction, as does the relevant appropriations subcommittee, as do the various authorization committees.

One of our problems with the House and the Senate we that we often have 11 authorization committees for one agency. It is hard to get a focus on it. We are going to have to do a lot better in management of ourselves and the executive branch simply we must think about results, not haggle over how many employees they have here or there. Let us find out what these employees are going. Are they meeting the taxpayers' goals and needs? If we do as they already have done in Oregon, as they have done in Minnesota, as they have done in North Carolina, and South Carolina, then we will finally get a better fix on these programs.

As I suggested earlier, and I think you were in the room for that, with job training we have had a very good approach this year in consolidating many programs, so that the Governors can adjust them to meet local community needs.

Mr. SHAYS. I am struck by the fact that the gentleman points out that we cannot continue to allow mandatory spending to continue to grow and grow. They cannot be sustained. As they grow, it crowds out discretionary spending, though discretionary spending is where you and I and other Members on both sides of the aisle actually have to make choices.

Mr. HORN. Mr. Speaker, another point, I think, that the gentleman from Connecticut is so correct in, Congress, which has only a third of the control over the total budget in terms of discretionary spending, unless the authorizing committees recommend and we pass a law that tightens up some of the criteria on mandatory spending. And of course, one thing we have done is try to bring together some of the related programs so they make some sense.

The average citizen is confused. Where can they get help? That is why your district office and mine and those of the other 433 Representatives in the House, 100 Senators and 5 delegates, have congressional staffs in the field to try to help the average citizen work their way through this vast bureaucracy. A lot of very good programs exist, but they also need to be pulled together so they can be serving real needs, and if they are serving out-of-date needs, we need to face up to it and deal with it.

Mr. SHAYS. I serve on the Committee on Government Reform and Oversight. We have oversight of HHS, and it was described to me by one of the planners, an undersecretary, that when HHS also included Social Security, its total budget was larger than the gross domestic product of Canada, an astounding thought, that here we had this Government agency that spent more money than all the gross domestic product of Canada.

Mr. Speaker, I would just thank the gentleman for his presentation, both in terms of liabilities, which ultimately are continuing to grow, and something we have not even begun to address. But what we are trying to do in this 104th Congress' first session is to slow the growth of mandatory spending, to start to make choices about what parts of our society should get resources. I thank the gentleman.

Mr. HORN. And we want to make them work better. One of the things I said before, besides efficiency and effectiveness, there has been almost no thought given to linking Federal income sources, the assets, with long-term promises, the liabilities. The net worth of the Federal Government, as I suggested, has gone from positive to very severely negative.

The Federal Government's long-term promises, the problem is concentrated among the top 11 financial drains and financial opportunities and financially specified programs. We just have to face up to how we improve those programs, meet the needs of people, make sure that people do not fall through a net that is not a safety net. I think we can do it.

What can be done to straighten out the Federal Government? We are going to discuss some of those possibilities over the next few weeks.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 299, AMENDING RULES OF THE HOUSE OF REPRESENTATIVES REGARDING OUTSIDE EARNED INCOME

Mr. SOLOMON, from the Committee on Rules, submitted a privileged report (Rept. No. 104–441) on the resolution (H. Res. 322) providing for consideration of the resolution (H. Res. 322), to amend the Rules of the House of Representatives regarding outside earned income, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2677, NATIONAL PARKS AND NATIONAL WILDLIFE REFUGE SYSTEMS FREEDOM ACT OF 1995

Mr. SOLOMON, from the Committee on Rules, submitted a privileged report (Rept. No. 104–442) on the resolution (H. Res. 323) providing for consideration of the bill (H.R. 2677) to require the Secretary of the Interior to accept from a State donations of services of State employees to perform, in a period of Government budgetary shutdown, otherwise authorized functions in any unit of the National Wildlife Refuge System or the National Park System, which was referred to the House Calendar and ordered to be printed.

UNAVOIDABLE QUESTIONS REGARDING IMPORTANT NATIONAL ISSUES

The SPEAKER pro tempore. Under the Speaker's announced policy of May 12, 1995, the gentleman from Vermont [Mr. SANDERS] is recognized for 60 minutes as the designee of the minority leader.

Mr. SANDERS. Mr. Speaker, as the only Independent in the Congress, someone who is not a Democrat or a Republican, I want to take this opportunity to raise some questions that my Democratic and Republican colleagues often choose not to deal with, questions which I think get to the root of some of the most important issues facing our Nation. But before I do that, let me say a few words about what is going on in Congress right now in terms of the partial closing down of the Government and the furloughing of some 280,000 American Federal employees.

The Government is shut down, partially shut down tonight for a reason that I think most people do not dispute. That is that the Republican leadership has not been able to pass and get signed the requisite appropriation bills. That is about it, pure and simple. If the appropriation bills were passed, the departments and the agencies would be funded, Government would be running as it always does, and 280,000 Federal employees would not be today furloughed, living in great anxiety, wondering what is going to be happening to them as Christmas approaches.

Mr. Speaker, the reason that the shutdown is taking place is that instead of passing a continuing resolution which would continue the Government's functioning, the Republican leadership is holding hostage the Federal employees, and saying to the President and saying to those of us in the House and in the Senate that ''If you do not pass our 7-year balanced budget proposal, we are going to shut the Government down.'' That is what is going on.

Some of us very strongly object to the Republican 7-year balanced budget proposal. We think that it is right that the country moves forward toward a balanced budget, we think that the budget can be balanced in 7 years, but we very strongly disagree with the priorities that the Republican leadership has established. For example, many of us are terribly concerned about a $270 billion cutback in Medicare, and a $163 billion cutback in Medicaid.

□ 2045

Today the United States remains the only major industrialized Nation on Earth that does not have a national health care system guaranteeing health care to all people. So we already start off in much worse condition than many of the other industrialized nations.

My friend from Connecticut a moment ago mentioned Canada. We border on Canada, and in Canada, every man, woman, and child has health care and goes to the doctor of their choice without out-of-pocket expense. In Europe, different types of programs exist, but in all of the industrialized world, health care is guaranteed to their people. So many of us, therefore, regard it as abhorrent and very frightening that the Republican leadership wants to cut back significantly on Medicare and Medicaid.

Now, I know that many of my Republican friends say well, these are not cuts. Let me talk about that for a moment. If a worker goes to his employer and the employer says, Harry, the good news is that I am going to work out a 7-year contract with you, and today, hypothetically, you make $25,000 a year, but Harry, at the end of the 7 years, guess what? You are going to be making $26,000 a year. We are going to be spending $1,000 more for you at the end of 7 years than we are today. Is that a cut, or is that not a cut?

Well, from the worker's point of view, my guess is that he or she would say, well, you know, thank you, but in 7 years there is a lot of inflation. My food prices are going up, my rent or mortgage is going up; it costs a lot of money to send my kid to college. $1,000 is more than I am making today, but $1,000 over 7 years does not keep pace with inflation.

So you can argue that the employer is spending more money, that is true. But you can also argue that from the worker's point of view at the end of 7 years, in this case, he is going to be significantly worse off because his income has not kept pace with inflation.

Another example: An employer can say to 100 workers that we are going to be spending thus-and-such more for our work force at the end of 7 years, but guess what? We are going to be having more workers. We are going up from 100 workers to 150 workers. Is the employer spending more money? Yes, that employer is. But what happens to the individual worker? It could well be that the wages and benefits that worker receives has gone down.

Within that context, let me say a few words about Medicare. Now, in my State of Vermont, and I do not know that the figures and the statistics in Vermont are much different than the rest of the country, but 12 percent of the people in Vermont who are 65 years of age or older have incomes below the poverty level of $7,360. Forty percent of senior citizens who are single have incomes below $14,270. Nationally what we know is that 75 percent of seniors have incomes less than $25,000. Within that context, let us talk about Medicare.

Under the Republican proposal, Medicare premiums would increase from the current rate of $46.10 per month now to $89 per month by 2002. Between now and 2002, seniors would be forced to pay, therefore, about $1,700 more over that period of time. After 2002, they would pay over $500 a year more for their premiums.

Now, we hear a whole lot of talk from our Republican friends that this is not a cut, we are spending thus-and-such more; but let us look at it from the other perspective. Let us look at it from the point of view of the a senior citizen in the State of Vermont right now who has an income mostly from Social Security of about $10,000 a year, $10,000 a year. Now, for some people with a whole lot of money, a $500 a year increase in premiums may not be a lot of money, and I can understand that. But if you are living on $10,000 a year, $500 increase in premiums is 5 percent of your total income. It makes your Medicare premium payment 10 percent of your total income. That does not include MediGap that many senior citizens take out to cover areas of health care that Medicare does not cover; it does not include prescription drugs. So for elderly people in the State of Vermont and throughout this country who are low income, these cuts in fact are devastating.

Now, in terms of the Medicaid cuts, these are really quite incredible and heartless. At a time when many of us are trying to move this country in the direction of the rest of the industrialized world and are trying to make sure that every man, woman and child in this country has health insurance as a right of citizenship, what Medicaid does is make significant cuts in terms of the number of people who have health insurance.

Under the current Medicaid proposal that our Republican colleagues are

bringing forth, 8 million Americans run the danger of losing the health insurance, the Medicaid that they presently have, and these include some of the most vulnerable and weakest people in this country. We are talking about the danger because Medicaid ceases to become an entitlement program and becomes a block grant left to the discretion of the States. What we are looking at is the possibility of 3.8 million children, children who could lose their coverage, 1.3 million people with disabilities who could lose their Medicaid coverage, and 850,000 senior citizens who could lose their Medicaid coverage.

Further, Medicaid now provides coverage for the premiums and the copayments and the deductibles for many senior citizens. If Medicaid does not cover those premiums and does not cover those copayments and deductibles, you are going to have large numbers of low-income senior citizens who are going to have a very difficult time getting their Medicare coverage.

When we look at the Republican 7-year budget that they want to see passed and by which they are shutting down the Federal Government in order to see passed, we should also understand the gross unfairness of many aspects of that budget. For the life of me, I do not understand how serious people talking about moving toward a balanced budget could be talking about providing $245 billion in tax breaks, in tax cuts, over the next 7 years.

The sad truth is that many of these tax cuts go to upper income people, and one of the areas that is most outrageous is that the Republican leadership wants to move back to the early 1980s by eliminating or cutting back significantly on the minimum corporate tax, the alternative tax that corporations now have to pay. We will go back to the early 1980s and see a situation where some of the largest, most profitable corporations in America will pay nothing in taxes. They will pay less than the average American worker.

Now, how do we talk about that when people are talking about moving toward a balanced budget? Why do we give huge tax breaks to the largest, the most profitable corporations, to the wealthiest people in America and say, we are serious about moving toward a balanced budget, but we give tax breaks to the rich and we are going to cut back on the weakest and most vulnerable people in the country in terms of health care, fuel assistance, and so forth and so on.

Now, when we talk about moving toward a balanced budget, a funny thing happened on the floor of the House today. Today the Intelligence budget came up, the Conference Report came up for a vote, and that is the CIA and the Defense intelligence agency and the other Intelligence agencies. Now, I am not allowed to tell you how much is in the Intelligence budget, but I can say that the Washington Post reports that it is somewhere around $29 billion.

Now, a funny thing happens in terms of the Intelligence budget. The Intelligence budget today is being funded at approximately the same level it was funded at the height of the cold war when the Soviet Union, a superpower, was our enemy. Now, why do we continue to fund the Intelligence budget and the CIA at roughly the same level as we did during the height of the cold war when during the cold war half of our Intelligence budget was used in opposition to the Soviet Union and the Warsaw Pact?

I found it amazing as I was on the floor of the House this afternoon talking about the Intelligence budget that all of the deficit hawks, all of those folks who were telling us how we really have to cut back on the children, the elderly and the poor in order to balance the budget, they were not here talking about the fact that the CIA and the Intelligence community is getting far, far more than it needs, given the fact that the Cold War has ended.

Furthermore, it is an amazing thing that when we talk about deficit reduction, my, my, my, is it not funny that our Republican friends are asking for 20 new B–2 bombers at $1.5 billion each that the Pentagon does not want. But that is okay. It is a strange way to look at deficit reduction by putting $7 billion more this year into the defense budget that the Pentagon wants. More money for B–2 bombers, more money for star wars.

We now have troops in Bosnia, yet every year we continue to spend $100 billion defending Europe and Asia against who, against what? The last I heard, the Soviet Union does not exist, the Warsaw Pact does not exist; yet our taxpayers continue to spend $100 billion a year defending Europe and Asia against whom we do not know. So it is very funny that when we talk about the need for moving toward a balanced budget and deficit reduction, which I support, we also, from the Republican point of view, are talking about significant increases in military spending, increases in the Intelligence budget, huge tax breaks to the wealthiest people in the country.

Furthermore, there is another area that gets relatively little discussion, and that is corporate welfare. A number of months ago I attended a very unusual press conference, because there were people, really right-wing people from the Cato Institute, you had centrists from the Democratic Leadership Conference, the Progressive Policy Institute, and then you have progressives, Ralph Nader and other members from the progressive caucus were there, and we all agreed that every single year this country spends about $125 billion a year in corporate welfare. That is tax breaks and subsidies for large corporations and wealthy individuals.

Amazingly enough, while our Republican friends tell us we have to cut this and we have to cut that and we have to cut programs for homeless people and for the most vulnerable people in this country, they only made a tiny step forward in terms of corporate welfare.

So I would suggest, Mr. Speaker, that it is very wrong for the Republican leadership to hold 280,000 Federal employees hostage while they try to force the President and Members of Congress to accept their disastrous and unfair 7-year approach toward a balanced budget. Yes, we can move forward toward a balanced budget, but we can do it in a fair way and not in a way which hurts tens of thousand of middle-class Americans, working people, senior citizens, children, and low-income people.

☐ 2100

Mr. Speaker, let me move on to a few other issues which I think are of great importance to our country, and let me shock some of the Members of Congress and perhaps some of the viewers by asking this question which I think is not asked terribly often on the floor of this House. That is, to what degree is the United States of America today, in December 1995, actually a democracy?

Are we still a nation in which the ordinary people of this country have the power? Do they have the power to make the decisions through the Congress which impacts on their life? Are we a democracy, or are we more and more moving toward an oligarchy, and that is a Nation that is owned and controlled by relatively few very wealthy individuals and large corporations.

Let us examine that issue for a moment. We hear from our Republican friends every day about the mandate that they have inherited, as a result of last year's election, to slash Medicare, Medicaid, student loans, environmental protection, Head Start, and many other important programs. they have a mandate.

Well, what percentage of the American people voted in the last election? Was it 70 percent? Eighty percent? Recently in Canada when Quebec was debating whether or not to secede from Canada as a whole, 93 percent of their people voted in that election. Sweden recently had an election, last year. Over 80 percent of the people voted in that election. More than 70 percent of the people usually vote in European elections.

What percentage of the people voted to give Mr. GINGRICH and the Republican leadership their mandate? Well, it turns out that 38 percent of the American people voted. Some 62 percent of the people did not vote.

And the very, very sad and scary truth is that the United States has today by far the lowest voter turnout of any major nation on Earth. That is the first point to make. The majority of the people did not vote in that election and very often the majority of the people do not vote.

Second of all in terms of elections, who does vote? What we know is that generally speaking the percentage of those people who vote fluctuates by their income. In America today, by and

large low-income people, poor people, almost do not vote at all.

I suspect that in many States you will have 10, 15 percent of low-income people voting, and because they do not vote and do not participate in the political process, they are red meat for those people who want to go after them because they have no power. You can cut Medicaid, you can cut AFDC, you can cut any program for low-income people. They cannot fight back. They do not vote. Many working people do not vote. The higher income level that you are, the more likely it is that you might vote.

Third, what is important to ask and debate when we talk about our political process is a very important issue, and that is, what role does money play in the political process? Today in America, are we living in a country where just any old person can stand up and say, you know, I have got some good ideas, I want to be Governor of my State or I want to be U.S. Senator, I want to go to the House. Can any American do that?

Well, in one sense they can. But the reality that everybody understands is, is that if you want to run for a major office, for President, for Congress, for Governor, you need to have a whole lot of money. More and more when you pick up the papers and you hear about who is running for Congress, who is running for Governor, what do you hear? You hear millionaire, so forth and so on, is running for the U.S. Senate.

Interestingly enough, let us look at even what is happening recently with Presidential elections. I am not here to criticize Ross Perot. I respect his point of view, for example, on the trade issues and on NAFTA. But I think it is fair to say that nobody believes that Ross Perot would have been a major candidate, a serious candidate for President, as he was, getting 19 percent of the vote, if he was not worth $3 or $4 billion and could put tens of millions of dollars into his own election.

There are a lot of people out there smarter than Ross Perot and smarter than me, smarter than many Members in the House. They cannot run for office because they are not millionaires, they are not billionaires.

Right now there is a Republican candidate trying to get the Republican nomination for President. His name is Mr. Forbes. I am not here to criticize Mr. Forbes, but I think it is widely acknowledged that he would not be a serious candidate if he were not worth hundreds of millions of dollars and were not buying the airwaves in New Hampshire and Iowa wherever there is a primary. He is trying to buy the Presidency.

The same thing is going on all over America in races for the House, races for the Senate, races for the Governor's chair. Millionaires are taking out their checkbooks, writing themselves a check and are spending as much money as they want in order to buy elections. I do not think that is what democracy is about.

And I think it is important to point out that right now in the U.S. Senate, to the best of my knowledge, about 29 percent, 29 Members of the Senate, are millionaires. It is important to point out that in the last election of the Republican freshman class, the revolutionaries, about 25 percent of those people are also millionaires.

That is the trend. If that trend continues, we will have to rename the U.S. House of Representatives into the House of Lords because it will be dominated by people who come from the very upper-income strata of America and not from the ranks of the middle class or the working class of this country.

But it is not only millionaires. It is people running and then going out and having to raise enormous sums of money from big-money special interests. In, I believe, February of this year, the Republican Party held a fund raiser in Washington, DC, and at the end of one night they raise $12 million from some of the wealthiest people in this country and some of the largest corporations. Mr. GINGRICH's history is well known to be an extraordinarily good fund raiser from corporate America and from wealthy people.

So what you end up having is an institution which is composed of many, many wealthy people, and those people who are not wealthy are very often beholden to big money interests.

And then the third aspect of my concern about whether or not we are really a vibrant democracy has to do with the media. How do we get the information out so that people can learn about what is going on in the Congress and other aspects of our life?

Mr. Speaker, I am terribly, terribly concerned by the growing concentration of ownership of the media in America. It is a very serious problem which is not being discussed at anywhere near the length and the degree to which it should be discussed here in the Congress.

It is a scary proposition that NBC is owned by General Electric. General Electric will benefit from the Republican tax proposal. Their taxes will go down. General Electric will benefit from the labor legislation and the antiunion legislation that is being proposed by the Republicans. General Electric gains by increased military spending. General Electric has enormous conflicts of interest in terms of their ownership of NBC.

ABC is owned by Disney right now, the Walt Disney Co. Several years ago the owner of Disney, Mr. Eisner, made $200 million in one year. CBS will shortly be owned by Westinghouse Corp. The Fox Television Network is owned by the right-wing billionaire Rupert Murdoch.

The end result of that is that the corporate ownership of television prevents serious discussions about whole lots of issues that I think the American people should be hearing about. That is an issue of real concern which also I think impacts our ability as a nation to become a vibrant democracy.

Points of view which are different from corporate America's, points of view which are different from the big money establishment are in fact very, very rarely heard in the media. Very often you hear these talk shows and the range of points of view goes from the extreme right to the center.

There is not a progressive point of view which is heard very often on television or for that matter on the radio. It is not an accident that Rush Limbaugh is all over the airwaves, that G. Gordon Liddy is all over the airwaves.

Recently, as you may know, Mr. Speaker, Jim Hightower, former Commissioner of Agriculture in Texas, had a very good, in my view, radio program, from a progressive point of view. It reached out to about 150 different radio stations throughout the country. ABC pulled the plug. He criticized the Disney Corp. and they basically said, ''We don't want that point of view. You're not allowed to criticize the Disney Corp.'' who happens to own ABC.

Mr. Speaker, in one sense when we talk about politics, it can be very confusing to people. Because as you know, politics deals with literally hundreds and hundreds of issues. Every single day there are committee meetings here going on in the Congress which deal with every conceivable problem that anybody could think of.

But in another sense, government and politics really is not all that complicated. That is to a large degree what politics is about, is who gets what. Follow the money.

When the New York Giants play the Dallas Cowboys, at the end of the game, you know who has won the game. Somebody has won, somebody has lost. And to a large degree, Mr. Speaker, politics is very much like that. Somebody or some class or some group is winning. Other groups are losing.

Mr. Speaker, let me talk for a moment about who is winning in our society and who is losing. What is going on in America today in many ways reminds me of Dickens' book the ''Tale of Two Cities'' where he begins it, roughly speaking, ''It was the best of times, it was the worst of times.'' He was talking about the period of the French Revolution.

That is what is going on in America today. It is the best of times for some people. It is the worst of times for many, many other people.

Right now in America the richest people in our country have never had it so good. It is the best of times. The stock market is at an all-time high. Corporate profits are soaring. Our chief executive officers of major corporations now earn about $3 million a year, and it is Christmastime and their corporations are giving them very generous bonuses. In fact, life for the rich in America has never been better.

In the last 20 years, the wealthiest 1 percent of American families saw their after-tax incomes more than double. When we have debates and discussions here, the assumption is that all Americans are in this together, we are all in the happy middle class. Nothing could be further from the truth.

While the wealthiest people have seen their after-tax incomes more than doubled, these very same people, the wealthiest 1 percent, now own a greater percentage of our Nation's wealth than at any time since the 1920's. So for the rich, things are going great. The number of millionaires and billionaires is skyrocketing. They have as many houses as they want, they go on vacations all over the world, they drive around in their big fancy limousines.

Things are really great for those people who attend the fund-raising dinners that contribute to pay $1,000 a plate to the political parties. In Vermont, I often ask people when I have town meetings, ''Anyone go to dinner lately for $1,000 a plate?'' and people laugh because they cannot believe that there are individuals who can pay so much money to a political party.

So for the rich, the people on top, things have never been better. But what about the rest of the population? Mr. Speaker, since 1973, 80 percent of all American families have seen their income either decline or remain stagnant. The average American today is working for longer hours, for less income, and is terribly, terribly frightened about the future for his or her child.

Mr. Speaker, 20 years ago, American workers were the best compensated workers in the entire world. We were No. 1. Today tragically American workers rank 13th among industrialized nations in terms of compensation and benefits.

Mr. Speaker, I am sure that you have read in the newspapers about how many European companies are coming to the United States to invest.

□ 2115

Do you know why they are coming to the United States to invest? This is hard to understand or appreciate for older Americans, even people my age. They are coming to America now because we provide cheap labor. In other words, they can come to America, get hard-working, intelligent workers in this country who will work for $7 an hour, who will work for $9 an hour with limited benefits. On the other hand, in Europe, they would have to pay those same workers $20 an hour or $25 an hour.

Mr. Speaker, adjusted for inflation, the average pay for four-fifths of American workers plummeted by 16 percent in the 20 years between 1973 and 1993. In other words, Mr. Speaker, there is a depression going on now for the vast majority of the working people. That may not be reflected in this institution because many of the people here were elected to represent the people on top. But those of us who see it as our job to represent the workers and the middle class and the low income people, when we go home every weekend, we know that there is a depression out there. In my State of Vermont people are not working two jobs to make ends meet, they are sometimes working three jobs.

Mr. Speaker, as bad as the current situation is for our workers, it is worse for young workers. In the last 15 years, the wages for entry-level jobs for young men who have graduated high school has declined by 30 percent. Twenty years ago there were factory jobs out there that people could get with a high school degree. They did not get rich, but they worked hard and they made it into the middle class. For young women entry-level wages have dropped by 18 percent. Families headed by persons younger than 30 saw their inflation-adjusted median income collapse by 32 percent from 1973 to 1990. In other words, as bad as the situation is for the average American worker, it is worse for our young workers.

Mr. Speaker, Americans, if you can believe this, at the lower end of the wage scale are now the lowest-paid workers in the entire industrialized world. Eighteen percent of American workers with full-time jobs are paid so little that their wages do not enable them to live above the poverty level. And this decline is not just for high school graduates. It is for college graduates as well.

Between 1987 and 1991, the real wages of college educated workers declined by over 3 percent. Over one-third of recent college graduates have been forced to take jobs not requiring a college degree, twice as many as 5 years ago.

Mr. Speaker, one of the great crises in our country today is that the majority of new jobs being created today pay only $6 or $7 an hour, jobs that offer no health care benefits, no retirement benefits and no time off for vacations or sick leave. In fact, more and more of the new jobs that are being created are part-time or temporary jobs. In 1993, one-third of the United States work force was comprised of contingent labor. That number, that is temporary workers. That number is rapidly escalating.

Mr. Speaker, I see my friend from Hawaii is here. I will get to him and share the mike, if I can, in a few moments, if we can do that.

Mr. Speaker, in the past 10 years the United States has lost 3 million white collar jobs; 1.8 million jobs in manufacturing were lost in the past 5 years alone. Mr. Speaker, I find it interesting that our Republican friends are so anxious to provide huge tax breaks for large corporations. Boy, are they ever deserving.

Why should we not give Ford and AT&T and General Electric and ITT and Union Carbide major tax breaks? After all, these five companies alone have themselves laid off over 800,000 American workers in the last 15 years. In other words, sure, let us give them huge tax breaks where the CEOs are making huge salaries, where they are taking our jobs to Mexico and to China, where they are downsizing all over the place, why not reward them? Sure. Let us lower their taxes so we can raise taxes on the working poor by cutting back on the earned income tax credit or by cutting back on a whole host of other benefits.

Mr. Speaker, today the richest 1 percent of our population owns close to 40 percent of the nation's wealth. I do not hear my Republican or many of my Democratic friends talking about this too much. The richest 1 percent now own more wealth than the bottom 90 percent; 1 percent here, 90 percent there.

In fact, the wealthiest 1 percent are worth, were worth $3.6 trillion in 1992 or the bottom 90 percent, the vast majority of the people, were worth $3.4 trillion. Today we have in this country the most unfair distribution of wealth in the industrialized world, and that gap is growing wider.

I know some people think, well, in England they have the kings and the queens and the dukes, all that royalty, boy, that is real class society. Well, guess again. We have a more rigid and more unfair class situation in America today than England does by far. Prof. Edward Wolf of New York University recently said we are the most unequal industrialized country in terms of income and wealth, and we are growing more unequal faster than any other industrialized country.

What is going on basically is that the rich are getting richer. The middle class is shrinking, and poverty is increasing. Mr. Speaker, in 1980, the average CEO earned 42 times what the average factory worker earned. Today that CEO now earns 149 times what that factory worker is earning. Rich get richer; everybody else gets poorer.

Mr. Speaker, I want to say a word about the deficit, a very important issue. I find it interesting that many of our friends who want to cut Medicare and Medicaid, environmental protection, workers rights, student loans, because they are very concerned about the deficit, they do not talk about the causation of the deficit. How did we get to where we are right now? One of the things that is not talked about here very much is the tax structure of America.

In 1977, President Carter, a Democrat, and in 1981 and 1986, President Reagan, a Republican, instituted so-called tax reform with the support and approval of the mostly Democratic Congress. The result of this so-called tax reform was to significantly lower taxes on the wealthy and the large corporations and raise taxes on almost everyone else. Taxes on the very wealthy were cut by over 12 percent, while taxes on working and middle class Americans increased.

One of the, quote unquote, reforms was a major increase in the regressive Social Security tax. According to a

study conducted by the House Committee on Ways and Means, the top 1 percent of taxpayers saved an average, saved an average $41,886 in 1992 over what their taxes would have been at 1977 rates. In fact, and, gee whiz, I do not know why we do not talk about this too much, but if, in fact in 1977, individual Federal tax rates had been in effect in 1992, the nation's wealthiest 1 percent, the very richest people in America, would have paid $83.7 billion more in taxes, which is about half of what the deficit is right now.

So in other words, from 1977 to 1981 and 1986, we gave huge tax breaks to the rich and the large corporations, helped create the deficit. And now to solve the deficit crisis we cut back on Medicare, Medicaid, fuel assistance, affordable housing, student loans and many, many other programs. You give to the rich and you take from the poor and the working people.

Mr. Speaker, I am delighted that the gentleman from Hawaii [Mr. ABERCROMBIE] has joined us.

Mr. ABERCROMBIE. Mr. Speaker, I thank the gentleman from Vermont. My remarks at this stage have to do precisely with this question of the deficit and very frankly, Mr. SANDERS, why we are here this evening. It may be that some of our colleagues and perhaps others who will be paying attention to our remarks here are wondering why four days before Christmas are we here doing this?

For those who are not aware, perhaps even among our colleagues, we passed a, not we, I think the gentleman and myself voted against it today, a resolution to go on recess. Perhaps you could comment, has this deficit gone on a recess? Has this lust to so-called balance the budget gone on a recess?

Mr. SANDERS. As I said earlier, it seems to me to be extremely cruel for Congress to go into recess, and I know that you and I voted against that, for Congress to go into recess while 280,000 Federal employees are living in a great deal of anxiety, not knowing what is happening to their financial situation, while millions of Americans who are dependent upon government services are unable to get those services, that has not gone into recess.

Mr. ABERCROMBIE. If I am not mistaken, is not the gentleman from Vermont a member of the veterans' committee?

Mr. SANDERS. No, I am not.

Mr. ABERCROMBIE. I beg your pardon. I had heard you speaking previously at one point, if I am not mistaken, about veterans' programs.

Mr. SANDERS. Absolutely right. One of the outrages of what is going on in terms of the overall budget that the Republicans are bringing forth is, you know, I always get a kick out of, on Veterans Day, all the politicians going out, thank you, veterans, for all of your sacrifices. God only knows the terrible sacrifices in World War II and Korea and Vietnam and elsewhere that your veterans made, many of them wounded in body and in spirit. Yet the Republican budget over a 7-year period would make slashing cuts in the VA and in veterans' programs.

Right now, thank God, last night we were able to late at night, as you know, we were able to make sure that our veterans' pensions and their compensation checks were able to go out, but in fact the VA still remains largely closed down. And those people who want to apply for new VA veterans' benefits are unable to do so while this Congress goes into recess.

Mr. ABERCROMBIE. Is it not a fact, though, that those veterans, whom we are all very happy about in terms of at least being able to receive some benefits, they in fact are voters? Is there not a large group of people, is it not a fact that there is a large group of people, the children of this country, who are going to be aversely affected or left out of the equation?

Mr. SANDERS. Obviously, one of the frightening aspects of what is going on right now, and we hope that it will be rectified, but we do not know that it will, is you have millions and millions of children on AFDC, whose families have basically no money, who will suffer incalculable pain if those checks do not go out.

Seventy percent of the people on welfare in this country are children. We are concerned that Medicaid appropriations go out to the States so the people who utilize the Medicaid program receive the funding that they need. But the point that you are making is well taken. The children will be hurt very, very seriously unless this government reopens and unless the programs that we have pledged to provide for them are in fact provided.

Mr. ABERCROMBIE. In that context, if the budget as proposed by the Republican majority, all of whom have disappeared tonight, comes into effect, is there not another class of vulnerable people who will be adversely affected, the elderly in need of Medicare assistance, particularly those in nursing homes?

The gentleman may be aware of a Consumers Union and National Citizens Coalition for Nursing Home Reform report which just came out, and I am quoting from it, saying that the budget reconciliation bill that we have yet to consider from the Republican majority, and I am quoting now, ''would endanger the lives of America's most vulnerable elderly citizens'' by providing no standards of care.

□ 2130

I know the gentleman has spoken in the past in this area, that, minus the rules that are in effect now enforced by the Federal Government, the much maligned Federal Government, it is easy to talk about it when it is taxation, but when it comes to assisting the helpless, assisting the elderly, assisting those most in need, which is, after all, the fundamental basis of governmental assistance in the first place, are we taking care of those in the community that need the assistance? Is it not the case, would the gentleman agree, that it is precisely those people on Medicaid, in the nursing homes, who need the protection of Government, who would be most adversely affected should this budget move forward?

Mr. SANDERS. I would simply say, as I said earlier, and it is painful to have to say this at the holiday season especially, that it is a very sad state of affairs when this Government is cutting back on the weakest and most vulnerable people, elderly people in nursing homes, senior citizens who try to exist on $7,000 a year or $10,000 a year, low-income children, and we already have—one of the things that is really upsetting is that in addition today, before any of the Republican cuts would go into effect, this Nation today has by far the highest rate of childhood poverty in the industrialized world, and, as I think my friend from Hawaii knows, the estimate is, if the so-called welfare reform bill goes through, another million-and-a-half children will be added to the poverty rolls.

What sense—what is this Congress about when we increase childhood poverty, when we cut back on disabled people, on vulnerable senior citizens in order to give tax breaks to the richest people in this country, whose incomes are already soaring, to the largest corporations who are already enjoying record-breaking profits as they take our jobs to Mexico and China?

Mr. ABERCROMBIE. Is it not the case then in the very areas where we are cutting children and elderly, in those very cases where there are clear changes adversely affecting those groups, that the gentleman had made a detailed presentation this evening on, the exact opposite situation coming into effect when it comes to what I call tax giveaways? These are not cuts, although it is portrayed in the press over and over again, I guess in shorthand version, $245 billion in tax cuts as if something was being taken away. Is it not the case, is it not the fact, that it is the exact opposite, that these are giveaways, that the speculative stock market that is operating right now is waiting with the proverbial bated breath for these tax giveaways to come into effect so they can take advantage of the speculative market that has been created?

Mr. SANDERS. My friend has been in politics for long enough to know that when people invest hundreds of thousands of dollars into a political party, when they give candidates large sums of money, what they are doing is making an investment for the future that is not bad. So, if a large company contributes a large amount of money to a party, and occasionally to the Democratic Party, and what they end up getting is major tax decreases, if the rich pay less in taxes, it is a pretty good investment.

Why not contribute a thousand dollars and pay $5,000 less in taxes?

Sounds like a pretty good deal to me, and that is, of course, what is going on.

What I would like to do with the gentleman's indulgence for a moment is to provide an alternative point of view as to where we should be going as a country, and let me just touch on a number of issues that I think this Congress should be dealing with tomorrow. Instead of cutting Medicare, and Medicaid, and student loans, let us look, in fact, what a Congress that was responsive to the needs of middle-class Americans and working people might be doing:

No. 1, raise the minimum wage. We cannot continue to have a minimum wage of 4-and-a-quarter an hour and have people working 40 hours a week and still living in poverty. The new jobs that are being created are low-wage jobs. Raise the minimum wage to at least $5.50 an hour.

Second, when we talk about welfare reform, and welfare does need to be reformed, we need jobs, we need jobs rebuilding America. There are so many needs, I am sure in Hawaii, and in Vermont, and all over this country. Our infrastructure is falling apart. We need help in improving our environment. Instead of laying off teachers, we need more teachers, we need more people going out to prevent disease. We can put large numbers of people to work at meaningful, important jobs at decent-paying wages instead of spending a hundred billion dollars a year defending Europe and Asia against a nonexistent enemy.

Let us rebuild America and put our people to work doing so.

Mr. ABERCROMBIE. Would the gentleman agree then perhaps his $240 to $245 billion that is now scheduled to go in tax giveaways might better be invested then in the people's structure and infrastructure of our country?

Mr. SANDERS. Of course we could cut back on the cost of welfare and unemployment insurance by rebuilding this country and putting our people to work.

Another issue that we do not talk about virtually at all here is you know we hear every day about the serious problem, and it is a serious problem, of the national deficit, which this year is about $160 billion, and I should remind my colleagues that the deficit has almost gone down by half in the last 4 years, but it is a serious problem. But there is another deficit out there that we hardly ever talk about. That is the trade deficit.

Mr. Speaker, this year our trade deficit will be at a record-breaking level, about $160 billion. The economists tell us that, for every billion dollars in trade, an export creates about 20,000 American jobs. That means—and often good-paying jobs. That means that $160 billion trade deficit equates to about 3 million jobs that we are losing as opposed to having a budget-neutral trade deficit.

In my view the NAFTA proposal was a disaster when it was proposed, and now, after it has been in place, it has turned out to be an absolute disaster. We have to repeal NAFTA, we have to repeal GATT, we have to repeal most-favored-nation status with China.

One of the untold secrets about what is going on in this country is that corporate America is, in fact, creating millions of decent-paying—millions of jobs, millions of jobs every year. The only problem is those jobs are not being created in America. They are being created in Mexico where you could get a good, hard workers for 50 cents an hour, they are being created in China, where you can get workers there for 20 cents an hour, they are being created in Malaysia, all over the Far East.

We need to radically change our trade policy, reward those American companies that are investing in this country and providing jobs for our workers, and figure out a way to demand that corporate America reinvest in this country and not run to China and to Mexico.

Further, it seems to me that, if we talk about justice, which is a word not often used on the floor of the House, we must reform the tax system to make it fair. We cannot continue to have the most unfair distribution of wealth and income in the industrialized world. Between 1977 and 1989 Carter and Reagan and the Congress gave the highest earning 10 percent of Americans a tax cut of $93 billion a year. Clearly what we need to do is move forward toward a simple, but progressive, tax system which says to the wealthiest people in this country they have got to start paying their fair share of taxes so that we can deal with the deficit, so that we can lower taxes on the middle class and the working people.

Also I think when we talk about, and I know my colleague from Hawaii shares my concern on this issue; it is very sad, it seems to me, that we have now got to spend all or our energy fighting against the disastrous cuts in Medicare and Medicaid rather than moving forward toward a national health care system guaranteeing health care to all people. What absurdity that right now, as a result of Republican proposals, more people are going to lack insurance. Clearly we should be moving forward, in my view, toward a single-payer State-administered system which guarantees health care to all Americans, and that is an issue we cannot forget.

Yes, we have got to fight against the Medicare and Medicaid cuts, but, on the other hand, we have got to retain that vision for fighting for a national health care system which guarantees health care to all.

Mr. ABERCROMBIE. I believe the gentleman would agree that the proposal before us now, far from creating a national health care system, would do the exact opposite.

An article from the New York Times from the 31st of October indicates, and I am quoting:

> The House version of the legislation would allow doctors to start physician-run health groups without the financial and regulatory requirements that States impose on similar organizations. Instead the House bill would authorize development of a new Federal regulation to police the doctors. The bill could make it easier for doctors to set prices in a way that now violates antitrust laws.

This would be the ultimate result.

I know the gentleman's time is coming fairly close to an end. I just want to indicate at this juncture that I stand with him on this, and I think it is very important during these special orders for us to come down here and try and cut through the ritualized rhetoric that is on the floor about a balanced budget and start talking about balancing our communities in terms of opportunity and justice.

Mr. SANDERS. I thank the gentleman from Hawaii [Mr. ABERCROMBIE] for joining me, and let me just concluded by saying two other things.

No. 1, it goes without saying that we need campaign finance reform so that big money cannot continue to buy the U.S. Congress, and we also need to reform labor law. There are millions of American workers who would like to join unions so that they could better fight for their rights on the job, so they can get a fair shake, and yet labor law today makes it almost impossible to do that. Almost all of the power rests with the employer. It is very hard for workers to organize. We need labor law reform.

Let me simply conclude by thanking my friend from Hawaii for joining me, but for also saying to the American people do not give up on the political process. Some want you to do that. If you are a low-income person or working person, what they want to say to you is hey, it is all very complicated, do not get involved, everybody in Congress is a crook, the whole thing is corrupt, you do not want to get involved.

Do not believe a minute of it. The wealth and the big money interests, they know how the political system works. They are the ones who contribute huge amounts of money to the candidates of their choice and the political parties of their choice. They are the ones who have lobbyists knocking on our doors every day so we can give more tax breaks to the rich, so we can make it easier for them to take our jobs to Mexico or China.

Mr. Speaker, if this country is going to be turned around, tens of millions of working American middle-class people, low-income people, are going to have to stand up and say this country belongs to all of us and not just the very rich. It is not utopian to say that we can create a decent standard of living for every man, woman, and child. We can do it. We do not have to have the most unequal distribution of wealth in the industrialized world.

So, let us get involved, let us vote, let us participate, let us follow what is going on here in Congress. We can turn this country around.

## LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to.

Mr. EDWARDS (at the request of Mr. GEPHARDT), for today, on account of the birth of his son.

Ms. HARMAN (at the request of Mr. GEPHARDT), for today, on account of official business.

Mr. BRYANT of Texas (at the request of Mr. GEPHARDT), for today, on account of attendance at the funeral of a close friend (Max Goldblatt of Dallas).

## SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. PALLONE) to revise and extend their remarks and include extraneous material:)

Mr. POSHARD, for 5 minutes, today.

Ms. KAPTUR, for 5 minutes, today.

Mr. RUSH, for 5 minutes, today.

Mr. VOLKMER, for 5 minutes, today.

Mrs. MALONEY, for 5 minutes, today.

Ms. DELAURO, for 5 minutes, today.

Mrs. SCHROEDER, for 5 minutes, today.

Mr. PALLONE, for 5 minutes, today.

(The following Members (at the request of Mr. FOLEY) to revise and extend their remarks and include extraneous material:)

Mrs. MORELLA, for 5 minutes, today.

Mr. ENGLISH of Pennsylvania, for 5 minutes, today.

Mr. KIM, for 5 minutes, today.

Mr. MICA, for 5 minutes, today.

Mr. GOSS, for 5 minutes, today.

Mr. BUYER, for 5 minutes, today.

Mr. CHRYSLER, for 5 minutes, today.

Mr. NORWOOD, for 5 minutes, today.

Mr. KINGSTON, for 5 minutes, today.

Mr. COLLINS of Georgia, for 5 minutes, today.

Mr. MARTINI, for 5 minutes, today.

Mr. GEKAS, for 5 minutes, today.

Mr. METCALF, for 5 minutes, today

Mr. HUNTER, for 5 minutes, today.

Mr. SAXTON, for 5 minutes each day, today, and on December 22.

Mr. SHAYS, for 5 minutes, today.

(The following Member (at her own request) to revise and extend her remarks and include extraneous material:)

Ms. WATERS, for 5 minutes, today.

(The following Member (at her own request) to revise and extend her remarks and include extraneous material:)

Ms. NORTON, for 5 minutes, today.

(The following Member (at his own request) to revise and extend his remarks and include extraneous material:)

Mr. MCINNIS, for 5 minutes, today.

(The following Members (at their own request) to revise and extend their remarks and include extraneous material:)

Mr. VENTO, for 5 minutes, today.

Ms. JACKSON-LEE, for 5 minutes, today.

(The following Member (at his own request) to revise and extend his remarks and include extraneous material:)

Mr. DORNAN for 5 minutes, today.

## SENATE BILLS AND A CONCURRENT RESOLUTION REFERRED

Bills and a concurrent resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 1228. An Act to deter investment in the development of Iran's petroleum resources to the Committee on International Relations and the Committee on Banking and Financial Services.

S. 1429. An Act to provide clarification in the reimbursement to States for federally funded employees carrying out Federal programs during the lapse in appropriations between November 14, 1995, through November 19, 1995; to the Committee on Government Reform and Oversight.

S. Con. Res. 34. Concurrent resolution to authorize the printing of ''Vice Presidents of the United States, 1789–1993''; to the Committee on House Oversight.

## ENROLLER BILLS AND JOINT RESOLUTION SIGNED

Mr. THOMAS, from the Committee on House Oversight, reported that that committee had examined and found truly enrolled bills and joint resolution of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 1530. An act to authorize appropriations for the fiscal year 1996 for military activities of the Department of Defense, for military construction, and for defense activities for the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes;

H.R. 965. An act to designate the Federal building located at 600 Martin Luther King, Jr. Place in Louisville, Kentucky, as the ''Ramano L. Mazzoli Federal Building'';

H.R. 1253. An act to rename the San Francisco Bay National Wildlife Refuge as the Don Edwards San Francisco Bay National Wildlife Refuge;

H.R. 2481. An act to designate the Federal Triangle Project under construction at 14th Street and Pennsylvania Avenue, Northwest, in the District of Columbia, as the ''Ronald Reagan Building and International Trade Center'';

H.R. 2527. An act to amend the Federal Election Campaign Act of 1971 to improve the electoral process by permitting electronic filing and preservation of Federal Election Commission reports, and for other purposes;

H.R. 2547. An act to designate the United States courthouse located at 800 Market Street in Knoxville, Tennessee, as the ''Howard H. Baker, Jr. United States Courthouse'';

H.J. Res. 69. Joint resolution providing for the reappointment of Homer Alfred Neal as a citizen regent of the Board of Regents of the Smithsonian Institution;

H.J. Res. 110. Join resolution providing for the appointment of Howard H. Baker, Jr. as a citizen regent of the Board of Regents of the Smisthsonia;

H.J. Res. 111. Joint resolution providing for the appointment of Anne D'Harnoncourt as a citizen regent of the Board of Regents of the Smithsonian Institution; and

H.J. Res. 112. Join resolution providing for the appointment of Louis Gerstner as a citizen regent of the Board of Regents of the Smithsonian Institution.

## BILLS PRESENTED TO THE PRESIDENT

Mr. THOMAS, from the Committee on House Oversight, reported that that committee did on the following day present to the President, for his approval, bills of the House of the following title:

On Dec. 20, 1995:

H.R. 395. An act to designate the United States courthouse and Federal Building to be constructed at the southeastern corner of Liberty and South Virginia Streets in Reno, Nevada, as the ''Bruce R. Thompson United States Courthouse and Federal Building''.

## ADJOURNMENT

Mr. ABERCROMBIE. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 9 o'clock and 43 minutes p.m.), under its previous order, the House adjourned until tomorrow, Friday, December 22, 1995, at 9 a.m.

## EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1867. A letter from the Director, Defense Security Assistance Agency, transmitting the fiscal year 1995 annual report on the operation of the special defense acquisition fund, pursuant to 22 U.S.C. 2795b(a); to the Committee on International Relations.

1868. A communication from the President of the United States, transmitting an updated report concerning United States support for the United Nations and North Atlantic Treaty Organization [NATO] efforts to bring peace to the former Yugoslavia (H. Doc. No. 104–151); to the Committee on International Relations and ordered to be printed.

1869. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. Act 11–158, ''Child Support Enforcement and Compliance Amendment Act of 1995,'' pursuant to D.C. Code, section 1–233(c)(1); to the Committee on Government Reform and Oversight.

1870. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. Act 11–163, ''Uniform Foreign Money Judgments Recognition Act 1995,'' pursuant to D.C. Code, section 1–233(c)(1); to the Committee on Government Reform and Oversight.

1871. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. Act 11–164, ''Uniform Foreign Money Claims Act 1995,'' pursuant to D.C. Code, section 1–233(c)(1); to the Committee on Government Reform and Oversight.

1872. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. Act 11–165, ''Real Property Tax Rates for Tax Year 1996 Temporary Amendment Act of 1995'', pursuant to D.C. Code, section 1–233(c)(1); to the Committee on Government Reform and Oversight.

1873. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. Act 11–166, ''Council Contract

Approval Modification Temporary Amendment Act of 1995'', pursuant to D.C. Code, section 1–233(c)(1); to the Committee on Government Reform and Oversight.

1874. A letter from the Commissioner, Social Security Administration, transmitting the annual report under the Federal Managers' Financial Integrity Act for fiscal year 1995, pursuant to 31 U.S.C. 3512(c)(3); to the Committee on Government Reform and Oversight.

## REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. SHUSTER: Committee on Transportation and Infrastructure. H.R. 2567. A bill to amend the Federal Water Pollution Control Act relating to standards for constructed water conveyances; with an amendment (Rept. 104–433). Referred to the Committee of the Whole House on the State of the Union.

Mr. CLINGER: Committee on government Reform and Oversight. Creating a 21st Century Government (Rept. 104–434). Referred to the Committee of the Whole House on the State of the Union.

Mr. CLINGER: Committee on Government Reform and Oversight. Making Government Work: Fulfilling the Mandate for Change (Rept. 104–435). Referred to the Committee of the Whole House on the State of the Union.

Mr. CLINGER: Committee on Government Reform and Oversight. The FDA Food Additive Review Process: Backlog and Failure to Observe Statutory Deadline Rept. 104–436). Referred to the Committee of the Whole House on the State of the Union.

Mr. CLINGER: Committee on Government Reform and Oversight. The Federal Takeover of the Chicago Housing Authority—HUD Needs To Determine Long-Term Implications (Rept. 104–437). Referred to the Committee of the Whole House on the State of the Union.

Mr. CLINGER: Committee on Government Reform and Oversight. Voices for Change (Rept. 104–438). Referred to the Committee of the Whole House on the State of the Union.

Mr. YOUNG of Alaska: Committee on Resources. S. 1341. An act to provide for the transfer of certain lands to the Salt River Pima-Maricopa Indian Community and the city of Scottsdale, AR, and for other purposes (Rept. 104–439 Pt. 1). Referred to the Committee of the Whole House on the State of the Union.

Mr. SOLOMON: Committee on Rules. House Resolution 322. Resolution providing for consideration of the resolution (H. Res. 299) to amend the Rules of the House of Representatives regarding outside earned income (Rept. 104–441). Referred to the House Calendar.

Mr. MCINNIS: Committee on Rules. House Resolution 323. Resolution providing for consideration of the bill (H.R. 2677) to require the Secretary of the Interior to accept from a State donations of services of State employees to perform, in a period of Government budgetary shutdown, otherwise authorized functions in any unit of the National Wildlife Refuge System or the National Park System (Rep. 104–442). Referred to the House Calendar.

## REPORTED BILLS SEQUENTIALLY REFERRED

Under clause 5 of rule X, bills and reports were delivered to the Clerk for printing, and bills referred as follows:

Committee on Resources. H.R. 497. A bill to create the National Gambling Impact and Policy Commission, with an amendment; referred to the Committee on Resources for a period ending not later than February 9, 1996, for consideration of such provisions of the bill and amendment as fall within the jurisdiction of the committee pursuant to clause 1(1), rule X.

## DISCHARGE OF COMMITTEE

Pursuant to clause 5 of rule X the following action was taken by the Speaker:

S. 1341. The Committee on Banking and Financial Services discharged from further consideration. Referred to the Committee of the Whole House on the State of the Union.

## TIME LIMITATION OF REFERRED BILL

Pursuant to clause 5 of rule X the following action was taken by the Speaker:

S. 1341. Referral to the Committee on Banking and Financial Services extended for a period ending not later than December 21, 1995.

## PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CRANE:

H.R. 2822. A bill to amend title VII of the Tariff Act of 1930 to provide authority for the temporary suspension of antidumping and countervailing duties under limited market conditions; to the Committee on Ways and Means.

By Mr. GILCHREST (for himself, Mr. CUNNINGHAM, Mr. RICHARDSON, Mr. BOEHLERT, Mr. BILBRAY, Mr. GOSS, Mr. YOUNG of Alaska, Mr. PACKARD, Mr. CASTLE, Mr. LAZIO of New York, Mr. GILLMOR, Mr. KOLBE, Mr. SHAYS, Mr. HUNTER, Mr. KLUG, Mr. HANSEN, Mr. POMBO, Mr. CARDIN, Mr. DEFAZIO, Mr. COBLE, Mr. EHLERS, Mr. UPTON, Mr. DAVIS, Mrs. MORELLA, Mr. TORKILDSEN, Mr. FOLEY, and Mr. BLUTE):

H.R. 2823. A bill to amend the Marine Mammal Protection Act of 1972 to support the International Dolphin Conservation Program in the eastern tropical Pacific Ocean, and for other purposes; to the Committee on Resources.

By Mr. HANSEN:

H.R. 2824. A bill to authorize an exchange of lands in the State of Utah at Snowbasin Ski Area; to the Committee on Resources.

By Mrs. MORELLA (for herself, Mr. DAVIS, Ms. NORTON, Mr. WOLF, Mr. WYNN, and Mr. HOYER):

H.R. 2825. A bill to amend title 5, United States Code, to allow Government agencies to provide reemployment training to employees in anticipation of any organizational restructuring, and for other purposes; to the Committee on Government Reform and Oversight.

By Mrs. MORELLA (for herself, Mr. DAVIS, Ms. NORTON, Mr. WOLF, Mr. MORAN, Mr. WYNN, and Mr. HOYER):

H.R. 2826. A bill to allow agencies to offer certain Federal employees an opportunity to take early retirement without having to remain subject to the otherwise applicable reduction, based on age, after attaining age 55; to the Committee on Government Reform and Oversight.

By Mr. SAXTON (for himself, Mr. BOEHLERT, Mr. WELDON of Pennsylvania, Mr. BARTON of Texas, Mr. GOSS, Mr. SMITH of New Jersey, Mr. KLUG, Mr. EHLERS, Mr. BLUTE, Mr. DELLUMS, Mr. KENNEDY of Rhode Island, Mr. SABO, Mr. OLVER, Mr. YATES, Mr. WARD, Mr. TORKILDSEN, Mr. DAVIS, Mr. GILCHREST, Mr. SHAYS, Mrs. MORELLA, and Mrs. ROUKEMA):

H.R. 2827. A bill to consolidate and improve governmental environmental research by organizing a National Institute for the Environment, and for other purposes; to the Committee on Science.

By Mr. STEARNS:

H.R. 2828. A bill to provide for the comparable treatment of Federal employees and Members of Congress and the President during a period in which there is a Federal Government shutdown; to the Committee on Government Reform and Oversight, and in addition to the Committee on House Oversight, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. TORRICELLI (for himself and Mr. BILIRAKIS):

H. Con. Res. 124. Concurrent resolution expressing the sense of the Congress that the President should suspend the proposed sale of the Army Tactical Missile System to the Government of Turkey until that government improves its human rights record and terminates its embargo of Armenia and progress is made to resolve the conflict on Cyprus; to the Committee on International Relations.

By Mr. TAYLOR of Mississippi:

H. Res. 321. Resolution directing that the Committee on Rules report a resolution providing for the consideration of H.R. 2530, a bill to provide for deficit reduction and achieve a balanced budget by fiscal year 2002; to the Committee on Rules.

## ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 118: Mr. JOHNSON of South Dakota.

H.R. 127: Mr. PAYNE of New Jersey and Mr. SALMON.

H.R. 359: Mr. FOGLIETTA.

H.R. 438: Mr. MINGE and Mr. JOHNSON of South Dakota.

H.R. 497: Mr. MYERS of Indiana.

H.R. 519: Mr. ROHRABACHER.

H.R. 981: Mr. JOHNSON of South Dakota.

H.R. 1023: Mr. WATT of North Carolina.

H.R. 1527: Mr. MOORHEAD.

H.R. 1684: Mr. WELDON of Pennsylvania, Mr. FRELINGHUYSEN, Ms. WOOLSEY, and Mr. SCARBOROUGH.

H.R. 1711: Mr. COLLINS of Georgia.

H.R. 1733: Ms. ESHOO and Mr. WELLER.

H.R. 1794: Mr. STOCKMAN and Mr. GENE GREEN of Texas.

H.R. 1981: Mr. JOHNSON of South Dakota, Mr. MARTINI, and Ms. LOFGREN.

H.R. 2024: Mr. SANDERS and Mr. COX.

H.R. 2190: Ms. PRYCE, Mr. TIAHRT, and Ms. MOLINARI.

H.R. 2472: Mr. BROWN of California, Mr. DOYLE, Ms. LOFGREN, Mr. LIPINSKI, Ms. DELAURO, Mr. FATTAH, Mr. BECERRA, Mr. COSTELLO, and Mr. DINGELL.

H.R. 2497: Mr. CUNNINGHAM, Mr. GRAHAM, Mr. KNOLLENBERG, Mr. CASTLE, Mr. GREENWOOD, Mr. UPTON, Mr. FUNDERBURK, Mr. SOUDER, Mr. SAM JOHNSON, Mr. CANADY, and Mr. MCKEON.

H.R. 2543: Mr. TAYLOR of North Carolina.
H.R. 2579: Mr. CUNNINGHAM and Mrs. KELLY.
H.R. 2582: Mr. ABERCROMBIE.
H.R. 2634: Mr. EMERSON.
H.R. 2648: Mr. HEFNER.
H.R. 2676: Mr. HALL of Texas and Ms. DANNER.
H.R. 2683: Mr. BAKER of Louisiana.
H.R. 2700: Mr. COLEMAN, Mr. GENE GREEN of Texas, Mr. FROST, Mr. GONZALEZ, Mr. HALL of Texas, Mr. WILSON, Mr. SMITH of Texas, Mr. BENTSEN, Mr. DE LA GARZA, Mr. PETE GEREN of Texas, Mr. BARTON of Texas, Mr. BRYANT of Texas, Mr. STOCKMAN, Mr. ORTIZ, Mr. THORNBERRY, Mr. EDWARDS, Mr. STENHOLM, and Mr. SAM JOHNSON.
H.R. 2723: Mr. BURTON of Indiana.
H.R. 2731: Mr. SOUDER, Mr. DORNAN, and Mr. TAYLOR of North Carolina.
H.R. 2740: Mr. KINGSTON, Mr. YOUNG of Florida, and Mr. STUMP.
H.R. 2749: Mr. INGLIS of South Carolina.
H.R. 2751: Ms. NORTON.
H.R. 2754: Mr. LEVIN, Mr. CARDIN, Mr. GENE GREEN of Texas, and Mr. QUILLEN.
H.R. 2785: Mrs. MORELLA, MS. SLAUGHTER, Mr. COYNE, and Mr. THORNTON.
H.R. 2796: Mr. MENENDEZ.
H.J. Res. 93: Mr. GOSS, Mr. BARRETT of Nebraska, and Mr. NEY.
H. Con. Res. 47: Mr. SCHIFF.
H. Con. Res. 63: Mr. SHAYS.

## DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows:

H.R. 359: Mr. HEFLEY.
H. Con. Res. 119. Mrs. KELLY.

## PETITIONS, ETC.

Under clause 1 of rule XXI,

50. The SPEAKER presented a petition of the Plumas County Board of Supervisors, Plumas County, CA, relative to the 1995 holiday tree of America; which was referred jointly, to the Committees on Resources and Agriculture.

United States
*of* America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE *104th* CONGRESS, FIRST SESSION

*Vol. 141* WASHINGTON, THURSDAY DECEMBER 21, 1995 *No. 206*

# *Senate*

The Senate met at 9:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Dear Lord and Father of mankind
Forgive our feverish ways
Reclothe us in our rightful mind,
In purer lives thy service find,
In deeper reverence, praise.
Take from our souls the strain and stress,
And let our ordered lives confess
The beauty of Your peace.—Whittier.

O God, You have promised to keep us in perfect peace if we allow You to stay our minds on You. This is the peace we need today. The conflict and tension of these days threaten to rob us of the holiday spirit. It is easy to catch the emotional virus of frustration and exasperation. Then we remember that Your peace is the healing antidote that can survive in any circumstance. Give us a peace of a cleansed and committed heart, a free and forgiving heart, a caring and compassionate heart. May Your deep peace flow into us calming our impatience and flow from us to others claiming Your inspiration. In the name of the Prince of Peace who whispers in our souls, ''Peace I leave with you, My peace I give to you. Not as the world gives, give I to you. Let not your heart be troubled, neither let it be afraid.'' In Jesus' name. Amen.

## RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The able majority leader, Senator DOLE, is recognized.

## SCHEDULE

Mr. DOLE. Mr. President, we will immediately go to House Joint Resolution 132 regarding the use of the CBO economic assumptions. There will be 60 minutes of debate equally divided with an amendment ordered to the resolution. There should be a rollcall vote around 10:30, 10:35.

Also, this morning we will take up the veto message to accompany H.R. 1058, the securities litigation. It may also be that we will take up the welfare reform conference report today. It just arrived.

There is objection to taking up the resolution concerning application for veterans' benefits unless we can add to it a CR to open up the Government. So that may or may not come up today.

There are other time lines that we need to address concerning AFDC recipients, and other groups, that unless we have a CR, we will take specific action on. I will try to determine what that is during the day.

I have not had a report on the meeting this morning between Chief of Staff Leon Panetta, Senator DOMENICI, chairman of our Budget Committee, and Chairman JOHN KASICH of the House Budget Committee. I understand there was some progress made.

It is my hope that sometime today we can meet again with the President of the United States and see if we can resolve some of the major differences still outstanding. There really are not that many big ones, but there is Medicare and Medicaid and tax cuts. I mean there are some very, very important provisions that need to be addressed.

Whether or not that meeting will occur, I think it is too early to tell. I know the Speaker and I are prepared to meet with the President at any time during the day.

## RESERVATION OF LEADER TIME

The PRESIDING OFFICER (Mr. INHOFE). Under the previous order, leader time is reserved.

## BASING BUDGET NEGOTIATIONS ON MOST RECENT TECHNICAL AND ECONOMIC ASSUMPTIONS OF CONGRESSIONAL BUDGET OFFICE

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to consider House Joint Resolution 132, which the clerk will report.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 132) affirming that budget negotiations shall be based on the most recent technical and economic assumptions of the Congressional Budget Office and shall achieve a balanced budget by fiscal year 2002 based on those assumptions.

The Senate proceeded to consider the joint resolution.

Mr. MACK addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

Mr. MACK. Mr. President, the night before last there was an effort to bring this resolution to the floor of the Senate for debate and vote under a unanimous-consent request. There was objection to that request. My understanding is that those who objected did so because the full text of the previous language from the continuing resolution that was passed 30 days ago was not included. The resolution only contained language dealing with the the requirement that the President submit to the concept of a 7-year balanced budget using real numbers as generated by the Congressional Budget Office. That was the resolution.

As I understand it, there will be an effort this morning to add additional language to the resolution. Frankly, I have no objection to this proposal. The additional language provides for the protection of various programs, including: ensuring Medicare solvency, something that we have all been working toward; reforming welfare, which clearly

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

I think we are on the verge of accomplishing; and the adoption of tax policies that help working families and stimulate economic growth.

So I suspect there will be strong support for this resolution. But it is unfortunate that the Senate has to spend its time this morning on this issue. It is unfortunate that the Congress has to take this time to remind the President of the commitment which he made over 30 days ago.

There is a real question as to why the President of the United States has not submitted a 7-year balanced budget plan. The President has submitted a number of budget proposals this year. I think it is three. I could be wrong about that. Some indicate that the President has submitted four. However, not a single one of those four budget proposals has eliminated the deficit in the seventh year. The President's budget plans still accumulates a tremendous amount of debt. They maintain many wasteful liberal programs that have failed—that people throughout the country recognize as having failed, but not one single budget proposal that the President has submitted reaches a balance by the year 2002.

There are many people who would expect me, a Republican Senator, to say these kinds of things. But I think there is evidence to indicate that Senators on both sides of this aisle—and clearly the Members in the other body—have rejected the President's proposals because, frankly, they do not meet the test of a balanced budget as scored by the Congressional Budget Office.

I do not remember the date or the exact vote in the Senate, but I remember bringing the President's first budget proposal to the Senate for a vote. As I recall, not a single—well, maybe there was one Senator who voted for the President's proposal. But it was soundly rejected by both sides of the aisle. And the reason that it was rejected was because it did not reach a balanced budget by the year 2002.

Just a few days ago the other body brought the most recent of the President's proposals to the floor of the House and it was also soundly defeated. In fact, I believe there was absolutely no support, again, on either side of the aisle for the President's budget proposal.

Let me give a little explanation as to what that budget proposal was.

The fourth submission by the President which the administration claimed to be in balance was finally scored by the Congressional Budget Office and was, in fact, $116 billion short in the seventh year. Again, the administration wants to create the impression that it is for a balanced budget but continues to fail to come forward with a plan that balances the budget in 7 years with CBO numbers.

Now, I am under the impression, or I have been given information which indicates that the minority leader has a proposal now that would, according to their numbers which we have been told are based on CBO assumptions reach a balance in the budget by the year 2002. I think this is a helpful first step.

But again, the President just absolutely refuses to come forward with a plan that balances the budget. Let me give you my perspective as to why he will not do it. He simply does not want to tell the people in the country those things that he supports. He does not want to choose those Federal programs which he thinks are so important that they need to be protected. Oh, clearly he has made his statement with respect to Medicare and Medicaid, but he has not talked about any other programs in the Federal Government that he wants to continue in force. Because in order for the President to keep those programs in force, to keep them growing, to keep them as part of the Federal budget, he has to indicate what other programs he is willing to cut. And he does not want anybody to know what programs he is willing to cut or eliminate.

It is time. The country is waiting. The country is committed to a balanced budget in 7 years. Eventually, the polling data is going to indicate that. Eventually, the President is going to get the message.

There is one other indicator that I think will get the President's attention as well. I do not know whether this is a record, and my colleague, Senator EXON, may be aware of whether it is a record or not. But I understand that yesterday while the President was announcing that there would not be a meeting between himself and the leaders of the House and the Senate, the market fell 50 points in somewhere between 10 and 15 minutes. I have been told that that is a record.

I have a feeling that what is happening in the markets, a decline of 100 points 2 days ago, or 3 days ago and a decline yesterday of an additional 50 points, probably has the President's attention. I say this because the point which we have been making on this side is that one of the benefits derived from a balanced budget is lower interest rates. This means lower mortgage payments. This means more affordable student loans. This means lower taxes for American families. Everybody benefits from a balanced budget. But when the market heard that the President was not going to meet with the leaders of the House and the Senate, the market dropped 50 points in about 15 minutes. I would suggest to the President it is time now to get serious about balancing the budget, doing it with real numbers, using CBO, and getting it done over a 7-year period.

I yield the floor.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, the matter before us is one that I think does not require a great deal of debate and consideration. I think probably it is going to be overwhelmingly approved if we have a voice vote on the matter. I simply say that I am not sure at this particular juncture, when the Government is shut down, when there is great anxiety in America that we get on with this matter of balancing the budget, it is particularly helpful to go on another diatribe and sharp debate in the Senate on scolding the President or scolding other people.

I noticed with interest the manager of this measure on the other side indicated that we never have come forth. We have a program, of which this Senator was a chief author, that does, indeed, balance the budget in 7 years, does, indeed, balance the budget based on CBO numbers, period, without any caveats whatsoever.

So in total keeping with the cooperation that has come forth from the Democratic side, we are in basic agreement with what we are attempting to do here, and therefore it is simply a statement of what once again is the obvious.

What I am attempting to do at this time is to restrain our rhetoric, to restrain our differences of opinion as to how we reach that goal of a balanced budget in 7 years using the conservative scoring techniques of the Congressional Budget Office, which, I might add, has been proven wrong. The figures by CBO have been wrong the last 2 years by a very large proportion and all other scoring outside of CBO has been right with regard to what the economy has been doing. There cannot be any question about that.

Regardless of that, I simply say that I think this is the time of coming together rather than to try to blame everybody else for what has or has not happened up to date. The facts are that it is a national disgrace that here we are in a situation 2 or 3 or 4 days before Christmas Eve, people are being sent home and laid off, the Government is being shut down, while at the same time I see certain leaders rushing to the floor or rushing to the microphones to say, ''Well, all you employees that have been sent home because of the impasse that we have created, regardless of whose fault it is, do not worry; you are going to be paid. We are going to have the taxpayers pay you even though you are not at work.''

That is one of the reasons, Mr. President, that as far as this Senator was concerned and many others, I kept each and every one of my employees at their post during the last Government shutdown when others were rushing to send them home in the spirit of shutting down Government. I knew that was a ridiculous proposal because I knew that if I had sent my good associates and coworkers, over which I have control, home, they would be sitting at home twiddling their thumbs, doing nothing, wishing that they were at work with the full realization that they were going to be paid even though we sent them home. That is part of the phoniness, I suggest, of this whole process that we are going through. If we cannot come to an understanding of

a continuing resolution to keep Government fully operating between now and Friday, which is 2 days from now, then it shows how ridiculous all this impasse has been, meant to create something, I guess, from the standpoint of a revolution, a revolution that is taking place without due consideration for all others.

With regard to the President of the United States, I have not agreed with the original budget presented by the President of the United States as the Democratic leader on the Budget Committee, but I think the President of the United States is not all right or all wrong. I do not know whether I am all right or all wrong in our proposal. I believe the Democratic leader, Senator DASCHLE, does not claim that the plan that we have put together and offered that does, indeed, do exactly what has been demanded by some, balancing the budget in 7 years, with CBO scoring—we have met all those commitments in the plan we offered yesterday—is all right or all wrong.

Our plan has not been universally blessed by the President of the United States, but I believe the President of the United States realizes and recognizes there is going to have to be some give and take, there is going to have to be some compromise, there is going to have to be some understanding, there is going to have to be something more than political rhetoric back and forth on both sides. If we are to come together, as I think we must, as reasoned adult people, to recognize with 535 Members of the Congress of the United States, there is no way we are going to write a budget that each and every one of those 535 Members says, ''Boy, that's fine. That's just what I want.''

So I would simply say, Mr. President, that we are working very hard in a bipartisan fashion to try and come together, and I am not sure that a great deal of rhetoric on this measure that probably is not going to be seriously contested from either its intent or its language, because we generally agree.

I yield whatever time is necessary to the Democratic leader.

Mr. DASCHLE. I thank the distinguished Senator from Nebraska.

AMENDMENT NO. 3108

Mr. DASCHLE. Mr. President, I have an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from South Dakota [Mr. DASCHLE] proposes an amendment numbered 3108 as follows:

On page 2, line 2, strike office''; and insert the following: ''Office, and the President and the Congress agree that the balanced budget must protect future generations, ensure Medicare solvency, reform welfare, and provide adequate funding for Medicaid, education, agriculture, national defense, veternas, and the environment. Further, the balanced budget shall adopt tax policies to help working families and to stimulate future economic growth.''

Mr. DASCHLE. Mr. President, the purpose of this amendment is simply to restate the principles that we outlined on November 19, when we passed the last complete continuing resolution. In that continuing resolution, we did two things. We asserted again our belief in the need to find a way to balance the budget within 7 years, ultimately scored by CBO, but to also protect the priorities that we as Democrats have been talking about for a long period of time; Medicare, Medicaid, reforming welfare, education, agriculture, defense, veterans, the environment. These are fundamental investments that this country has made in our people, strengthening the nation and enhancing our security.

So as we debate the importance of a balanced budget in 7 years, we also must debate the consequences of that we make toward that end. And so this amendment—in my view, improves upon the resolution that is pending. And I hope that it will enjoy unanimous support given the fact that the continuing resolution received such support on November 19.

The distinguished Senator from Nebraska said a number of things with which I wish to associate myself. Most importantly, while this is a fine resolution in which we again assert our support for a balanced budget, the more pressing resolution ought to be the one that funds the Government. We should take care of the immediate and unnecessary crisis before us, as we proceed with negotiations for a 7-year balanced budget.

The taxpayers are getting cheated, Mr. President, when tens of thousands of Government employees are not at work. They are not getting the services they deserve and expect when people are sent home. And the sad tragedy of it all is that it is not necessary. There is no direct connection between funding the Government through these appropriations bills and passing a budget resolution. It has been the design of some to make that connection, but there is none. And people should not be confused by it.

So I hope that sometime today we could pass a continuing resolution putting people back to work, making sure that the taxpayers get not only what they expect in a 7-year budget resolution, but also the services that they pay for with their tax dollars every day.

I might just say one other thing with regard to this particular resolution. I am sure that many of our colleagues will continue to insist that whatever we agree upon be scored by the Congressional Budget Office. CBO has been a very important institution within the Congress now for over 20 years. We have turned to the CBO time and again for objective analysis in the hope that we could project with as much clarity as possible the economic repercussions that will result from the decisions we make.

In the past, every single CBO director has had strong bipartisan support—bipartisan support—prior to the time he or she has taken office. Unfortunately, that was not the case this year. In the past, on a bipartisan basis, Members have acknowledged the authenticity, the clarity, and the integrity of CBO numbers, even when they worked against us.

I can recall so vividly the health care debate 2 years ago where CBO argued with us vociferously about our projections with regard to the impact of the health care reform bill. We didn't like what they had to say, but we had to deal with that. We had to accept that because the director at the time was the appointed official in charge of making those projections. And while we disagreed, we accepted his authority.

I must say, Mr. President, I am disturbed this year about the credibility of this particular director and CBO's activities in the last 7 months. I hope in the future that they will be especially careful to not in any way reflect a partisan bent in the work that they do. Because I am troubled by the very difficult time we have had in getting responses and getting information. And I am troubled by the manner in which much of the information has been presented to the Congress.

I am also troubled, frankly, by the projections themselves. While I would like to believe that these projections are not driven by a partisan motivation, I am concerned when I see the very esteemed blue-chip forecasters agreeing virtually down the line with the Office of Management and Budget about what happens when we actually achieve what we say we want in this resolution.

We have all made our speeches about the importance of a balanced budget in terms of bringing down the rates of interest, about the effect it will have on unemployment, about the effect it will have on corporate profits, about the effect it will have on the economy itself. And it has been that expectation that has driven my support for a balanced budget.

So it is troubling to see CBO projections predicting just the opposite, predicting a decline in real wages, a decline in corporate profits, a decline in economic growth, a decline in overall economic activity and vitality within the economy. These issues ought to be a very central feature as we debate this overall resolution.

Do we expect to see better economic performance than CBO now projects? I think we will. If we do not, what does it say about the impact of a balanced budget? Democrats all expect good things to develop. I believe that under a balanced budget they will develop. And it is one of the reasons we have fought so hard on this point, because we think that the economy will do a lot better than CBO now projects. So this issue should remain on the table, and the very positive effects of our actions ought to be something that remains a part of these negotiations.

So, today, once again we will express our support for a CBO-scored resolution at the end of all of this, not at the beginning, not during the debate, not during the negotiations, but at the end. We expect that CBO and the blue-chip forecasters and OMB can give us the best information available about what this means in terms of the policy ramifications, and we look forward to receiving that information when we have an agreement.

So it is with a caveat that we say, yes, we will score our numbers with CBO, as we have done for more than 20 years. But let us be realistic about projections and be a little more optimistic about what all this may mean, for I fear that we are going to send exactly the wrong message if we do not.

But perhaps of all of the considerations to be made, as we vote on this resolution later on this morning, is the insistence that these priorities be identified and be assured as we consider how we balance the budget in 7 years.

I yield the floor.

The PRESIDING OFFICER (Mr. SANTORUM). Who yields time?

Mr. MACK. Mr. President, how much time remains on our side?

The PRESIDING OFFICER. There are 21 minutes 55 seconds remaining.

Mr. DASCHLE. Mr. President, because the amendment amends the preamble, I ask unanimous consent that the amendment be in order at this time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MACK. How much time is remaining on the Democratic side?

The PRESIDING OFFICER. There are 15 minutes 31 seconds remaining.

Mr. MACK. I yield 5 minutes to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for 5 minutes.

Mr. NICKLES. Mr. President, I was interested to hear my friend and colleague, Senator DASCHLE, express concern about the integrity and the accuracy of the Congressional Budget Office. I could not help but be amused because earlier this year Senator DASCHLE offered a balanced budget constitutional amendment on behalf of the other side of the aisle that wrote the Congressional Budget Office's authority in these matters into the Constitution. I just find kind of interesting that now he is questioning their methods or partisanship.

I am very supportive of the resolution before the Senate. I am optimistic it will pass. A similar resolution has already passed overwhelmingly in the House, and I hope this one will pass overwhelmingly in the Senate today. Maybe the President will pay attention to it. It has been very, very bothersome to me, after the Government shutdown of a month ago when the President signed on to a resolution that agreed to a balanced budget in 7 years using CBO numbers, that he still has not done so. One would think if he signed that law, he would comply with it. He has yet to do so.

President Clinton has now submitted four budgets, none of which are in balance as scored by CBO, none of which are even close to being in balance.

His first budget had deficits increasing from $200 billion up toward $300 billion. His second budget, which came out in June, had deficits of $200 billion forever, as scored by CBO. His third budget, which came within the last month, had a deficit of $115 billion in the seventh year. It may be better than $200 billion, but it is still $115 billion. That is not even close to being balanced.

His fourth budget submitted last week still has deficits very close to $100 billion. It also has a back-door tax increase. The President says, ''Well, if we don't meet our deficit targets, we'll have automatic tax increases.'' What Congress has done in the past if we did not meet our deficit targets is have automatic spending reductions. But no, the President does not want to reduce the amount of money Washington spends; he wants to take more money from individuals. That was his approach under his fourth budget.

Even given the President's automatic tax increases in the last couple years, he still does not come up with a balanced budget. So now Congress feels it is necessary to remind the President, ''The current negotiations between Congress and the President shall be based on the most recent technical and economic assumptions of CBO and that we are going to reach agreement this year.''

You would think the President's common sense would say, ''Let's submit a balanced budget using CBO numbers.'' He still refuses to do that.

A lot of people are asking, ''Why did we have the breakdown in talks yesterday?'' Speaker GINGRICH and Leader DOLE come out of a meeting with the President the day before and they said, ''Everyone agrees to use CBO numbers. We're going to work hard. We're going to be the principals, with the President of the United States, and we're going to negotiate the agreement. We're going to try to get it done this year.'' That was the statement made by the leaders.

Shortly after that, the Vice President came out and said the President did not agree to that. They said the final agreement may be scored by CBO, but they never said the President would be willing to submit a balanced budget. The House of Representatives, understandably, became quite upset. Many House Members said, ''Wait a minute, this sounds like the same reaction we got when we thought we had an agreement with the administration a month ago,'' and they have yet to comply.

Then last night, the President went on TV and said, ''I thought the Speaker and the Republican leader gave their word that we would continue funding Government. And who can I deal with if they can't keep their word?''

That bothered me, because I remember the President of the United States standing in the well of the House before a joint session of Congress and the entire American public and saying, ''We're not going to hassle over which numbers and which economic assumptions to use, we're not going to use smoke and mirrors, we're going to use Congressional Budget Office numbers and we're going to work together to get the deficit down.''

He has not done that. He has not kept his word, and that bothers me. For the last month, he has yet to submit a balanced budget. We are trying to negotiate, we are trying to enact a balanced budget, and yet the President is on a different playing field. We are trying to work out our differences. We want to compare apples to apples, and yet he will not agree to the same assumptions, and it is impossible to do.

I compliment my colleagues on the other side of the aisle who evidently today are going to submit a balanced budget using CBO numbers. I compliment them for that. They are on the same playing field. We can work out the differences, even though that is not easily done. I know it is not easily done. So, again, I compliment my colleagues who are willing to do that. Let us work together. There are a lot of us who want to make this happen. We are not just interested in Republicans scoring points or the Democrats scoring points or who is going to win.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. NICKLES. Mr. President, I ask unanimous consent for an additional 1 minute.

Mr. MACK. I yield the Senator 1 additional minute.

Mr. NICKLES. Mr. President, for us to have success, it cannot be a Republican victory or a Democratic victory or a Presidential victory, it is going to have to be an American victory. It is going to have to be a victory where we unite, where we curtail the growth of entitlement programs, where we make responsible decisions and both sides can declare victory. A victory on behalf of Congress, a victory on behalf of the administration and, most importantly, a victory on behalf of the American people. It needs to happen, and it needs to happen this year.

Mr. President, I yield the floor and thank my colleague from Florida.

The PRESIDING OFFICER. Who yields time?

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. EXON. Mr. President, once again, I say that I am tempted to answer word for word, charge for charge what is being made on the other side. I will be restrained. When I get up in the morning, I go through a few exercises, maybe take a little walk and then have breakfast. My main desire when I get out of bed in the morning is not to come to the floor of the U.S. Senate to bash the President of the United States.

I will simply say, while the President of the United States has not always come up with the numbers with regard to a balanced budget that this Senator would like to see, as I said a few moments ago, I simply say that the record is pretty clear that this President has done a better job than most Presidents of the United States in modern times with regard to trying to restrain the deficit.

The fact of the matter is that in 3 straight years under President Clinton, we have had a significant reduction of nearly 50 percent in the annual deficits. That is the first time that has happened since the administration of another Democratic President by the name of Harry S. Truman.

So I do not know that Clinton bashing—although it is vogue in some quarters today—is particularly helpful at this juncture when we are trying to come together rather than split ourselves further apart. I yield 7 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 7 minutes.

Mr. WELLSTONE. Thank you, Mr. President. Mr. President, let me, first of all, thank the Senator from Nebraska. I do not think there is probably one Senator here, Democrat or Republican alike, who does not have tremendous respect for the work that he has done. I am really sorry to see him leave the Senate. I think it is a great loss for the country.

When I came here, I only knew about the Senator from Nebraska. Boy, as I had a chance to watch him, if you want to talk about a marriage of personal integrity with commitment to people and commitment to country, there is not anybody who does any better than the Senator from Nebraska.

Mr. EXON. May I interrupt for just a moment and thank my friend from Minnesota. I only yielded him 7 minutes, but with the tone he is following, he can have about 5 hours. [Laughter.]

Mr. WELLSTONE. Mr. President, first of all, just to try to cut through all the rhetoric—and we are trying to get past all of that—the fact of the matter is, and we all know it, this is not just a debate about numbers. We are talking about policies that will dramatically affect people's lives, the quality or lack of quality of people's lives, depending on what we do. We do not just disagree about numbers. There are major policy differences in the health care area, in children's issues, environment issues, in terms of what constitutes fair taxes—you name it.

The fact of the matter is—and people in the country know it—there should not be some rush to recklessness. These differences are not going to be worked out in 4 days. Nobody can force that or make a threat to make that happen. We all ought to be serious about the negotiations, and I think we all are. We should have difficult and substantive negotiations and debate, not hate. But you cannot shut the Government down and say, ''If we do not get exactly what we want when we want it, the Government will stay shut down.'' This does not serve the country well or serve any of us well. That is my first point.

My second point is that I would like to thank the Senator from Nebraska, and others. I have been involved in many of these meetings, and many of us have worked very hard. I think there is much in the Democratic alternative that makes sense. That is to say, it is clear to me that there is no question when laid alongside what the Republicans have proposed, what the Democrats have proposed, I think, at least comes much closer to meeting the Minnesota standard of fairness. It does not make any sense when my colleague from Oklahoma says, ''We want to do something that benefits the American people.'' The question becomes: Which people?

If you are going to have huge numbers of tax cuts, several hundred billion dollars of tax cuts, which, in the main, flow to the people who are most affluent, to the largest corporations, multinational corporations, and at the same time you have reductions in health care programs that are so important to seniors or children or working families, I am not sure that it does benefit most of the American people. To have zero in tax giveaways makes a great deal of sense. To make a strong commitment to medical assistance and children—everybody has heard our priorities—I think makes a great deal of sense. To do a little bit better in terms of asking some of the larger corporations to pay their fair share to eliminate some of the tax loopholes and outright tax giveaways, I think, meets a standard of fairness in this country.

So, Mr. President, I think that this budget, compared to the Republican budget, comes much closer to meeting a basic standard of fairness. I congratulate colleagues for their work on this.

Mr. President, there is, however, one question that I still have about all of this. That has to do with why it is that there is not more on the table in terms of where we can make cuts. There was a book written by Donald Barlett and James Steele, called ''America: What Went Wrong.'' It won a Pulitzer Prize. Then this book came out, which is called ''America: Who Really Pays the Taxes.''

On the first page, the sentence that caught my attention says: ''That when members of Congress talk about cutting entitlements, they mean yours—not theirs.''

Then they go on and they talk about tax law and they say there is ''one for the rich and powerful—call the Privileged Person's Tax Law; another for you and everyone else—call it the Common Person's Tax Law.''

Now I jump to a letter that the Senator from Massachusetts sent in response to some ads that have come out by some of the leading corporate executives calling for resolution of this budget crisis where the Senator from Massachusetts calls on them to agree that tax subsidies for wealthy individuals and corporations should bear their fair share of the reductions needed to reach a balanced budget.

I now read from one paragraph I think is extremely interesting:

> I make the following proposal, the Republican plan would provide a reduction of 17 percent in the Federal budget in the next 7 years, exclusive of defense spending and Social Security. Reducing the $4 trillion in tax subsidies by 17 percent would achieve savings of $680 billion. If we applied the 17 percent reduction to only one-quarter of the tax expenditures, we would save $170 billion, a huge step toward providing the additional savings needed in the current impasse to balance the budget fairly in 7 years.

This is the disconnect between Washington and the rest of the country that I do not understand, because 70 to 80 percent of the country will say, ''Look, if you are going to ask everybody to tighten their belts, look at some of these tax giveaways to some of these huge multinational corporations and ask them to be a part of the sacrifice. Why focus on nutrition for children, or Medicare for seniors, but not these subsidies for oil companies, or tobacco companies, or pharmaceutical companies, you name it?''

Mr. President, I do not understand why it is we cannot do more. As Senator KENNEDY said in this letter, we are talking about a tiny percentage, which can net $170 billion. It seems to me that what explains the difference is sort of power in America. I really think if this deficit reduction is going to be based upon a standard of fairness, this corporate welfare has to be on the table, and we have to do a better job in terms of plugging some of these loopholes and doing away with some of these tax giveaways.

The second point is the Pentagon budget. Mr. President, let me simply say that by a conservative estimate, over 10 years, you could have $114 billion of reduction in Pentagon expenditures. I have a chart of a variety of different ways. Many people have said, my God, can we not also look at the military contractors and have some reductions here? Mr. President, I remind my colleagues that the real national security is not more B–2 bombers that the Pentagon says it does not need, to the tune of $1.5 billion each. The real national security is when we invest in people in our own communities. I would argue that the corporate welfare and some of the military contracts ought to be on the table and that we can do better in terms of meeting the standard of fairness, since we all agree that we have to balance the budget.

I yield the floor.

Mr. MACK. Mr. President, I yield 4 minutes to the distinguished Senator from Michigan.

Mr. ABRAHAM. Mr. President, I want to make a couple of comments today in response to some issues that have been raised and then focus on what I think we are about here.

Earlier, concerns were raised with respect to the manner in which the nonpartisan Congressional Budget Office scores the various polices and economic projections that make up the budget. In response to these remarks, I would like to say this: In my State of Michigan, people are concerned with the way Washington does its bookkeeping. For them, the principal criticism of the Congressional Budget Office, leaving aside the issue of whether it is partisan or not, is that it is too optimistic.

In Michigan, and other States as well, average working men and women think Washington has been way too liberal in our bookkeeping for way too long. Too often in the past, we relied on rosy economic projections to make it appear as if we were taking action, whether it was in deficit reduction or in any other area of Federal Government activity, only to see those rosy scenarios unrealized.

For that reason, it is in our interest to have a budget office that scores our legislation on a conservative basis. Mr. President, I have very little fear that Congress will have difficulty figuring how to spend the surplus, should the Congressional Budget Office's numbers prove to be too conservative. On the other hand, I am confident, based upon the last 25 years of behavior, that Congress will have a very difficult time making additional spending cuts, if we use too optimistic projections that result in future deficits.

I should point out that the Congressional Budget Office is taking the same kind of conservative approach that the average American family takes when it projects how it is going to handle its finances. I know in my family, and in families across the country, nobody sits down and says, ''I think there is a good chance I am going to get a big raise in 2 years or 4 years,'' and base all of their spending decisions on that assumption. Instead, they try to be, if anything, conservative in their expectations so that they do not end up in debt. So I applaud the Congressional Budget Office for its efforts to finally bring a conservative, practical approach to the way it does its business.

Second, Mr. President, I think it is important that this resolution brings us back to what we are about. What we are about is balancing the budget and reducing the growth of Government. We are about trying to make sure that Government does not consume so much of our wealth so that the people in America, the families in this country, find themselves spending too much of their time working for us in Washington instead of the other way around.

In addition, Mr. President, what we are about is allowing those families to keep more of what they earn. This resolution—and I think we should not lose sight of it—includes provisions for reducing the tax burden on families and stimulating economic growth. That is important.

We learned in previous budget deals that increasing taxes on this country's job creators hurts families. I believe there was a significant luxury tax on boats that was imposed 5 years ago. What happened? To no one's surprise, at least to people who look at these things in the economic sense, the number of boats being produced in this country quickly and dramatically dropped. Numerous boat builders went out of business, and thousands of jobs were destroyed. So that luxury tax was repealed. A whole industry of working people with families found themselves suffering because we thought you can tax and tax and not have repercussions that affect average people. Instead, as this resolution makes clear, we should reduce the tax burden on families and businesses alike.

In conclusion, Mr. President, what we are about is balancing the budget, letting people keep more of what they earn, and putting our priorities in the right order. That is why this resolution should pass. I urge its adoption.

Mr. MACK. I yield 4 minutes to the distinguished Senator from Georgia.

Mr. COVERDELL. Mr. President, I rise in support of the resolution as well. I want to reinforce the remarks that have just been made by the distinguished Senator from Michigan.

I point out that since the Congressional Budget Office began forecasting in 1976, it has been more accurate than OMB private forecasters on the four economic indicators most important to the budget: inflation, economic growth, 3-month Treasury bills, and 10-year interest rates. In long-run forecasts, CBO has outpurchased OMB for 12 of the last 15 years. In fact, both CBO and the past five administrations have been more likely to be too optimistic instead of too pessimistic. As June O'Neill says, it is CBO's view that erring on the side of caution increases—increases—the likelihood that a balanced budget will actually be achieved in the time desired.

Mr. President, I want to respond to my colleague from Nebraska, Senator EXON's remarks, about acrimony. Certainly we have seen that, but the President does not escape the admonition of the Senator from Nebraska. If you watch any of the newscasts or any of pronouncements that have been made by the President with regard to the balanced budget, you would see immediately that he is engaged in the very practice that you suggested that we should not.

Today, because of paid advertising and the President's remarks about our proposals for Medicare, a majority of Americans believe that our budget either freezes the investment per beneficiary, or a third of the Americans believe that our budget cuts the payments—cuts them. That is not true. But the President continues to say that over and over and over. Now, in time, I am not concerned about it because the truth will come out. The fact that we are increasing our spending on Medicare by 71 percent—actually a bit more than suggested by the First Lady in the health care debate last year—that is not true, but it is repeated despite the fact that even Washington Post editorials have called his comments shameless. If you talk about the demeanor of the Senate, I hope that you would address some of those remarks to the White House itself.

With regard to the balanced budget, I think it useful from time to time to review the lineage of the debate, Mr. President. It began with the effort to pass a balanced budget amendment which failed in this Senate by one vote. Had the President supported the balanced budget amendment, I believe it would have passed with 75 votes in the Senate, because clearly a number of Members on the other side of the aisle changed their vote over the President's admonition or suggestion that we not have a balanced budget amendment.

At the time, the argument made was that the Congress simply had to have the will. We did not need an amendment to the Constitution, we needed the will. For the first time, this Congress in almost three decades has developed a will and passed a balanced budget.

I rise in support of this. I hope all my colleagues will come to the table for a Balanced Budget Act this session.

Mr. EXON. I yield 2 minutes to the Senator from Kentucky.

Mr. FORD. I thank my friend.

Mr. President, I am a little bit older than some in this Chamber and going back to the years when I was growing up, my grandfather would not make any kind of a contract on Sunday. He never had to worry about signing a paper during the week; we always shook hands. A handshake was our bond, and our word was our bond.

I hear a lot about all the blame on the President. I listened to the majority leader say now we are finally going to get some adults to negotiate the balanced budget—some adults. Well, the President calls to get the adults together, I guess. That was the majority leader, the Speaker of the House of Representatives, and the President of the United States. They shook hands after 2½ hours, or better than 2 hours, I understand, on what they would do.

The Democratic Caucus in the Senate voted unanimously under those circumstances to give to our minority leader, our Democratic leader, the ability to go and represent us. I assumed from the remarks of the majority leader that he had the same respect and admonition from those on his side. But, lo and behold, the Speaker of the House could not get his caucus to agree to sit down and work out a CR, to develop the framework, to arrive at a balanced budget in 7 years.

We hear the CBO is conservative and OMB is optimistic. Let me just say, something happened to CBO. They got optimistic and increased their projection by $135 billion and got them closer to OMB. I yield the floor.

The PRESIDING OFFICER. The Senator from Florida has 7 minutes and 25

seconds, and the Senator from Nebraska has 1 minute.

Mr. MACK. I yield 4 minutes to the Senator from Wyoming.

Mr. THOMAS. Mr. President, I rise in support of the resolution. It seems to me it is a very important restatement of where we have been.

I appreciated the enumeration of the Senator from Kentucky of what has happened here. One of the difficulties is that the Vice President came on TV and said there is no agreement, and that caused people to have some concern.

I take my 3 minutes to get away a little bit from the numbers and put myself back in Cody, WY, where I grew up, and say, what is the responsibility here to do something about balancing the budget as a citizen? It seems to me there are several that are very meaningful.

No. 1, it is personal, it is parochial, it is selfish, I suppose.

I think if we can balance the budget, it means that every family that has loans on their home, every family that has loans on their car, every family that has educational loans will find, because of lower interest, there is a benefit of $2,500 or $3,000 to many families.

I think, second, it has something to do with responsibility. If we are going to enjoy some benefits, those of us who are enjoying them, we should pay for them. This idea of enjoying the benefits and putting it on the credit card for someone else does not fly. This is a democracy. This is freedom that we protect. With that goes some responsibility to do some things.

Concern about our kids—we have to be concerned about the future, when interest becomes the largest single line item in the budget, interest on the debt, and we simply pass that along, along with $5 trillion in debt.

I think we have to have some consideration for change in the direction of Government. I really believe most people say the Federal Government is too big and it costs too much and we need to change that. That is a fundamental change we are seeking to do here. Balancing the budget and doing something about containing the growth of entitlements is a fundamental issue. It is not arithmetic. That is what is going on here. I think it is terribly important.

Credibility—I think there is a certain function of credibility in this body. We have said we are going to balance the budget. We have said, in a resolution some 30 days ago, we are going to balance the budget in 7 years, using CBO numbers. We ought to do that. Many of us came here—we have not been here as long as some others—and we said one of the things we want to do is we want to be responsible in spending and balancing the budget. There is a credibility question here for all of us.

So, Mr. President, I certainly think we have a great opportunity to move forward, not only this morning but in this total matter of balancing the budget. We can do it. We have an opportunity, the first opportunity in nearly 30 years. It would be a shame not to take advantage of it.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MACK. I inquire how much time remains.

The PRESIDING OFFICER. There remains 4 minutes and 30 seconds.

Mr. MACK. I yield 1 minute to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho is recognized for 1 minute.

Mr. CRAIG. Mr. President, let me reminisce, if I could, with the Senator from Wyoming. When we talk numbers, we talk people. If we do not believe our actions here and if the President does not believe his actions have consequences on people, then we are not thinking very straight.

We watched the stock market bounce around this week as the Congress and the President tried to come to a budget agreement. While the stock market is a reaction of people, it is also a barometer of the economy and how people think the economy will work. The economy in our country clearly translates to jobs and incomes, spendable incomes, and the security of a home and a family and food on the table—and it always has.

What we are talking about in a balanced budget and a tax cut is 32 billion dollars' worth of real, disposable income. That is family income. That is food on the table. That is a college education. Mr. President, $66.2 billion of consumer expenditure, that is what the stock market was reacting to yesterday.

My time is up. Let me close.

Mr. President, our actions have consequences and a balanced budget and a tax cut going with it create the kind of economic vitality in this country that is good for people, working people, families, income, security.

The PRESIDING OFFICER. The time of the Senator has expired.

Who yields time?

The Senator from Nebraska.

Mr. EXON. How much time do I have remaining, Mr. President?

The PRESIDING OFFICER. The Senator has 1 minute and 12 seconds.

Mr. EXON. I understand there is some talk about a unanimous consent agreement to extend the time. Does the manager on the other side know about this?

Mr. MACK. I was under the impression what we were going to do was to have the vote at 11 o'clock; we were not extending the time on the debate.

Mr. EXON. I think that would be the best of all worlds. Let me conclude, then, on the remainder of the time that I have.

Despite the temptation that has been offered me by those on the other side, trying to bait this Senator into rancorous political discussions, I said at the outset that was not my goal. I just received a call from Leon Panetta, the Chief of Staff. Some progress has been made. We are going to have a meeting at 1 o'clock today and another meeting at 5 o'clock. Then the chief negotiators on the Senate side, Democrat and Republican, will make presentations of how well we are going forward to the White House in the morning, as I understand it, in front of the big five.

We are trying to move things along. So, despite the baiting, I am not going to become involved in a partisan debate at this time to pick each other apart. This is a time to come together, and I hope, if we extend the time for the vote, we do not extend the debate.

The PRESIDING OFFICER. The time of the Senator has expired. The Senator from Florida.

Mr. MACK. Mr. President, again I state it is my intention to conclude the debate. I believe we are extending the time for the vote to accommodate Members of the Senate, but I do not see any need to continue the debate.

Mr. President, let me close then with my remarks in asking the Senate to support the resolution that is before us. As I said a moment ago, it is unfortunate the Senate would have to spend this time to remind the President of a commitment that he made over 30 days ago.

I can remember the excitement that occurred when there was an agreement on the part of the President to a 7-year balanced budget scored by the Congressional Budget Office, thinking that that really set us on the road toward an agreement. We have now seen, again, over 30 days go by and the administration has failed to put forward a budget that balances in 7 years.

Several speakers on the other side spoke about the failure to have a continuing resolution. Frankly, I believe the House has failed to provide a continuing resolution because they have looked at the actions on the part of the administration and, based on what they perceived their promises to be over 30 days ago, they in fact feel that they were fooled. One of the things that people have learned over the years is, if you get fooled one time, you do not fall for the same trick a second time. So the House has said they want to see a balanced budget before they extend Government activities.

There is, in fact, a fundamental difference between our approach and that of our colleagues on the other side of the aisle. Our first objective is getting a balanced budget. Then Government will proceed. Their first concern is getting Government to move forward and then we will discuss a balanced budget. To us, the No. 1 concern is balancing the budget.

The reason we are concerned is because we think that as a result of that balanced budget, everyone in America will have greater opportunities—greater opportunities for jobs, there will be more businesses created, we will see interest rates come down, we will see lower payments on mortgages, on automobile loans, on student loans and so

forth. America's opportunity will be tremendous if we can just get to the point where we agree that we should not spend more than we are taking in, that we ought to let hard working men and women keep more of their earned income.

There were some remarks made with respect to corporate welfare. It is interesting, my colleagues on the other side of the aisle talk about the moneys earned by individuals and corporations as if it were the Government's and we were going to decide how much they get to keep of their money, as opposed to the other way around.

I yield whatever time I have.

The PRESIDING OFFICER. The time of the Senator has expired. The Senator from Idaho.

Mr. CRAIG. May I inquire where the Senate is at this moment, with the time having expired?

The PRESIDING OFFICER. Under the previous order, the Senate is supposed to adopt the amendment of the Senator from South Dakota and then proceed to an immediate vote on the resolution.

The Senator from Florida.

Mr. MACK. Mr. President, I ask unanimous consent the vote occur on adoption of House Joint Resolution 132 at 11 a.m.

The PRESIDING OFFICER. Is there objection?

Mr. EXON. Mr. President, reserving the right to object, I would like to agree with my colleague on this. I would like to offer a substitute by asking unanimous consent that the vote occur on the adoption of House Joint Resolution 132 at 11 a.m., with the time between now and 11 a.m. equally divided as in morning business, with the time remaining on this side under the control of the Senator from North Dakota.

The PRESIDING OFFICER. Is there objection?

Mr. MACK. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from Florida.

Mr. MACK. I suggest to my colleague that we just, since there seems to be some interest in this issue, since we are going to have the vote at 11, that we now just continue the debate with time equally divided.

Mr. EXON. No objection. Whatever you want.

The PRESIDING OFFICER. Without objection, it is so ordered.

Who yields time? The Senator from Nebraska.

Mr. EXON. Mr. President, how much time do I have remaining under my control, under the new arrangement?

The PRESIDING OFFICER. The Senator from Nebraska has 9 minutes and 40 seconds.

Mr. EXON. How much?

The PRESIDING OFFICER. Nine minutes and 40 seconds.

Mr. EXON. I yield 9 minutes and forty seconds to the Senator from North Dakota, with his allotment to any other Senators on our side wishing to speak out of that time.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 9 minutes and 33 seconds.

Mr. DORGAN. Mr. President, I appreciate the Senator from Nebraska providing me the time. If it is the intent of some on the other side who want to speak in the middle of this, I would be happy to accommodate that as well. I know the Senator from Idaho is waiting to speak. I will speak for a couple of minutes, and then I would be happy to let the Senator from Idaho speak, after which I would like to reclaim the balance of the time.

Mr. President, as I was listening to the debate this morning, it occurred to me that it is time, on December 21, to turn down the volume just a bit on the discussion that has been held on these budget issues, especially on the floor of the Senate and here in Washington. It is appropriate for us to be struggling to find a way to put this puzzle together. The pieces do not always seem to fit just right. It has been difficult to find a way to put it together to make it work.

On the other side, we hear that they say the top priority is a balanced budget. It is a priority. I have said two or three times—let me say again this morning—that I give the majority party credit for pushing for the balanced budget. They deserve credit for that. But it is only one of the goals. Let us balance the budget and at the same time protect other important priorities. In other words, let us balance the budget and do it the right way. If one says the only goal we have is to balance the budget, you fall short, it seems to me. Balance the budget, and do it the right way.

As we struggle to do this the right way by cutting spending, protecting Medicare and Medicaid, and trying to make sure those who are vulnerable in this country are not going to be hurt, I ask that as we sort through the menu of how we get to a balanced budget that we do it thoughtfully. And at the end of the day when people turn the page on the plan, if there is a plan that is agreed to—and I hope there is—that you do not come to a page that says, ''Wait a second. What is this? What is this deal? Who put this in? Why on Earth would this be part of the plan?''

The plan was passed here that balanced the budget. It includes a little thing called repeal of 956(A). I will bet there are not four people here in Congress who know what this meant or what it did or why it was done. I do not know whether the other Members on the Senate floor know about the repeal of section 956(A). It is only $244 million.

So when I say only in the scheme of the billions of dollars that are put into these agreements, $244 million probably does not seem like much to somebody who wrote this. What is repeal of Section 956(A)? It says to U.S. companies which have moved their jobs overseas—manufacturing plants that might have been closed in America and moved the jobs overseas—that we will give you a tax break to do that and we will make the tax break even a little more generous by about $244 million by repealing section 956(A). If anybody thinks there is a reason to make it more attractive to move American jobs overseas at taxpayer expense, about $244 million, I would like to hear the reason for that.

I only use this as an example of the things that are in a plan that, in my judgment, does not make sense. Let us decide that we will put a plan together that balances the budget, score it with the Congressional Budget Office and do it in 7 years, but do it in a way that all of us can go home and talk to people and say, ''We protected Medicare. We protected Medicaid. We are not going to hurt the vulnerable people in this program. We will protect programs that make this a better place.''

If we can do all of that, then we will have succeeded in doing something important for the future of this country. The difference, it seems to me, is that for the moment someone on the other side says we have only one goal and that is balance the budget. You need to expand that to a goal of balancing the budget while protecting the things that are important and are priorities to our country.

I understand the Senator from Idaho has a time constraint. If you do not mind, I will relinquish the floor with the intention of reclaiming the floor when the Senator from Idaho is completed.

Mr. President, I yield the floor.

Mr. MACK. Mr. President, I yield 3 minutes to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAIG. Mr. President, I thank my colleague for yielding.

Let me respond in part to the Senator that has just spoken because so many have been arguing for so long. Balancing the budget is fine. I happen to be one of those who for well over a decade has argued that this country must come to grips with its spending habits, that we are indebting a future generation in such a dramatic way that the consequences will be incalculable.

Now, there is an interesting drumbeat down at the White House amongst some who, while they will argue they support a balanced budget by concept, say let us do so without any consideration of tax cuts. The Senator happened to suggest one that is offered. I think he is right. Few would know all the details of that particular tax cut, but there is one thing that becomes very clear in the whole of what we try to do with a balanced budget.

To reduce Federal spending alone—because Federal spending has become such a very large part of the U.S. economy—does, in fact, have economic consequences that in part can become negative unless there is an appropriate stimulus on the other side that balances it out so that you get accelerated

growth in the private sector, the job-creating kind of stimulus that offsets some of that expenditure. And I happen to think that it is a more positive kind of expenditure if it is going on out in the private sector and not necessarily money being taken from the private sector funneled through the public sector and allowing us to decide how it gets spent.

There is no doubt that a pure pattern of spending reductions by Government with no consideration for economic stimulus on the outside—by recognizing some capital gains, by assuredly recognizing the ability of the individual wealth-creating, job-holding family to properly invest and to have more money to spend—might not have the right kind of economic consequences in the macro sense of the economy.

That is why we have tried to couple some tax cuts along with it to middle and lower income Americans and to some of the economic job-generating sectors of our country to create positive stimulus all the way around. There are few economists that will disagree with what I have just said; that as you offset one side of the overall large economy of Government, you have to stimulate the other. That is exactly what we are trying to do at this moment.

I have spoken enough on this. I think it is important that we talk about linking the two together. Balancing the budget is something I have strongly supported, and will, but let us also talk about the value of leaving money in the private sector and stimulating it for economic growth purposes and job creation.

Mr. DORGAN. Mr. President, I want to continue this discussion because I think it is a good discussion. I have enormous respect for the Senator from Idaho. He has been faithful to the issue of wanting to balance the budget. He and I would disagree as to whether it makes sense to propose a very significant tax cut at the same time you are trying to balance the budget. I happen to think first things first: cut spending and balance the budget. When you are done with that job, then turn to the Tax Code and talk about cuts for those who need it.

Every time I hear someone, especially on the other side, talk about a stimulating tax cut, I always look at who they are stimulating. The wrong people get stimulated. It is interesting to me that the changes that the majority party would propose in their plan on the earned income tax credit—I do not think there is any great dispute about this—would result in a higher tax burden than is now experienced by many Americans, millions of Americans who earn less than $30,000 a year.

So if one is stimulating some of the folks in this country who have the largest incomes but saying to those who have $20,000 or $15,000 in income, ''By the way, the stimulus does not work for you, you are going to have to pay a little more in taxes,'' I say, ''Gee, I think those folks might want to be stimulated a while by the majority party as well.''

I would like to yield for just a moment for a point that the Senator from New Mexico wants to make, Senator BINGAMAN.

Mr. BINGAMAN. Mr. President, I did want to ask the Senator from North Dakota a question. He referred to the old phrase ''first things first,'' and I have tried to read Peter Drucker and Steven Coffey and some of these people who advise us on proper management procedures, and they all make that same point—first things first. It seems to me the first thing we ought to be doing in this Congress is to be passing a continuing resolution to fund the Government.

My question relates to an article that is in the morning paper where it says, ''GOP Pledges to Pay Furloughed Workers.'' It says, ''Congressional Republican leaders promised yesterday that the 260,000 Federal workers idled by the budget battle would eventually actually be paid for their days they are furloughed.''

Then it goes on to say, ''At a GOP meeting yesterday, House Speaker NEWT GINGRICH persuaded party members to agree to pay employees for days missed. The employees are losing about $40 million a day in wages, according to the administration.''

The question I get most from people in my State is, if you promise to pay these people, why not send them to work? It is one thing to charge the taxpayers $40 million a day for their services—and you can argue whether that ought to be done or not if you do not like the Government—but why are we paying people and not letting them work? It just does not make any sense to the people I represent.

It seems to me that this place is becoming more Alice in Wonderland every day, and that is a classic example. If the Senator has a comment on that, I would be interested in hearing it.

Mr. DORGAN. Mr. President, I heard Ted Koppel ask one of the Members of the House last evening twice the same question: What kind of leverage are you getting if you say to Federal workers you cannot come to work but we will pay you anyway? Are you not just penalizing taxpayers? What kind of leverage do you think you are getting with that?

He asked the question twice, and, of course, there is not an answer for it. It is a case of someone having an argument with their relative and deciding, well, I am angry at my uncle here who I just had an argument with. I think I will walk across the street and punch my neighbor.

What sense does it make to suggest the Government ought to be shut down so the American taxpayer can pay Federal workers who are not allowed to come to work? That just makes no sense to me at all. And that is first things first. The Senator from New Mexico is correct. We ought to pass a clean funding resolution, a funding bill right now, within 20 minutes have those people come back to work, and at least solve that issue first.

But, second, then we ought to go to the balanced budget amendment. I am hopeful that these talks at the White House will bear some fruit. I do not believe I have the time to continue to talk about how you get to a balanced budget.

How much time is remaining, Mr. President?

The PRESIDING OFFICER. The Senator has 29 seconds.

Mr. DORGAN. But I was going to make the point about those who say, here is the menu, including all kinds of special little deals. Let us give a $7 million tax cut each to 2,000 corporations by changing the alternative minimum tax—a $7 million check to 2,000 corporations. And I am asking myself—I happen to think we ought to balance the budget—is this the way we ought to balance it?

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MACK addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

Mr. MACK. The time remaining, please.

The PRESIDING OFFICER. The Senator has 6 minutes 30 seconds.

Mr. MACK. I yield 6 minutes to the Senator from New Hampshire.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized for 6 minutes.

Mr. GREGG. I thank the Senator from Florida.

I rise in support of the resolution. I guess the real question here is why we have reached the point where we need this resolution, which once again states that we want to have a balanced budget in 7 years and that we want to use CBO figures.

The reason we have arrived at this point is because there has been an inconsistency from the administration, specifically from the President, as to what his position is on a balanced budget, as to what his position is on a timeframe for a balanced budget, as to what his position is on how we will account for getting to a balanced budget.

We have had four different budgets sent up here by this administration. Not one of them has been in balance. Every one of them has been rejected by their own party within this Senate, if not on a formal vote, at least informally, a couple at least with formal votes, and we have an administration which has one day been in favor of a welfare reform bill which was passed by this Senate and then a few days later been opposed to the welfare reform bill passed by the Senate. We have an administration, the chief spokesman of which on health care, the wife of the President, has said that she wants to see a rate of growth in Medicare at 6 to 7 percent and the President in the same basic timeframe excoriating Republicans because we have proposed a rate

of growth in health care, in Medicare, which is 6 or 7 percent.

The inconsistency that comes forth from this administration is consistent. That is about the only consistent thing about this administration—its inconsistency.

So we are once again calling on the administration to commit to what we thought they committed to 3 or 4 weeks ago but which they have backed off of, which is to balance the budget in 7 years and use CBO figures.

We have heard a lot of discussion about why this is important, but I just want to reiterate that unless you look at the issue of how you are balancing the budget off the same baseline, unless everybody is looking at the same numbers, you can never get to any agreement assuming an agreement is possible. But there is a big issue here also, and that is that the few times we have been able to get any definitive direction out of the White House, it has become very clear that there are some deep philosophical differences between the two parties.

We believe that borrowing from our children to pay for the costs of operating the Government today is wrong, that it is fundamentally wrong. I heard the Senator from North Dakota talk about the vulnerable people in our society. Who is more vulnerable than our children, people who are being asked, even though they do not have any ability to confirm this decision, to take on the debt which our generation is running up? We have, as Republicans, said this is not right, and therefore we put together a real budget that reaches balance in 7 years.

Second, we have said you cannot run a system to assist our senior citizens if we know the system is going to go bankrupt in 7 years. We have been told by the trustees of the Medicare trust fund that it goes bankrupt in 7 years unless something is done, and so we have stood up and made a proposal which puts that system into solvency.

We have done it in a way which gives seniors more choices than they have today, which gives seniors the same options essentially as Members of Congress in choosing their health care. We have done it by using the marketplace.

We have further said that if you have a welfare system which says to people, you can stay on welfare all your life and then you can have your children on welfare, whether they are legitimate or illegitimate, and they can have their children on welfare, that is wrong; that people should not be on welfare for the remainder of their existence in this country but they should be asked to participate in the system of productivity which creates the ability to benefit those who are in need, and it is called work.

So we have proposed under our welfare proposal that people be required to go to work after a reasonable amount of time, 2 years, and after 5 years of being on welfare they not be any longer a charge to the State but be required to be out in society being a productive citizen.

These goals which we have—balancing the budget so that our children do not get the bills for this time but have an opportunity in their time to be successful; creating a Medicare system which is, first of all, solvent and, second of all, gives our seniors the same choices in the marketplace as citizens who are in the private sector; which allows a welfare system which is really directed at caring for the people who need support, not for the people who are abusing and using the system—these basic goals which we have put forward have been essentially rejected by this administration. They have either been rejected out of hand or they have been rejected in indirect ways through the manipulation of the numbers or the proposals that they have brought forward.

Underlying this administration's basic philosophy there appears to be a goal, or maybe it is their philosophy that is the goal, and it is called reelection. That is what is driving the basic decisions which we hear from the White House. There is no desire for substantive change for the purposes of improving the Medicare system or improving the Medicare system and getting our Government into balance. There does appear, however, to be a substantive drive for reelection. And that drive for reelection has caused this administration to time and again put forward proposals which are superficial, inconsistent.

The PRESIDING OFFICER. Time has expired.

Mr. GREGG. I thank the Chair for noting that. I will just simply wrap up by saying if we are going to accomplish a balanced budget, we have to get this administration to agree to a balanced budget, to do it in 7 years, to do it with CBO figures, and to do it by addressing the spending that the Government is presently involved in.

The PRESIDING OFFICER. All time has expired.

Mr. MACK. Have the yeas and nays been ordered?

The PRESIDING OFFICER. They have not been.

Mr. MACK. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Under the previous order, the Senate adopts the amendment of the Senator from South Dakota, Senator DASCHLE.

So the amendment (No. 3108) was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and third reading of the joint resolution.

The amendment was ordered to be engrossed, and the joint resolution to be read a third time.

The joint resolution was read a third time.

The PRESIDING OFFICER. The joint resolution having been read the third time, the question is, Shall the joint resolution pass?

The yeas and nays have been ordered. The clerk will call the roll.

The bill clerk called the roll.

Mr. LOTT. I announce that the Senator from Texas [Mr. GRAMM], the Senator from Indiana [Mr. COATS], and the Senator from Delaware [Mr. ROTH] are necessarily absent.

I also announce that the Senator from Missouri [Mr. ASHCROFT] is absent due to a death in the family.

I further announce that, if present and voting, the Senator from Missouri [Mr. ASHCROFT] would vote ''yea.''

Mr. FORD. I announce that the Senator from New Jersey [Mr. BRADLEY] is necessarily absent.

The PRESIDING OFFICER (Mr. GREGG). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 94, nays 0, as follows:

[Rollcall Vote No. 611 Leg.]

YEAS—94

| | | |
|---|---|---|
| Abraham | Ford | Mack |
| Akaka | Frist | McCain |
| Baucus | Glenn | McConnell |
| Bennett | Gorton | Mikulski |
| Biden | Graham | Moseley-Braun |
| Bingaman | Grams | Moynihan |
| Bond | Grassley | Murkowski |
| Boxer | Gregg | Murray |
| Breaux | Harkin | Nickles |
| Brown | Hatch | Nunn |
| Bryan | Hatfield | Pell |
| Bumpers | Heflin | Pressler |
| Burns | Helms | Pryor |
| Byrd | Hollings | Reid |
| Campbell | Hutchison | Robb |
| Chafee | Inhofe | Rockefeller |
| Cochran | Inouye | Santorum |
| Cohen | Jeffords | Sarbanes |
| Conrad | Johnston | Shelby |
| Coverdell | Kassebaum | Simon |
| Craig | Kempthorne | Simpson |
| D'Amato | Kennedy | Smith |
| Daschle | Kerrey | Snowe |
| DeWine | Kerry | Specter |
| Dodd | Kohl | Stevens |
| Dole | Kyl | Thomas |
| Domenici | Lautenberg | Thompson |
| Dorgan | Leahy | Thurmond |
| Exon | Levin | Warner |
| Faircloth | Lieberman | Wellstone |
| Feingold | Lott | |
| Feinstein | Lugar | |

NOT VOTING—5

| | | |
|---|---|---|
| Ashcroft | Coats | Roth |
| Bradley | Gramm | |

So the joint resolution (H.J. Res. 132) was passed.

The preamble, as amended, was agreed to.

Mr. BENNETT. Mr. President, I move to reconsider the vote, and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah is recognized.

## SECURITIES LITIGATION REFORM ACT—VETO

Mr. BENNETT. Mr. President, I understand the veto message with respect to the securities litigation bill has arrived from the House.

The PRESIDING OFFICER. The Senator is correct.

Mr. BENNETT. I ask unanimous consent that the veto message be considered as having been read and it be printed in the RECORD and spread in full upon the Journal.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER laid before the Senate a message from the President of the United States to the House of Representatives, as follows:

*To the House of Representatives:*

I am returning herewith without my approval H.R. 1058, the ''Private Securities Litigation Reform Act of 1995.'' This legislation is designed to reform portions of the Federal securities laws to end frivolous lawsuits and to ensure that investors receive the best possible information by reducing the litigation risk to companies that make forward-looking statements.

I support those goals. Indeed, I made clear my willingness to support the bill passed by the Senate with appropriate ''safe harbor'' language, even though it did not include certain provisions that I favor—such as enhanced provisions with respect to joint and several liability, aider and abettor liability, and statute of limitations.

I am not however, willing to sign legislation that will have the effect of closing the courthouse door on investors who have legitimate claims. Those who are the victims of fraud should have recourse in our courts. Unfortunately, changes made in this bill during conference could well prevent that.

This country is blessed by strong and vibrant markets and I believe that they function best when corporations can raise capital by providing investors with their best good-faith assessment of future prospects, without fear of costly, unwarranted litigation. But I also know that our markets are as strong and effective as they are because they operate—and are seen to operate—with integrity. I believe that this bill, as modified in conference, could erode this crucial basis of our markets' strength.

Specifically, I object to the following elements of this bill. First, I believe that the pleading requirements of the Conference Report with regard to a defendant's state of mind impose an unacceptable procedural hurdle to meritorious claims being heard in Federal courts. I am prepared to support the high pleading standard of the U.S. Court of Appeals for the Second Circuit—the highest pleading standard of any Federal circuit court. But the conferees make crystal clear in the Statement of Managers their intent to raise the standard even beyond that level. I am not prepared to accept that.

The conferees deleted an amendment offered by Senator Specter and adopted by the Senate that specifically incorporated Second Circuit case law with respect to pleading a claim of fraud. Then they specifically indicated that they were not adopting Second Circuit case law but instead intended to ''strengthen'' the existing pleading requirements of the Second Circuit. All this shows that the conferees meant to erect a higher barrier to bringing suit than any now existing—one so high that even the most aggrieved investors with the most painful losses may get tossed out of court before they have a chance to prove their case.

Second, while I support the language of the Conference Report providing a ''safe harbor'' for companies that include meaningful cautionary statements in their projections of earnings, the Statement of Managers—which will be used by courts as a guide to the intent of the Congress with regard to the meaning of the bill—attempts to weaken the cautionary language that the bill itself requires. Once again, the end result may be that investors find their legitimate claims unfairly dismissed.

Third, the Conference Report's Rule 11 provision lacks balance, treating plaintiffs more harshly than defendants in a manner that comes too close to the ''loser pays'' standard I oppose.

I want to sign a good bill and I am prepared to do exactly that if the Congress will make the following changes to this legislation: first, adopt the Second Circuit pleading standards and reinsert the Specter amendment into the bill. I will support a bill that submits all plaintiffs to the tough pleading standards of the Second Circuit, but I am not prepared to go beyond that. Second, remove the language in the Statement of Managers that waters down the nature of the cautionary language that must be included to make the safe harbor safe. Third, restore the Rule 11 language to that of the Senate bill.

While it is true that innocent companies are hurt by frivolous lawsuits and that valuable information may be withheld from investors when companies fear the risk of such suits, it is also true that there are innocent investors who are defrauded and who are able to recover their losses only because they can go to court. It is appropriate to change the law to ensure that companies can make reasonable statements and future projections without getting sued every time earnings turn out to be lower than expected or stock prices drop. But it is not appropriate to erect procedural barriers that will keep wrongly injured persons from having their day in court.

I ask the Congress to send me a bill promptly that will put an end to litigation abuses while still protecting the legitimate rights of ordinary investors. I will sign such a bill as soon as it reaches my desk.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *December 19, 1995.*

The Senate proceeded to reconsider the bill (H.R. 1058) to reform Federal securities litigation, and for other purposes, returned to the House by the President on December 19, 1995, with his objections, and passed by the House of Representatives, on reconsideration, on December 20, 1995.

The question is, Shall the bill pass, the objection of the President of the United States to the contrary notwithstanding? Who yields time?

Mr. BENNETT. Mr. President, we had a long, I think, careful and reasoned debate on this issue. It passed the Senate by a very substantial margin, indeed by a margin, which, if it had been the final vote, would have been sufficient to override a Presidential veto.

I am not sure what purpose will be served by our spending a great deal of time repeating the arguments that were made, but I am sure we will. The procedure and tradition in the Senate being what it is, we will go over this one more time.

I believe the President has made a mistake in vetoing this bill. I believe the House of Representatives has made the right decision in overriding the veto. I know the bill has been characterized as an issue between investors and corporations. The President, in his veto message, indicated that he was going to strike a blow for the investors.

Mr. President, I need to point out once more, perhaps, that the owners of corporations are the investors, and anything which damages the economic health of the corporation damages the investors who place their money in that corporation. Anything that prohibits the corporations' ability to earn a return on investment damages the investors who are seeking that return on investment.

I find it difficult to understand, therefore, those who say that we are going to help investors by supporting activities which damage the profitability of the corporation in which the investors have placed their money.

The key provisions of this bill are proinvestor provisions. I think the most significant provision of this bill is the one that allows the investors to determine who will prosecute the lawsuit when a class action suit is brought. Let me illustrate the importance of that, Mr. President, with an example that is admittedly overdrawn, but we need to overdraw these issues because some people do not seem to understand them when they are not overdrawn.

Let us assume that the ABC Corp. has 100 shares outstanding; let us assume that one investor has purchased one of those shares, and another investor has purchased the other 99. When a class action suit is brought, it is brought on behalf of all members of the class. In the circumstance I have just described, there are two members of the class—the class being the investors: One who has one share, the other who has 99 shares. If a class action suit is brought by the investor who has one share and the effect of that class action suit is to damage the ability of that corporation to perform, who is most damaged by the suit? It is the shareholder who owns the other 99 shares.

Yet the way the thing is structured now, the shareholder who owns one share can bring a class action suit on behalf of the entire class, and if he gets

to the courtroom first, he is determined to be the lead plaintiff in this suit. Now, the investor who owns the 99 shares sits down with him and says, ''Sam, this is stupid. This is going to damage the corporation. This is going to damage all of us.''

Sam smiles sweetly at Joe and says, ''Joe, what is it worth to you to get me to drop my suit?''

Joe says, ''Well, Sam, you know you will lose if we get in court.''

And Sam says ''Joe, that's not the point. What's it worth to you?''

Sam says, ''It will cost the corporation a million dollars to defend against your suit.''

Joe says, ''Fine, offer me half a million and I go away.''

It is blackmail, Mr. President, pure and simple.

So Joe finally says, ''OK, Sam, here is your $500,000. Drop your suit.''

Sam takes his $500,000 and he goes away until the next time.

I have told this story before. I have to repeat it again because I think it is an important part of the point I am trying to make. We are often told here, ''No, the only reason lawsuits are settled out of court is when the management has something to hide.'' Well, the story I am about to tell you is a real story. It really happened. It happened to my father. He served here in the Senate for some 24 years. When he retired from the Senate he was not ready to retire from life so he got himself another life and another series of activities. One of them was serving on boards of directors. He was on a number of boards. Some were charitable, some were nonprofit, some were very much profit.

On one of the boards he served, he would go to the board meetings and take his duty seriously—as my father always did—and then one day he received a stack of papers in the mail notifying him that he was being sued. The suit was made out to Wallace F. Bennett, et al., and the suit was claiming all kinds of things. My father looked through this. He was quite disturbed. It became clear to him that the ''et al.'' in this case were the other directors of the corporation. He called the legal division of the corporation whose board he was serving on and said, ''What is this all about?''

The lawyer said to him ''Oh, don't worry about that, Mr. Bennett. The reason you are named is because the directors are listed alphabetically and ''B'' comes before the letters of any of the other directors so they are suing you and all of the directors, but it is just a coincidence that your name comes first, that you are named in the suit. The entire board is being sued.''

Dad said, ''That is a little bit of comfort, but what are we being sued for? What did we do wrong?''

Well, the lawyer says ''You raised your salary.''

Dad said, ''Pardon me?''

And he said, ''Well, remember, the way this thing is structured, the compensation of the directors are tied to the profitability of the organization. So when the organization makes more money the directors' compensation goes up.''

Dad says, ''That is logical. That is proper. What is the basis of the suit?''

''There is a lawyer in New York who watches this, and whenever the compensation of the directors goes up for whatever reason, he automatically files a lawsuit against us claiming that the directors are looting the proceeds and assets of the corporation for their own profit.''

Dad said, ''Well, that lawsuit is absolutely absurd. It is sound business practice to tie the directors' compensation to the profitability of the company. That means the directors will take the actions that will make the company more profitable.''

''Don't worry about it, Senator, this lawyer knows he will never win his suit. He knows we will never spend the money to take him to court. It would cost us about $500,000 to prosecute this suit and take him to court and win and it is cheaper for us to send him a $100,000 check to settle this.''

So every time this happens, that is, there is a change in the compensation of the directors, he files the suit, we send him a $100,000 check, he goes away and the problem is solved. That is exactly what happened. They sent the lawyer a $100,000 check, he dropped his suit, and everybody went forward.

My father was outraged. But they told him, ''Senator, you can be as outraged as you want to be, but our alternative is to prosecute this lawsuit, take him to court, beat him in court, see a $500,000 legal bill run up in the process. The logical thing for us to do for the shareholders, the investors, if you will, is to pay him his $100,000, and hope he will go away.''

Now, my father was pleased when another member joined the board whose last name began with an ''A'' because then the papers were always filed on the new director rather than my father, but again and again they sent the $100,000 bribe money off to the lawyer in New York who had himself a really wonderful legal practice. All he had to do was file these papers and collect his check. There was no merit whatever in his claim and he knew it and everybody else knew it.

There is an end to this story that I kind of like. The lawyer decided to expand his practice and he started suing other companies besides the one of which my father served as a director. One of the companies he decided to sue was owned by Merrill Lynch, and the Merrill Lynch lawyers looked at this and decided the time has come to put an end to it and we have deep enough pockets that we can take this man to court and ruin him in his legal costs, trying to defend himself.

So the system that had worked for the lawyer in the one circumstance then turned against him. Merrill Lynch said, ''Whatever it takes in legal costs, it takes, but we are going to put a stop to this, force this man to go to court and force him to defend his position.'' And they ultimately did put a stop to it because when he was faced with actually proving his position in a court of law and running up the costs connected with that kind of litigation, the lawyer was finally forced to back down.

I tell this story because I want to lay to rest, once and for all, the canard that is raised on the other side of this issue by those who say that by passing this legislation we are damaging investors for the benefit of big corporations. The investors in the company where my father served as a director were benefited by the actions of Merrill Lynch and their legal department when they finally stepped in. They would be benefited by the passage of this legislation, and Merrill Lynch investors would be benefited by the fact that Merrill Lynch would no longer have to spend that kind of money to clean up that sort of an outrage.

If you want to vote on behalf of the investors, you vote for the override of the President's veto of this bill.

I was sorry to hear that the President had vetoed. We were told informally on the floor when the bill was passed that the President would probably sign it. We were told that the President and the people advising him understood that this was proinvestor legislation and the President, obviously, wants to position himself as being proinvestor.

I was also told by those who watch these kinds of things that the President would probably sign it because this legislation is very, very important in Silicon Valley. The companies that have been the target of these frivolous lawsuits are primarily located in the high-technology industry, and Silicon Valley in California is considered the seed bed of high technology in this country.

I might, in a parochial way, Mr. President, note that there are more software companies in Utah Valley than there are in Silicon Valley, but that is a parochial comment made by the Senator from Utah.

Why would it be important for the President to sign a bill that would benefit Silicon Valley? One need only look at the political map and the number of electoral votes that are contained in California to realize that anything that improves the California economy would be of political benefit to a politician who could take credit for improving the California economy. The California delegation as a whole has been most vigorous in their support of this bill. The senior Senator from California [Mrs. FEINSTEIN] has been a supporter of this bill. But the President decided, apparently, that whatever political benefit would accrue to him by doing something that would be good for Silicon Valley might be offset by his ability to pose as the defender of the small investor.

There have been many editorials written by people who perhaps do not

understand this bill, to say, no, this really does support the small investor, and the President decided to go with that rhetoric rather than with what I consider to be the true substantive benefit of this bill.

So we are back again. We have gone through this argument in committee. The bill was reported out of committee by a strong bipartisan margin. We are back into it here on the floor. As indicated, the bill was passed by the Senate by a strong bipartisan margin. It has gone through the House. The override vote was 319 to 100, more than 3 to 1. It needed only be 2 to 1, but it was more than 3 to 1. So that makes it very clear there is a strong bipartisan message here.

I am interested that the authorship of this bill began on the Democratic side of the aisle with Senator DODD, joined on the Republican side of the aisle by Senator DOMENICI. It was known as the Dodd-Domenici bill in the previous Congress. Now, given the results of the election, it is called the Domenici-Dodd bill. But it demonstrates the bipartisan nature, rising above partisan bickering, that has marked this entire effort. The effort has taken years, and in the years since Senator DODD began his crusade to get this problem fixed, there have been millions, if not hundreds of millions of dollars wasted, investor dollars wasted in dealing with these frivolous lawsuits. If this veto is upheld, there will be millions, if not hundreds of millions of dollars wasted in the future.

This legislation will ultimately pass. It will ultimately pass because it is the right thing to do and more and more people recognize that it is the right thing to do. The only question is whether it should pass in this Congress and become law in this year. I believe the time has gone long enough for us to debate this and repeat the arguments back and forth. The time has come for us to pass this bill.

So I hope the Senate will respond, as the House has done, with a strong bipartisan majority to override the President's veto. I expressed my concern that I think the President was misguided by his advisers on this one, both those who advised him on the substance and those who may have advised him on the politics. I hope we will help correct this Presidential mistake by what we do here on the floor.

Mr. President, I could go on and repeat all of the arguments that have been made in committee and on the floor on this issue, but I see the senior Senator from Maryland, who was the ranking member of the Banking Committee and who is opposed to this bill, and undoubtedly in support of the President's veto. He is on the floor, and I will be happy to yield to him for whatever opening statement he might have. Then we can go forward from there.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, as I understand it, the distinguished Senator from Tennessee would like to address the Senate for a short period of time. I ask unanimous consent the Senator from Tennessee be recognized, and at the conclusion of his remarks I then be recognized.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Tennessee.

## THE HOWARD H. BAKER, JR. COURTHOUSE

Mr. THOMPSON. I thank the Senator from Maryland, and I thank the Chair.

Mr. President, one of the highest honors that I have in serving in the U.S. Senate is the fact that I hold a seat once occupied by Howard H. Baker, Jr. I have no doubt that this seat will always be known as the Baker seat, and that is how it should be.

This morning I rise and it is my honor to rise in support of the action of the Senate taken last night, just prior to adjournment. The Senate passed H.R. 2547 to name the new U.S. courthouse in Knoxville, TN, in the Senator's beloved east Tennessee, after Senator Baker.

I know that the Howard H. Baker, Jr. Courthouse will always serve as a reminder of the love and respect that all Tennesseans, as well as all Members of this body, have for him.

Mr. SARBANES. Mr. President, let me simply say I am delighted to hear the courthouse has been named for our very able colleague, Howard Baker. I did wonder whether Howard Baker would be able to practice law in the Howard Baker Courthouse, but I guess that issue can be settled when the time arises. But it is certainly a recognition that his very distinguished career here in the Senate makes well deserved.

## SECURITIES LITIGATION REFORM ACT—VETO

The Senate continued with the reconsideration of the bill.

Mr. SARBANES. Mr. President, first I want to say that the logic of my colleague from Utah is absolutely right. I think he said right at the end of his remarks that I was against the bill and, therefore, he assumed that I would be in support of the veto. And he is obviously correct. I will not now—I may later—talk a bit about the broader defects which I see in the legislation. But I want to address now the items that were touched upon in the President's veto message as the basis for his vetoing the legislation.

My own view is that there are other reasons as well that go well beyond what the President indicated. But I want to focus on that for the moment since it is the veto message, the veto, that is before us. And the issue, of course, would be whether to override the veto.

I listened to my distinguished colleague from Utah as he talked, and to the various examples that he gave as a reason for why we should pass this legislation in terms of the kinds of suits that had been brought and the frivolousness of the actions. And I want to simply say to him that, if that is all the bill did, if the bill were crafted in a way to get at the kind of examples he was citing, I think the bill would have passed 99–0. So I do not really differ with him in the examples that he cited as being problems and saying that those are problems and measures ought to be taken in order to correct them. The problem is that this bill goes way beyond that. That is the problem.

The President, since the conference report was passed 2 weeks ago, has now vetoed it. That actually reflects, I think, the overwhelming position taken by newspaper and magazine editors around the country who have analyzed this legislation and who have no vested interest in it. There are a number of interest groups who have an interest on either side of this legislation. But these are common indicators outside of that framework. They have by and large strongly come down against it.

The President said in his message, ''Those who are victims of fraud should have recourse in our courts. Unfortunately, changes made in this bill during conference could well prevent that.''

I hope that the Senate will sustain the President's veto so that we could get about the business of crafting legislation better targeted at the goal that I think we all share—deterring frivolous lawsuits. I want to emphasize that again. I know of no one who argues against reasoned measures to deter frivolous lawsuits.

The President's veto message recognizes that this bill is not a balanced response to the problem of frivolous lawsuits. This legislation will affect far more than frivolous lawsuits. As I said at the outset, if the bill dealt only with the problem of frivolous lawsuits, I would be for it, and presumably the President would have signed it.

Unfortunately, this bill that is before us will make it more difficult for investors to bring and recover damages in legitimate fraud actions. Investors will find it far more difficult to bring and to recover damages in legitimate fraud actions.

The editors of Money magazine concluded that this legislation hurts investors, stating in their December editorial as follows: ''Now only Clinton can stop Congress from hurting small investors like you.'' That is Money magazine. The President has tried to do that through the veto. We should do our part now by supporting this veto.

The President's message identified three areas of concern with the bill: The pleading standard, the safe harbor, and the rule 11 provision. On the first point, the President said, and I quote him: ''The pleading requirements of the

conference report with regard to a defendant's state of mind impose an unacceptable procedural hurdle to meritorious claims being heard in Federal courts.''—''an unacceptable procedural hurdle to meritorious claims being heard in Federal court.''

What are pleading standards? Some of this, of course, gets very lawyerly, but it has to get lawyerly because you are really talking about the basis on which people have access to the courts. That may appear to be a highly technical legal matter, and in some respects it is. But the practical result is very real for people who may have been defrauded or abused in terms of making their investment decisions.

Pleading standards refer to what an investor must show in order to initiate a securities fraud lawsuit. In other words, what must you establish in order to get the lawsuit started? The bill that was reported by the Senate Banking Committee adopted the pleading standard used by the U.S. Court of Appeals for the Second Circuit. That standard says that investors seeking to file securities fraud cases must, and I quote: ''specifically allege facts giving rise to a strong inference that the defendant acted with the required state of mind.''

In other words, the plaintiff in setting out his pleading has to specifically allege facts that give rise to a strong inference that the defendant acted with the required state of mind. This is a standard more stringent than the Federal Rules of Civil Procedure. It, in fact, is a minority view amongst the circuit courts in terms of the threshold that the plaintiff has to cross in order to initiate a securities fraud lawsuit.

But that was a standard adopted in the committee, in the committee-reported bill. When the bill came to the Senate floor, the Senate adopted an amendment to this provision that was offered by the distinguished Senator from Pennsylvania, Senator SPECTER. Senator SPECTER's amendment codified, brought into the statute, additional second circuit holdings clarifying this standard. These additional second circuit holdings state that a plaintiff may meet the pleading standard by alleging facts showing the defendant had motive and opportunity to commit fraud or constituting strong circumstantial evidence of state of mind. What the second circuit has done is they have enunciated this holding with respect to pleadings, and then in subsequent opinions they had clarified this standard to make it clear that motive and opportunity to commit fraud, or facts constituting strong circumstantial evidence of a state of mind, would also meet the pleading standard.

The argument made was that, if you are going to take the second circuit standard, then you ought to take the second circuit's elaboration of its standard, which seems to me an eminently logical and reasonable position.

I think it is probably safe to say that the only pro-investor amendment adopted on the Senate floor was the Specter amendment.

I thought it was a constructive contribution to the legislation, and a majority of this body, I think on a vote of 57 to 42, agreed with that.

Unfortunately, this amendment was dropped in conference, the SPECTER amendment. The conference report deleted the SPECTER amendment, leaving investors without the protection of the additional second circuit holdings. And the President in his veto message said the following:

> The conferees deleted an amendment offered by Senator SPECTER and adopted by the Senate that specifically incorporated Second Circuit case law with respect to pleading a claim of fraud. Then they specifically indicated that they were not adopting Second Circuit case law but instead intended to strengthen the existing pleading requirements of the Second Circuit. All this shows that the conferees meant to erect a higher barrier to bringing suit than any now existing—one so high that even the most aggrieved investors with the most painful losses may get tossed out of court before they have a chance to prove their case.

Mr. President, I think that President Clinton was well advised to object to that provision of the conference report. A number of eminent law professors, experts without any axe to grind, wrote to the President warning of the consequences of that provision.

Professor Arthur Miller of the Harvard Law School, a nationally recognized expert on civil procedure, warned that the pleading standard adopted in conference, and I quote him, ''effectively will destroy the private enforcement capacities that have been given to investors to police our Nation's marketplace.''

John Sexton, the very able and distinguished dean of the New York University School of Law, one of our Nation's preeminent law schools, and also an expert on civil procedure, wrote, ''It simply will be impossible for the plaintiff, without discovery, to meet the standard inserted by the conference committee at the last minute.'' Let me repeat that from Dean Sexton. ''It simply will be impossible for the plaintiff, without discovery, to meet the standard inserted by the conference committee at the last minute.''

Joel Seligman, dean of the University of Arizona School of Law and an expert in securities law, also expressed concern that the pleading standard would ''prevent a significant number of meritorious lawsuits from going forward.''

These are all very distinguished legal experts, very knowledgeable on this particular area of the law, and all expressing these very strong judgments about the impact of what was done in the conference with respect to this issue.

I ask unanimous consent that those letters be printed in the RECORD at the end of my remarks.

The PRESIDING OFFICER (Mr. COVERDELL). Without objection, it is so ordered.

(See exhibit 1.)

Mr. SARBANES. Mr. President, sustaining the President's veto would give the Congress a chance to craft a more reasonable pleading standard. This is a very important issue. It may not appear to be so, but the end result of not having a reasonable pleading standard is that you will prevent people with meritorious claims from being able to initiate and carry through their suit. I wish to underscore, I am talking about people with meritorious claims.

A reasonable pleading standard, as was in the original proposed bill and enhanced by the SPECTER amendment, would not provide any opening for frivolous lawsuits but it would ensure that meritorious lawsuits were not barred from the courtroom.

Let me turn to safe harbor, which, of course, was an issue on which there was extended discussion in this Chamber in the course of the consideration of this legislation and then again on the conference report. The President stated with respect to the safe harbor provision—this is the President in the veto message:

> While I support the language of the conference report providing a ''safe harbor'' for companies that include meaningful cautionary statements in their projections of earnings, the Statement of Managers—which will be used by courts as a guide to the intent of the Congress with regard to the meaning of the bill—attempts to weaken the cautionary language that the bill itself requires. Once again, the end result may be that investors find their legitimate claims unfairly dismissed.

The safe harbor provision creates a statutory exemption from liability for so-called forward-looking statements. Forward-looking statements are broadly defined in the bill to include both oral and written statements—both oral and written statements. Examples include projections of financial items such as revenues and income for the quarter or for the year, estimates of dividends to be paid to shareholders, and statements of future economic performance such as sales trends and developments of new products. In short, forward-looking statements include the type of information that is important to investors deciding whether to purchase a particular stock.

I differ somewhat with the President on his analysis because I think the safe harbor language in the bill as well as the language in the statement of managers is troublesome. It is my very deep concern that the safe harbor provision in this legislation will, for the first time, protect fraudulent statements under the Federal securities law. The American Bar Association wrote the President that the safe harbor ''has been transformed not simply into a shelter for the reckless but for the intentional wrongdoer as well.''

Think of that, not simply into a shelter for the reckless but for the intentional wrongdoer as well.

Projections by corporate insiders will be protected, even though they may be

unreasonable, misleading, and fraudulent, if accompanied by boilerplate cautionary language.

The claim is made that the bill codifies a legal doctrine applied by the courts known as ''bespeaks caution.'' As I understand it, all courts that have applied this doctrine have required that projections be accompanied by disclaimers specifically tailored to the projections. If companies want to immunize their projections, they must alert investors to the specific risks affecting those projections.

In other words, general boilerplate language will not do that. The bill before us today does not include—does not include—this requirement of specific cautionary language to investors.

The Association of the Bar of the city of New York warned of this provision stating:

. . . the proposed statutory language, while superficially appearing to track the concepts and standards of the leading cases in this field, in fact radically departs from them and could immunize artfully packaged and intentional misstatements and omissions of known facts.

Let me just repeat that because the Association of the Bar of the city of New York is a very distinguished organization and they do in-depth studies of important legal issues. Their studies are widely respected and widely referred to in the legal profession.

What they warned about in this safe harbor provision was that:

. . . the proposed statutory language, while superficially appearing to track the concepts and standards of the leading cases in this field, in fact radically departs from them and could immunize artfully packaged and intentional misstatements and omissions of known facts.

This letter was signed for the bar association by Stephen Friedman, a former SEC Commissioner.

Prof. John Coffee, a distinguished professor at the Columbia Law School, wrote to the President:

. . . rather than simply codify the emerging 'bespeaks caution' doctrine, it is much closer to the truth to say that the Act overrules that doctrine.

Mr. President, I ask unanimous consent that the Coffee letter discussing this issue and another by him be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. SARBANES. While I believe the safe harbor language in this bill is a problem, the President in his veto message has raised an additional valid point with respect to the safe harbor language in the statement of managers.

The President points out that the language in the statement of managers attempts to weaken the cautionary language that the bill itself requires. The President received advice on this point from Professor Coffee, who wrote:

. . . under the proposed legislative history there now appears to be no obligation to disclose the most important reasons why the forward-looking statement may prove false.

And Professor Coffee went on to state:

. . . no public policy justification can support such selective disclosure of the less important facts while withholding the most important.

So I have difficulty with the provision in the legislation itself, as I have indicated, but on top of that you have this Statement of Managers seeking to create legislative interpretation which, as the President pointed out, attempts to weaken the cautionary language that the bill itself requires.

So that a weak provision has been rendered, well, Professor Coffee, I guess, would say, nonexistent. He stated earlier:

. . . rather than simply codify the emerging ''bespeaks caution'' doctrine, it is much closer to the truth to say that the Act overrules that doctrine.

Sustaining the veto would give the Congress the chance to craft a more reasonable legislative approach on the safe harbor issue.

Let me turn to the rule 11 provision. The President's veto message on this matter states:

. . . The Conference Report's Rule 11 provision lacks balance, treating plaintiffs more harshly than defendants in a manner that comes too close to the ''loser pays'' standard I oppose.

We had a discussion about this when we dealt with the conference report, I say to my colleagues. When we sent the bill to conference, the way we drafted the bill in the Senate, under Rule 11, we treated plaintiffs and defendants evenhandedly with respect to either bringing of frivolous suits or asserting a frivolous defense.

It is clear to me that that is the way it ought to be done. Rule 11 of the Federal Rules of Civil Procedure is the principal sanction against the filing of frivolous lawsuits in the Federal courts. It requires all cases filed in the Federal courts to be based on reasonable legal arguments and supported by the facts. As passed by the Senate, the bill required that courts include specific findings in securities class actions regarding compliance by all parties and attorneys with rule 11(b) of the Federal Rules of Civil Procedure.

This is as passed by the Senate. If a court found a violation of rule 11 by the plaintiff or the defendant, the court was required to impose sanctions. The provision was balanced. The sanctions would have applied equally to plaintiffs and defendants. This was intended as a deterrent to frivolous cases. I believe it would have worked well. In conference, this balance was removed so the legislation now applies more harshly to investors than to corporate insiders.

The Senate bill as we passed it contained a presumption that the appropriate sanction for failure of the complaint or the responsive pleading or motion to comply with rule 11 was an award of reasonable attorneys fees and other expenses incurred as a direct result of the violation.

The conference changed this presumption so it no longer applies equally to plaintiffs and defendants. I defy any of my colleagues to justify this either in logic or reason. This was a change made by the conference so that it no longer applies equally to plaintiffs and defendants. If the defendant substantially violates rule 11, he pays only reasonable attorneys fees and other expenses incurred as a direct result of the violation; this is the standard that was in the Senate-passed bill. If the plaintiff is found to have substantially violated rule 11, he pays all attorneys fees incurred in the action, not just those resulting from the violation.

This is a major and significant disparity. There is no justification for such disparate treatment. Of course, its result will be to scare investors from bringing meritorious fraud suits. The legal experts agree that that will be the result of this provision.

Professor Miller, of Harvard Law School, wrote of this provision—and I quote him—and listen carefully to this quote:

. . . It is inconceivable that any citizen, even one with considerable wealth and a strong case on the merits, could undertake securities fraud litigation in the face of the risks created by these provisions.

Dean Sexton, of New York University Law School, wrote:

. . . the obvious effect of these provisions: who but a fool would risk the remainder of his or her life savings, having already been defrauded out of much of them? Even wealthy interest will not expose their assets to the possible onslaught of unlimited defense costs, or judicial fee-shifting excesses.

Sustaining the President's veto would give Congress the chance to craft a more reasonable rule 11 provision, actually to go back to the provision that the Senate passed before it was mutilated in the conference committee.

Sustaining the President's veto, of course, obviously would not be the end of this legislative effort. There is, obviously, very strong support in the Congress for dealing with the issue of frivolous lawsuits. The difference is not to go so far that you have an unbalanced product. The debate tends to be a citation of abusive instances, and I want to make it very clear that those of us who support the veto do not defend the abusive instances and would support legislation designed to deal with it.

But this legislation goes too far, as I have indicated, in the three provisions the President focused on in his veto message: the pleading standard, the safe harbor and the now unbalanced rule 11 provision. In each instance, that would make it more difficult for innocent investors to bring lawsuits and to recover damages when they have been defrauded.

This is a piece of legislation people are going to have to live with on their history, and I am prepared to predict here today that the consequence of this legislation will be that innocent people

with meritorious claims will not be able to assert them in court; the people who have been defrauded will not be able to obtain a remedy; the Charles Keatings of the world will walk free; and senior citizens, pension plans, ordinary investors will have no recourse. The stories then that are going to be told are going to be the stories of predatory actions against innocent people, with them not having any way to obtain justice.

The President said in the veto message:

> It is not appropriate to erect procedural barriers that will keep wrongly injured persons from having their day in court.

The Congress ought to take the opportunity to rework this legislation to eliminate these defects, to get a piece of legislation that we could all agree on as being worthwhile and meritorious, that was not subjected to the sort of scathing criticism that is reflected in these letters from some very distinguished legal scholars with respect to this matter.

These people do not argue against doing something about frivolous lawsuits, but they are saying in the course of trying to do that, do not go so far that you are ruling out meritorious lawsuits. There is plenty of time remaining in this Congress. It is not as though we are at the end of a Congress, so that if you do not act, you have to start all over again. There is plenty of time remaining in this Congress to deal with this matter.

Other provisions in this legislation, which no one has raised an issue about, provide protection against the professional plaintiff, against class action lawyers who abuse investors who have been defrauded. Those provisions no one is questioning.

Most of the debate focuses on extreme cases. The provisions in the legislation that address the extreme cases no one is arguing against. So I want it clearly understood, when we hear these various horror stories, the provisions that would get at those instances, no one is questioning. We are prepared to see those go into law.

But I think we have to really narrow the focus down to what is at issue here.

There is a great tendency to cite the extreme examples, but no one is contesting the extreme examples. We need to craft a piece of legislation, of which we can be proud, that stands legal scrutiny and that will not result in individual investors, pension funds, local governments suffering when they are defrauded in the securities markets and are denied their day in court.

Sustaining the veto would enable us to do that, and I think the end result would be that we would have a better piece of legislation, and the end result then would be that we would not come back on another day citing the horror stories of investors who have been defrauded who, by any standard, ought to be able to obtain justice and are denied their day in court.

Mr. President, I yield the floor.

EXHIBIT 1

HARVARD LAW SCHOOL,
*Cambridge, MA, December 19, 1995.*

Hon. WILLIAM J. CLINTON,
*President of the United States,*
*The White House,*
*Washington, DC.*

DEAR MR. PRESIDENT: On December 12 I wrote to you concerning the so called ''securities reform'' legislation, then embodied in Senate Bill 240. I urged you to oppose that legislation because (1) it was based on a totally erroneous assumption that there had been a sharp increase in securities litigation in the recent past, which is completely belied by every statistical measure available; (2) the federal courts, exploiting a variety of procedural tools such as pretrial management, summary judgment motions, sanctions, and enhanced pleading requirements, were achieving many of the goals of the so called reformists, most particularly the deterrence of ''frivolous'' litigation; (3) recent history suggests that the same vigilance is needed today to guard against market fraud as was needed during the superheated activity in the securities business in the mid-1980's; and (4) the SEC simply is unable to perform the necessary prophylaxis to safeguard the nation's investors, and private enforcement is an absolutely integral part of policing the nation's marketplaces.

I am writing again because the latest version of the legislation, H.R. 1058, contains provisions regarding pleading in securities cases and sanction procedures that, if anything, make the legislation even more draconian and access-barring than Senate Bill 240. It simply is perverse to consider it a ''reform'' measure.

I have always taken great pride in the fact that the words ''equal justice under law'' are engraved on the portico of the United States Supreme Court. I fear, however, that if the proposed legislation is signed into law, access to the federal courts for those who have been victimized by illicit practices in our securities markets will be foreclosed, effectively discriminating against millions of Americans who entrust their earnings to the securities markets. As difficult as the existing Federals Rules of Civil Procedure already make it to plead a claim for securities fraud sufficient to survive a motion to dismiss, especially given existing judicial attitudes toward these cases, the passage in House Bill 1058 requiring that the plaintiff ''state with particularity facts giving rise to a strong inference'' that the defendant acted with scienter, in conjunction with the automatic stay of discovery pending adjudication of dismissal motions, effectively will destroy the private enforcement capacities that have been given to investors to police our nation's marketplace. Despite misleading statements in the Statement of Managers that this provision is designed to make the legislation consistent with existing Federal Rule 9, the truth is diametrically the opposite, since the existing Rule clearly provides that matters relating to state of mind need not be pleaded with particularly. Indeed, it would be more accurate to describe the proposal as a reversion to Nineteenth Century notions of procedure. The proposed legislation also does considerable damage to notions of privilege and confidence by demanding that allegations on information and belief must be accompanied by a particularization of ''all facts on which that belief is formed.''

The situation is compounded by the proposed fee shifting and bond provisions that relate to the enhanced sanction language in the legislation. It is inconceivable that any citizen, even one with considerable wealth and a strong case on the merits, could undertake securities fraud litigation in the face of the risks created by these provisions. As the person who was the Reporter to the Federal Rules Advisory Committee during the formulation and promulgation of the 1983 revision of Federal Rule 11, the primary sanction provision in those Rules, I can assure you that no one on that distinguished committee would have possibly supported what is now so cavalierly inserted into the legislation.

I use the word ''cavalierly'' intentionally, because, as I indicated to you in my earlier letter, there is not one whit of empiric research that justifies any of the procedural aspects of this so called ''reform'' legislation. Not only does every piece of statistical evidence available belie the notion that there is any upsurge in securities fraud cases, but these proposals, with their devastating impact on our nation's investors, have completely bypassed the carefully crafted structure established in the 1930's for procedural revision that has enabled the Federal Rules to maintain their stature as the model for procedural fairness and currency. Thus, the proposed legislation represents a mortal blow both to the policies that support the private enforcement of major federal regulatory legislation and to the orderly consideration and evaluation of all proposals for the modification of the Federal Rules. From my perspective, which is that of a practitioner in the federal courts, a teacher of civil procedure for almost thirty-five years, and a co-author of the standard work on federal practice and procedure, I fear that all of this is extremely regrettable.

I hope you will give serious consideration to vetoing the legislation. If I can be of any further assistance to you or your staff in considering these and related matters, please do not hesitate to inquire. My telephone number is 617/495–4111.

My very best to you and your family during this wonderful holiday season.

Sincerely yours,

ARTHUR R. MILLER,
*Bruce Bromley Professor of Law.*

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THE UNIVERSITY OF ARIZONA,
*Tucson, AZ, December 13, 1995.*

Hon. WILLIAM J. CLINTON,
*The President,*
*The White House,*
*Washington, DC.*

DEAR MR. PRESIDENT: I am writing to urge you to veto pending legislation, The Private Securities Litigation Reform Act H.R. 1058.

For the past 18 years, my principal work has been in the field of federal Securities Regulation. I am the co-author with Harvard Law School Professor Louis Loss of an 11 volume treatise on Securities Regulation, published by Little, Brown & Co., which is generally considered to be the leading treatise in the field. I have written four other securities regulation related books and over 25 Law Review articles in this area. Earlier I had a discussion with respect to a different version of H.R. 1050 with your General Counsel, Abner Mikva.

The current bill, while an improvement over legislation that was introduced last January, is unduly heavy handed and clumsily drafted and would prevent a significant number of meritorious law suits from going forward. I am particularly concerned no only about the safe harbor provisions, but also about provisions concerning Rule 11, the pleading requirements; and the extraordinarily one-side language that appears in the legislative history. Legislative history may not be a point many people have emphasized, but it is my understanding that it was written without earlier review by the Securities and Exchange Commission or its staff, and reflects policy preferences more typical of what appeared in the January 1995 version of this legislation. I take legislative history very seriously, for having studied every reported federal securities Law decision over

the past 12 or so years as a result of my work with Professor Loss, I am well aware that it is frequently dispositive in questions such as those addressed in this particular legislation.

If this bill is vetoed, I am confident it will not be the end of the road for this process. It is possible for Congress if the veto is sustained to draft a more balanced and appropriate bill within a matter of weeks. On the other hand, if this bill is not vetoed, this will provide opportunity for that small number of corporations that do engage in federal securities fraud to feel a greater sense of immunity from private litigation, and in many instances, given the limitations of the SEC and Justice Departments budgets, from any litigation deterrent at all.

Sincerely,

JOEL SELIGMAN,
*Dean and Samuel M. Fegtly Professor of Law.*

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NEW YORK UNIVERSITY
SCHOOL OF LAW,
*New York, NY, December 13, 1995.*

President WILLIAM J. CLINTON,
*The White House,*
*Washington, DC.*

DEAR MR. PRESIDENT: I am a student and teacher of Civil Procedure and the principal active author of the most widely used textbook on the subject. I approach matters of Civil Procedure not as an advocate for particular parties, but as a scholar interested in coherence, fairness and efficiency in the system. I am imposing upon your time with this letter because I feel compelled to convey my view that the Conference Committee Securities Litigation Reform bill (which in critical respects is dramatically different from the Senate bill) is a procedural nightmare that will chill meritorious litigation by victims of securities fraud—and equally importantly, will provide a precedent for substantive procedural rules which most certainly will be copied with disastrous consequences in other areas (for example, in the area of civil rights).

The Conference Committee bill effects far-reaching procedural changes that will govern both class and individual litigation in one type of federal case—litigation under the federal securities laws. These will affect not only shareholder claims, but also insurance policyholders and limited partnership claims, among others, which seek relief under federal securities laws. The bill advances these procedural changes, which undermine fifty years of procedural reform, without consulting even a single judicial witness in its hearings. Cumulatively, the reforms will impose obstacles that will make it impossible for the average citizen to pursue, let alone to prevail upon, virtually any securities claims, no matter how valid.

I will not examine every section of the bill; rather, I will confine my comments to the provisions which, viewed from the perspective of a proceduralist, seem most perverse.

HEIGHTENED PLEADING REQUIREMENTS

Although the Senate bill purported to adopt the Second Circuit's already elevated (beyond Rule 9) pleading requirements for fraud, the Conference Report goes beyond that, requiring that the complaint shall ''state with particularity facts giving rise to a strong inference'' that the defendant acted with scienter (emphasis supplied). In addition, the Conference Report contains an automatic stay of discovery pending adjudication of a motion to dismiss.

In essence, the Conference Report establishes almost insurmountable hurdles in the form of pleading requirements as a barrier to federal court. Absent the most extraordinary circumstances (such as a prior federal indictment), it simply will be impossible for the plaintiff, without discovery, to meet the standard inserted by the Conference Committee at the last minute, which is to state ''with particularity'' facts that give rise to a strong inference that a defendant acted with the required state of mind at the outset of the case. While the Statement of Managers recites that the words ''with particularity'' were added to make this requirement consistent with Federal Rule of Civil Procedure 9, that Rule explicitly states that facts on state of mind need not be specifically set forth. No other type of case requires such precise pleading—because it was long ago recognized as impossible to achieve except for those intimately involved in an action, a status not enjoyed by people buying stock on the open market.

In addition, the pleading requirement states that ''if an allegation regarding a fraudulent statement or omission is made on information and belief, the complaint shall state with particularity all facts on which that belief is formed.'' That requirement would appear to provide that the plaintiff would have to set forth all confidential sources in the complaint, including the names of whistleblowers and members of the media. This disclosure requirement deters pre-complaint investigation and completely reverses the attorney-work product protection afforded other types of litigants.

ENHANCED SANCTIONS AND BOND REQUIREMENT

I am opposed to fee-shifting, and I always have understood that was your policy as well. Any significant chance of fee-shifting will deter all meritorious cases in which a plaintiff has little to gain in potential recovery in relation to the magnitude of the fees to be shifted, as is frequently the case in securities class action litigation. In these circumstances, any significant chance of fee-shifting is going to be a major deterrent. The simple mathematics of the situation suggests the obvious effect of these provisions: who but a fool would risk the remainder of his or her life savings, having already been defrauded out of much of them? Even wealthy interests will not expose their assets to the possible onslaught of unlimited defense costs, or judicial fee-shifting excesses.

Similarly the bond provision, which has no standard to guide its administration, is completely inequitable and will operate only against plaintiffs. The notion that such a bond provision could run against defendants is preposterous, as it is clearly unconstitutional to require an individual to post a bond in order to defend himself or herself in court.

PERVERSE CUMULATIVE SYNERGY OF PROCEDURAL CHANGES

The disastrous effects of all these changes on meritorious litigation can be seen easily if one hypothetically shifts the context to Title VII litigation—the likely next target for the ''reformers'' if this bill becomes law. Given the extraordinarily high economic exposure (resulting from the possibility of sanctions), the necessity of a bond, and the difficulty in meeting the pleading requirement without discovery, is it possible to imagine many plaintiffs (even those with what appear to be winning cases) taking the risk even of initiating litigation? And, of course, this will be the case in securities litigation as well. Essentially, through ''procedural reform'' and a selective return to Nineteenth Century pleading rules, real victims will be prevented from seeking redress.

Because much litigation will never come to be, it would be wrong to assert that the courts will be able to ameliorate these rules. Moreover, in the case of the highly problematic pleading requirements, even in those suits which materialize the courts would not have the power to overrule a directive from a statute. Thus, though the Second Circuit could promulgate its interpretation of the pleading requirement of Rule 9 on matters other than intent, it could not have applied its test in the area of intent, because the Rule (by its terms) exempted intent; so also, if the Committee Bill becomes law, the Second Circuit would not be free to exempt intent, because the statute includes it.

In my opinion, you should veto this bill. I would appreciate any consideration you can give to my views. If any member of your staff has questions, please do not hesitate to call me at 212–998–6000.

Best of luck in this and all things. Love to all.

Sincerely,

JOHN SEXTON.

EXHIBIT 2

COLUMBIA UNIVERSITY IN
THE CITY OF NEW YORK,
*New York, NY, December 6, 1995.*

The PRESIDENT,
*The White House,*
*Washington, DC.*

DEAR MR. PRESIDENT: I am writing with regard to the proposed ''Private Securities Litigation Reform Act of 1995'' (the ''Act'') in light of the November 28, 1995 Proposed Conference Report and the accompanying ''Statement of Managers'', which constitutes its primary legislative history.

The special focus of my letter is on the proposed ''safe harbor for forward-looking statements'' that the Act would codify. Although there are other serious problems with the Act, it is this area where its deficiencies are the most glaring and where the recently drafted legislative history most clearly distorts the original intent of the proponents of such a safe harbor. Over the last two years, I have repeatedly testified before Congressional committees on the subject of securities legislation, have drafted a proposed administrative ''safe harbor'' rule at the request of the SEC, and have served as an informal consultant to attorneys on the staff of the White House counsel on the subject to such a safe harbor. Throughout this process, I have strongly supported the desirability of such a safe harbor, believing that it will encourage fuller disclosure from issuers who would otherwise be chilled from making projections by the threat of private civil liability. Unfortunately, I believe the formulation of the proposed ''safe harbor'' in Section 102 of the Act, when read in light of its legislative history, does the reverse. That is, its adoption would seriously erode the quality of disclosure in our national securities markets and, in some cases, would give issuers a virtual ''license to lie''.

Simply put the core problem is that the Act's safe harbor, as finally drafted, does not require the issuer to identify the substantive factors known to it that are most likely to cause actual results to differ materially from projected results. Rather, the issuer could simply provide a representative list of ''important factors'' that could cause actual results to differ materially from projected results. Thus, for example, an issuer might be aware of ten factors that could cause its projection to go awry and could deliberately list only the third, fifth, seventh and tenth most important factors, intentionally omitting the first, second, fourth factors (or three out of the first four). This outcome is very different from what would be tolerated today by the federal courts, because these courts have crafted a protective doctrine (known) as the ''bespeaks caution'' doctrine) to shelter issuers from liability when their projections prove materially inaccurate. However, this judicial doctrine applies only when the projection is accompanied by cautionary language that is ''specifically tailored'' to the actual projection made and the

special risks faced by the issuer. Not only does the Act lack any requirement that the cautionary statements be in any respect ''tailored'' to the projections made, but its legislative history now makes clear for the first time (and at the last minute) that the issuer need only disclose some of the reasons known to it why the projection may prove false (and apparently not the most important such reasons). In this light, rather than simply codify the emerging ''bespeak caution'' doctrine, it is much closer to the trust to say that the Act overrules that doctrine.

To understand this assessment, it is necessary to focus briefly on the legislative language and its accompanying legislative history. Under proposed §27A (and also under a companion provision that amends the Securities Exchange Act of 1934), a defendant cannot be held liable in a private action with respect to a forward-looking statement if and to the extent that either of the following occurs:

(A) The forward-looking statement is identified as such and ''is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statement;'' or

(B) the plaintiff fails to prove that the defendant (or certain officers thereof) had ''actual knowledge . . . [of] an untrue statement of a material fact or omisssion of a material fact. . .''

Thus, even if knowingly false statement is made, the defendant escapes liability if ''meaningful cautionary statement'' are added to the forward-looking statement. This is bad enough, but under the proposed legislative history there now appears to be no obligation to disclose the most important reasons why the forward-looking statement may prove false (so long as some ''important factors'' are indicated). Specifically, the Statement of the Managers directs:

''Failure to include the particular factor that ultimately causes the forward-looking statement not to come true will not mean that the statement is not protected by the safe harbor. The Conference Committee specifies that the cautionary statements identify ''important' factors to provide guidance to issuers and not to provide the opportunity for plaintiff counsel to conduct discovery on what factors were known to the issuer at the time the forward-looking statement was made. . . .The first prong of the safe harbor requires courts to examine only the cautionary statement accompanying the forward-looking statement. Courts should not examine the state of mind of the person making the statement.'' (at pp. 17–18).

On this basin, a court would not be able to ascertain what ''important factors'' the issuer was aware of but failed to disclose. It is at least arguable than if the issuer disclosed factors that were ''important'' but not among the top four or five reasons why actual results might deviate materially from predicted results, such disclosure would still satisfy this standard. Simply put, no public policy justification can support such selective disclosure of the less important factors while withholding the most important.

Throughout the legislative drafting process, the managers of the Act have argued that their safe harbor provision largely codified the ''bespeaks caution'' doctrine, but just avoided overly exacting (and litigation-promoting) terms, such as ''specifically tailored.'' Perhaps, it was understandable those fearful of an excessive incentive to litigate would wish to avoid such a formulation. Thus a weak compromise was reached under which the disclosures would only have to include ''meaningful cautionary statements.'' Now, however, with the appearance of the legislative history, even that compromise has been undercut by language suggesting that only a few representative factors need be disclosed.

The impact of this change is shown by the following entirely realistic examples:

1. A biotech company, whose future depends on the development of a new drug, projects that it will be in the market within 18 months, but acknowledges that this projection is subject to the uncertainties of FDA approval. However, it fails to disclose that the FDA has just questioned the adequacy of its tests and suggested that a new round of testing may be necessary.

2. A company projects a 50% increase in its earnings for the next year and specifies that this projection is conditioned on (i) the current level of interest rates, (2) continued high demand for its products, (3) the availability of certain scarce supplies, and (4) its ability to obtain adequate financing from its lenders to exploit business opportunities. Omitted from this list of important factors is the critical factor that 50% of its sales come from a single contract with a major customer, who has experienced major business and financial difficulties and has sought to renegotiate its future payments, claiming that it might be unable to pay for future deliveries.

In both these cases, some ''important factors'' are disclosed, but the critical facts are omitted. Under current law, the forward-looking statements would not be protected, because the cautionary statements were not ''specifically tailored.'' However, under the Act, they may be insulated from private liability—with the result that the securities market will become somewhat more ''noisy'' and less transparent and investors will have to discount projections for the risk that material information was not disclosed.

So what should be done? Ultimately, the options at this point are limited. Nonetheless, I suggest that there are two options that do not require the sacrifice of the federal securities laws' traditional objective of full and fair disclosure:

(1) Veto Plus An Administrative Rule. The President could veto the Act, but simultaneously announce the promulgation by the SEC of an administrative safe harbor rule that protects forward-looking statements so long as the principal risk factors known to management at the time the forward-looking statement is made are disclosed (along with any material facts bearing on these risk factors); or

(2) Signature Plus An Administrative Rule. The President could sign the Act, but instruct the SEC to adopt an interpretative rule defining what constitutes adequate ''meaningful cautionary statements'' for purposes of the Act's safe harbor. This administrative definition would, of course, require an issuer to identify the principal factors known to it that are in its judgment most likely to cause actual results to deviate from projected results.

This second option deserves a brief word of explanation. Although the legislative history in the Statement of Managers is adverse, it is not decisive. Nothing in it clearly prohibits an SEC interpretative rule along the lines indicated above. In any event, the Supreme Court is divided on the weight to be given to legislative history. Particularly because the term ''meaningful cautionary statements'' is not self-evident, but has soft edges, courts are likely to give substantial discretion to an administrative agency to define the critical terms in the statute under which it operates. See Chevron, U.S.A. Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984) (agency has substantial powers to resolve legal ambiguities in its statute and federal court should give deference to its greater expertise).

The advantage of this latter approach is that allows the other provisions of the Act to take effect. Although I and many others also have problems with these provisions, they are of a lesser order of magnitude.

to sum up, the latest changes and associated legislative history has made a bad provision worse. I, therefore, urge you to either veto the Private securities Litigation Reform Act of 1995, or sign it only after receiving the assurance of the SEC that it can and will correct the excesses of the safe harbor provision through administrative rule-making.

Respectfully submitted,

JOHN C. COFFEE, Jr.

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COLUMBIA UNIVERSITY IN
THE CITY OF NEW YORK,
*New York, NY, December 13, 1995.*

Re private Securities Litigation Reform Act of 1995 (the ''Act'') Safe Harbor Provisions.

BRUCE LINDSEY, *Esq.*
*Associate White House Counsel, The White House,*
*Washington, DC.*

DEAR MR. LINDSEY: This is a follow-up to my letter to the President of December 6, 1995, in which I voiced my criticisms of the ''safe harbor for forward-looking statements.'' While I stated (and continue to believe) that the safe harbor provisions represent the most glaring deficiency in the Act, I also suggested that these problems could be substantially corrected by SEC rule-making. Subsequently, I have been asked to clarify my views on the SEC's authority to adopt a definitional rule in light of the legislative history that will accompany the Act (which I had reviewed but did not specifically discuss in my earlier letter).

Initially, it should be noted that both the Securities Act of 1933 (in Section 19) and the Securities Exchange Act of 1934 (in Section 3(b)) delegate broad authority to the SEC ''by rules and regulations to define technical, trade, accounting, and other terms used in this title, consistently with the provisions and purposes of this title.''[1] Indeed, the Commission used this authority over a decade ago to adopt a ''safe harbor for forward-looking information.'' See SEC Rules 175 and 3b–6 (''Liability for Certain Statements by Issuers'').

My suggestion was that the SEC could adopt a new rule under both the 1933 Act and the 1934 Act to define what constituted ''meaningful cautionary statements.'' I asserted that the Supreme Court's decision in *Chevron, U.S.A. Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. §837 (1984) indicated that courts would be required to deter to such an agency rule. As I understand it, some concern has been raised as to whether the legislative history to the Act so clearly indicates a contrary Congressional intent on this question as to preclude such a rule. this letter is intended to address this concern.

Under the *Chevron* decision, judicial review of an agency's construction of the statute that it administers has two stages. First, the court considers ''whether Congress has directly spoken to the precise question at issue.'' Id. at 842. Second, ''[i]f * * * the court determines Congress has not directly addressed the precise question at issue,'' the court determines ''whether the agency's answer is based on a permissible construction of the statute.'' Id. at 843. In this latter inquiry, substantial deference must be given to the agency's greater institutional expertise.

[1] This is the language of § 3(b); § 19(a) of the 1933 Act has some immaterial differences, which, if anything, give broader authority to the SEC ''to make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of this title.

Let us suppose then that the SEC were to adopt a definitional rule defining ''meaningful cautionary statements'' so as to require the corporation seeking to rely on the statutory safe harbor to ''identify those substantive factors then known to the corporation's executive officers that were in their judgment most likely to cause actual results to differ materially from the results projected in the forward-looking statement.''[2]

Obviously, the first issue is whether the legislative history indicates that Congress has directly spoken to ''the precise question at issue.'' Whether ''the precise question'' be broadly defined as the meaning of ''meaningful cautionary statements'' or more narrowly defined as whether such statements should indicate the most important reasons why actual results may deviate from predicted results, my answer is the same: Congress has not spoken to either question. Reviewing the Statement of Managers, one finds only two statements that address these issues, even indirectly. First, at p. 17, it states:

''The Conference Committee expects that the cautionary statements identify important factors that could cause results to differ materially—but not all factors. Failure to include the particular factor that ultimately causes the forward-looking statement not to come true will not mean that the statement is not protected by the safe harbor.''

This understandable position does not, however, conflict with an SEC definition that required the issuer to identify the most important factors then known to it. Logically, the failure to identify the particular factor may have been because that factor was remote and unlikely to occur (i.e. number thirteen on a list of fifteen recognized factors). Hence, there is no necessary conflict. Moreover, the proposed rule could accommodate this point by expressly providing that the failure to identify the particular factor would not be decisive if the issuer had not perceived it to be among the most important factors (ranked either in order of probability of occurrence or magnitude of the consequences if it occurred) or had identified several other factors that it considered to be of greater importance. Put simply, a Congressional intent to permit omission of the actual factor does not preclude a rule requiring disclosure of the most important factors.

A second and more oblique statement of Congressional intent may arguably be inferred from the Statement of Managers' attempt to limit discovery. At pp. 17–18, that statement directs:

''The Conference Committee specifies that the cautionary statements identify 'important' factors to provide guidance to issuers and not to provide an opportunity for plaintiff counsel to conduct discovery on what factors were known to the issuer at the time the forward-looking statement was made. * * * The first prong of the safe harbor requires courts to examine only the cautionary statement accompanying the forward-looking statement. Courts should not examine the mind of the person making the statement.''

Initially, it should be observed that the above language addresses only discovery and not the substantive content of the ''meaningful cautionary statements.'' Moreover, this language may be in direct conflict with the statutory language (in which case the statute should trump the legislative history). Both Sections 27A((f) and 21E(f) expressly authorize discovery ''specifically directed to the applicability of the exemption provided for in this Section.'' Nonetheless, someone may potentially argue that this hostility to discovery as to issuer's state of mind precludes a rule requiring the ''meaningful cautionary statements'' to identify the most important risk factors then known to the issuer. This seems a weak and very inferential claim. Even without discovery addressed to the issuer's state of mind, a court can assess whether the factors most likely to cause a projection not to be realized have been disclosed. Indeed, one possible answer to this objection is to frame the definition in terms of disclosure of the factors that a reasonable person in the corporation's position would have foreseen as being most likely to cause actual and predicted results to deviate materially. Then, the focus becomes objective and not subjective, and there is no conflict with the Congressional prohibition on discovery as to the corporation's state of mind. Discovery could then focus on whether the risk factors were generally recognized in the relevant industry (without focusing on the issuer's state of mind). In short, both objections to the proposed rule can be easily outflanked.

This then takes us to the second level of analysis: is the SEC's interpretation ''based on a permissible construction of the statute?'' See *Chevron, U.S.A.* v. *Natural Resources Defense Council,* 467 U.S. at 843. If it is, ''a court may not substitute its own construction of a statutory provision for a reasonable interpretation made by the administrator of an agency,'' Id. at 844. There seems no need to belabor the reasonableness of requiring disclosure of the factors most likely to cause the projection to go awry. Disclosure of remote factors would indeed not be ''meaningful'' because it would not convey an accurate sense of the relevant risk level.

Independently, I should note that respected legal commentators have recently stressed the role of presidential interpretations in the proper judicial construction of a statute's meaning. See Thomas W. Merrill, Judicial Deference to Executive Precedent, 101 Yale L.J. 969 (1992). While it is not necessary to rely on this ''executive precedent model,'' its availability could be strengthened by a contemporaneous statement by the President as to how he believes the term ''meaningful cautionary statements'' should be read. Such a declaration is not necessary, but cannot hurt.

I hope these comments are useful. If I can be helpful in any way, please do not hestitate to contact me.

Yours tryly,

JOHN C. COFFEE, Jr.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Mexico.

Mr. DOMENICI. Parliamentary inquiry, Mr. President. There are no time limits on this yet, are there?

The PRESIDING OFFICER. There are no time limits.

Mr. DOMENICI. Have we agreed on the time to vote yet?

The PRESIDING OFFICER. We have not.

Mr. DOMENICI. Mr. President, I am pleased to have an opportunity to speak before 1 o'clock, because I will not be back on the Senate floor for a few hours after that. I thank the floor manager for accommodating me, and I thank the Senate for giving me this chance to talk for just a few minutes.

I think the issue is pretty simple, although my good friend from Maryland can, indeed, make it very complex with reference to rules of procedure, cites of precedent and Federal rule requirements. This issue is very simple, we have a situation in the country where many who want to sustain the President's veto talk about saving, protecting the investors so that lawsuits can be filed on their behalf against those who would perpetrate fraud against them as the management or executive part of a corporation. The scenario is ''people need protection because somebody is going to do them in.''

Let me tell you, the basic problem is that the system we have right now does in the investor and it does in the company. It does the stockholder in, whether it is a small stockholder or somebody who is in one of the giant investment groups in the country as a stockholder. Remember, there are always shareholders on both sides of a case. The nonsuing shareholders receive lower dividends and lower stock prices when their companies are sued in these class actions. And the members of the plaintiff class don't do too well either. The ones who do well are the class action lawyers. The attorneys run these cases, decide who to sue and when to settle. According to the Millberg Weiss data that were submitted to the U.S. Senate, and it was not a submission that we easily obtained, the problem is that if you collect total damages in one of these suits and let us just say it is a dollar—it is never a dollar, it is more like $30 million—if it is a dollar, 14 cents of that goes to the investors. I am not saying that the entire 86 cents goes to the lawyers, but it does not go to the investor.

Essentially, there is a lot going on behind that simple fact. There are many factors that affect what is going on in the litigation cosmos against corporations on the so-called behalf of the so-called stockholders. But, in essence, the system we have is not working. In fact, it is detrimental to the people we allege we are trying to protect by a Federal court-made rule, the private right of action under Section 10b.

There is no statutory law in America that created class action lawsuits under section 10b of the Securities and Exchange Act of 1934.

The courts created the implied private right of action as a method of getting justice and expediting matters so that each stockholder, in the case of these kinds of suits, did not have to file their own lawsuits. In the process, let me suggest that it is very simple to come to the floor and say we ought to fix that. It is very simple for my friend from Maryland to come to the floor and say, ''We agree on some things.''

Mr. President, we have been trying to reform the system, in an active way, for at least 5 years. We probably have been trying to fix it for 10 years. But, that I am aware of, we have been actively trying to fix it for 5 years—fix this problem, the problem that lawyers are no longer lawyers in the sense that people understand them to be. They are entrepreneurial lawyers. That means

[2] Of course, this is intended only as a first approximation, but I do not believe that such a rule would be hard to draft.

they are in the business of manufacturing lawsuits and making money, if they can find the situation where a stock price drops and the lawyers can allege fraud. Believe you me, they look for them, they find them, they recruit them, and they use the same plaintiff many times in many suits. They have their favorites. They are called professional plaintiffs or pet plaintiffs.

In one set of facts before the committee last year, we found that a very elderly man—I think he was over 90—owned small amounts of stock in a whole in a large number of corporations because, if he had enough, he would be the favored plaintiff of this new breed of lawyers. In exchange for letting the lawyer use your name, the professional plaintiff gets a bonus payment of thousands of dollars. Entrepreneurial lawyers agree with statements that say, ''Once we get one of these suits, it is wonderful. We do not work for the stockholders, we work for ourselves because our interest becomes how much money can we finally get if a president of a company, an auditor who did part of the work, a CPA that did work, a board of directors that voted it—how many of these can we bring into a lawsuit?'' At some point, they all add up a little money and they have a nice pot, and it is looking good. ''Gee, we might make $10 million, $20 million out of this.'' And now we settle it. And this results, right here on this chart.

My friend from Maryland would say, well, you have come a long way, and many of the provisions in this bill we agree with. But my question is: How long do we have to debate? How many hearings do we have to have? How many Senators do we have to have voting for this? How many House Members do we have to have voting on it—only to find that those that support the President's veto come to the floor and say there is something really bad with what is going on out there. And this is a good bill.

Mr. SARBANES. Will the Senator yield?

Mr. DOMENICI. But the opponents say we did not quite fix it right. Let me suggest to the Senators that are going to vote here tonight, we fixed it about as right as Democrat and Republican Senators—Democrat and Republican House Members, in large numbers—can do with a piece of legislation over a sustained period of time, with a lot of effort. And they did it. As a matter of fact, there has been more bipartisan participation on this bill, and from different spectrums of the ideological makeup of this Congress, than any bill I have seen since I have been here.

It has Senators HELMS, LOTT, and GRAMM voting for it, and it has Senators MIKULSKI, KENNEDY, and HARKIN on the bill and voting for the bill. And then when the bill came back from conference, a wide spectrum of Senators voted for it again.

So, Mr. President, the truth of the matter is—I do not say this to my friend from Maryland, I make it as a broad statement—there are about 90 lawyers out there in the United States—maybe 110, or something like that—that you will never satisfy. They are powerful, they are strong, they have a lot of money, and they are listened to by a lot of people; they make huge political contributions, and everybody knows that. And you will never satisfy them because they like the system as it is.

There is an old gypsy curse that goes like this: ''May you be the innocent defendant in a frivolous lawsuit.'' It is a curse stopping companies from creating good jobs, high-paying jobs. It is a curse for our economy. If it was not the most powerful around, we would probably easily find the enormous damage being done. It is so big and so strong that all we can do is add up all the horror stories and find out that ''something is wrong in Denmark.'' It is a curse of the Silicon Valley, which breeds entrepreneurial companies that have scattered across America and made growth in jobs and competition a reality. All of the high-tech companies are concerned almost every day that the President makes any statements about their company—biotech and high-growth companies.

This issue is the electronics industry's No. 1 issue.

Frankly, you will find them listed by the hundreds—not a few, but by the hundreds—through their chief executive officers, begging the President to sign this legislation. I am sorry he did not. I think he made a very bad mistake.

It has been a difficult job. This bill was first introduced—and it was not as good as it is now—by Senator DODD and Senator DOMENICI 3½ years ago. It was introduced by Senator DOMENICI and Senator DODD, and there was a counterpart in the House sponsored by Congressman TAUZIN. It has been dramatically improved and we are here with it today.

Mr. SPECTER. Will the Senator yield for a question on the President's action?

Mr. DOMENICI. Yes.

Mr. SPECTER. The President, in his veto message, focused on one narrow question. Actually, he focused on three, but they boil down to one. That is, on the somewhat arcane question of pleading. The question goes to the distinguished Senator from New Mexico, whom I compliment for his laborious work here. He is an attorney himself, and he is the proud father of an attorney, as am I.

Mr. DOMENICI. Three attorneys.

Mr. SPECTER. He is the proud father of three attorneys. He only talked to me about one, so I will have to find out about the other two. I want to ask the Senator from New Mexico a question which relates to the core problem here about the requirements on proving state of mind, where the President's veto message takes up this question, with the conference report adopting the toughest standard in existence, the standard of the second circuit. But the conference report dropped an amendment which this Senator had offered, which was approved by a substantial majority, 57 to 42, codifying the second circuit's method of proving state of mind. And then the conference report also added the requirement that state of mind be pleaded with particularity, which is a direct contradiction to the general rule of civil procedure that state of mind be averred generally as opposed to fraud, which has to be pleaded with particularity.

Now, this is classified as an arcane subject, which means very few people know anything about it. The President called me the night before last because I had written to the President—and I will go into this a little more when I seek the floor on my own behalf—but in the context where you have a short statute of limitations, where you have the unique—not unusual, but unique—provision in the law for a mandatory stay of discovery when a defendant files a motion to dismiss, so that you have a requirement that the plaintiff plead with particularity facts on the defendant's state of mind. Does that not go too far in closing the courthouse door to plaintiffs? I say that without an ax to grind, and with some substantial experience as a practicing lawyer, although not in class action fields for the plaintiff. I represented some defendants in securities act litigation.

As I take a look at the current state of the bill, different from the bill passed by the Senate, the President raises three points which would change in the conference report, but they boil down to this extraordinarily high standard of pleading. Is it fair to require investors in a field where we have stock security transactions, approximating $4 trillion in this country each year, bearing in mind the gross national product in this country is——

Mr. DOMENICI. I have great respect for the Senator, but I would like him to ask the question.

Mr. SPECTER. Is it fair to have that kind of particularity required in that bill?

Mr. DOMENICI. I think it is fair. My answer is briefer than your question but let me insert in the RECORD a letter dated October 31, from the U.S. Court of Appeals for the Third Circuit, Judge Scirica, circuit judge. He writes on behalf of the Judicial Conference.

One portion of the concern you have, as expressed by the Senator from Pennsylvania, is that the Senate Banking Committee provision provided that the complaint must ''specifically allege facts giving rise to a strong inference.'' The conference report states that the complaint must ''state with particularity the facts giving rise to a strong inference.''

The reason we put in ''state with particularity the facts giving rise to a strong inference'' is because that is what Judge Scirica, speaking on behalf of the Judicial Conference, asked Congress to do. He indicated in this letter

that he thought—and he was speaking for many others that are concerned about pleadings—that it was more appropriate to say ''state with particularity facts giving rise to a strong inference'' as compared with ''specifically allege facts giving rise to a strong inference.'' That is the change made, and it was made at the suggestion of an eminent jurist.

Now, let me complete my remarks. The point I want to make is that there have been many Senators on both sides of the aisle work on this legislation. I want to thank Senator DODD, in particular, for the tremendous effort he made in behalf of this legislation. I am not sure, Mr. President, and I say this to all of those who are out there in America—and they are by the hundreds of the thousands—who were overjoyed when this bill passed the Senate and passed the House and who will be overjoyed tonight if we override the President. Without Senator DODD, we would not have made it.

Second, there is no doubt that without the tremendous efforts put forth by the chairman of that committee, the Senator from New York, Senator D'AMATO, who started out skeptical and ended up powerfully on the side of common sense and protecting our investors while we protect our corporations from the abuses of a burgeoning entrepreneurial litigation complex out there where lawyers decide who get sued, when cases are settled, when they have gotten enough out of the system, to take it and run, and when the end product is that they and the process take most of the money.

I am delighted that those two Senators—there are many others—decided to take this thing to heart. I had an early role, and I can tell you my role came because I read about this litigation. I had no interest. I just have a lot of time traveling from here to New Mexico and occasionally I read—not often—and I read one story and it enticed me to read two, and finally I read three or four major stories, exposés, stories, about this burgeoning type of American litigation. I could not believe that nothing could be done about it.

Frankly, I set about to draft a bill. Senator DODD actually was not the first cosponsor. Actually, Senator Sanford was my first cosponsor. That only lasted 3 or 4 months, and then Senator DODD came on board. We have had nothing since then but a difficult battle. We have had advertisements, we have had millions spent talking about what evil people we are, how we are taking things away from the small investors of America. Who are we trying to protect? Obviously, not average folks.

I am very, very pleased that for once there was a countervailing message out there from people who know we have fixed some abuses that should not go on in this country under the name of using the courts to protect small investors. We do not have to have that kind of system. Today, if the vote goes right, we will strike—without question, we will restore integrity to our securities litigation reform system—a giant strike will be made for commonsense, reasonable litigation in America, instead of litigation that goes to the extreme as far as the minds of bright lawyers can carry. There are many who think that is the way the system ought to evolve. I do not believe so. I do not think we ought to put to work the genius of our minds in figuring out how to litigate to get something out of the system. That is what I think has happened. I think we will fix that.

There are 182 Members of the House from both sides of the aisle as original cosponsors. There were 52 in the U.S. Senate as original cosponsors. I must say, in all honesty, the bill is much better now than when they cosponsored it. In fact, I must say it is even better for that portion of the plaintiff's bar that chooses to participate in this kind of litigation. It is better for them, too because they will be forced to be better lawyers and to make the merits matter.

I came to the floor just to express a few remarks. We will be here for perhaps a few hours. I also want to say the President's veto message leads me to conclude that we ought to pass this legislation. I do not see in this message from the President a scathing attack on the legislation. I see some very technical points. Frankly, a statement that the managers report might go too far. I do not know—I say this with a degree of caution, but I am not sure that I have seen a President veto a bill on the basis of what is in the statement of managers, but maybe I am wrong. I would not think Presidents would do that. I do not think this President intended that. A statement of managers is not law, everyone knows that. Interpretation will evolve over time, without any question. There are more than 12,000 words in this bill and the President quibbled with 11 of them. I know this because Senator DODD did the analysis.

I ask unanimous consent that the October 31 letter from the third circuit be printed in the RECORD.

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

U.S. COURT OF APPEALS,
THIRD CIRCUIT,
*October 31, 1995.*

MS. LAURA UNGER,
MR. ROBERT GIUFFRA,
*Senate Committee on Banking, Housing and Urban Affairs, Washington, DC*

DEAR LAURA AND BOB: I have a few suggestions for your consideration on the Rule 11 issue.

Page 24, line 11: Insert ''complaint'' before ''responsive pleading.''

Page 24, line 19: Insert ''substantial'' before ''failure.''

''Complaint'' would be added to item (i), so there is a clear provision that reaches any failure of the complaint to comply with Rule 11. A small offense would be met by mandatory attorney fees and expenses caused by the offense; if item (ii) is modified without this change, a gap is left in the statutory scheme. The result still is a big change from present Rule 11, which restricts an award of attorney fees to a sanction ''imposed on motion and warranted for effective deterrence.'' A serious offense—filing an unfounded action—would be reached under item (ii).

I also wish to confirm our prior conversation on scienter and the pleading requirement.

Page 31, line 5: Delete ''set forth all information'' and insert in its place ''state with particularity.''

Page 31, line 12: Delete ''specifically allege'' and insert in its place ''state with particularity.''

As I indicated, this would conform with the existing language in Rule 9(b) which provides that ''the circumstances constituting fraud or mistake shall be stated with particularity.''

Also, page 24, line 1: Delete ''entering'' and substitute ''making.''

Page 24, line 4: Delete ''of its finding.''

Many thanks.

Sincerely,

ANTHONY J. SCIRICA.

Mr. SPECTER. Mr. President, I have sought recognition to amplify some of the comments and some of the issues which I had raised in the question I posed to the distinguished Senator from New Mexico.

The narrow issue which has been raised in the President's veto message is one of enormous importance but is generally not understood unless someone has delved into the intricacies of the legal pleadings, which are, candidly, not well known, not of very great interest, but are very, very important. The issue arises in a historical context where at common law lawsuits which had great merit on the substance were thrown out of court because lawyers did not put in an adequate written pleading—a pleading is a document that is filed to start a lawsuit—because lawyers, acting on behalf of clients, did not put enough in the pleading to satisfy the requirements of law.

Most people do not really understand what the litigation process, the civil litigation process is all about. There is enormous publicity on the O.J. Simpson case, and television and radio and books talk a lot about criminal trials, but very few really go into detail on what happens in a civil lawsuit. But that is a process where one person sues another, or corporations may be involved as parties, in order to assert a cause of action or a claim for relief based on a civil wrong, where a remedy is sought. It may be money damages or an injunction to stop someone from doing something.

In the old common law, many people who had been severely injured were not given a day in court because their lawyers did not put down the proper words. There is a famous textbook, Chitty on Pleading, to tell you how to write the pleadings. These problems have been carried over to the present day. As a younger lawyer, I went to the prothonotary's office in Philadelphia. On many occasions I had my complaints returned for failure to go into the kind of specificity needed.

The leading architect, the draftsman of the Federal Rules of Civil Procedure,

was a Yale Law School professor named Charles E. Clark. Charles E. Clark later became the dean of the Yale Law School and he later became a distinguished judge on the Court of Appeals for the Second Circuit and ultimately was the Chief Judge there. Judge Clark felt so strongly about civil procedure that he took time from his busy schedule to continue to teach a class at the Yale Law School long after he left as dean and was a distinguished Federal judge. I had the good fortune to have Judge Clark as a professor on civil procedure.

Judge Clark, in a very eloquent way—and I wish he were on the floor today to talk about his deep feelings about procedure and the work that he had done—spoke about the unfairness of having highly technical rules of pleadings which stop people who have valid claims from getting into court. He developed, in the Federal Rules of Civil Procedure, what is called ''notice pleading.'' It was a very famous case, DiGuardia versus Gurney, that involved a man who was injured, wrote something on a slip of paper and filed it in Federal court, and that was sufficient to start a lawsuit, start the process. The defendant obviously objected. He wanted a lot more specification. What he really wanted to do was to win the lawsuit. He wanted to get the plaintiff, DiGuardia, out of court. But that is why we have judges who make decisions.

The distinguished Senator from New Mexico made a statement that ''the lawyers decide when cases are settled.'' It is not true. These class action cases are not settled until judges decide when the cases are going to be settled and when the cases are going to be concluded. These actions all require court approval. If one person sues another, he can discontinue the lawsuit by simply filing a praecipe, or paper saying the lawsuit is over. But in class actions the lawyers do not decide these matters, they are decided by judges. The Federal Rules of Civil Procedure were set up in an elaborate way to provide fairness, to give both parties a fair chance.

There is an interesting editorial in today's USA Today, commenting about this arcane, esoteric subject. The caption of it is, ''Sorry Securities Law.'' The key sentence is, ''President Clinton did something smart this week. He sided with investors and taxpayers in a battle for fair securities litigation reform.''

I ask unanimous consent this editorial be printed in the CONGRESSIONAL RECORD, following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. SPECTER. The essence of my concern, albeit narrow, is very, very important, and that is what this conference report coming back from the conferees provides on how pleadings are articulated, bearing in mind that this has an enormous impact, a controlling impact on the litigation.

When this bill was before the Senate, I offered an amendment which would give some direction to how plaintiffs met a very strong pleading requirement, which was taken from the Federal Court of Appeals for the Second Circuit. It has jurisdiction over New York, Vermont, and Connecticut, and many of the big security cases are brought there. Everybody agrees that the Second Circuit has articulated the toughest standard around. That has been accepted.

When I read the decisions of the court of appeals, I noted that the court of appeals had pointed out how this tough standard could be satisfied, and I offered an amendment, which was opposed by the managers. I had a little discussion with the distinguished Senator from Utah, Senator BENNETT, who was managing the bill that day. And my amendment was adopted by the Senate by a pretty convincing vote, 57 to 42—which is a big vote around here, when the managers are opposed to it and you have about 60 cosponsors.

That amendment provided as follows:

> The required state of mind may be established either by alleging facts to show the defendant had both motive and opportunity to commit fraud, or by alleging facts that constitute strong circumstantial evidence of conscious misbehavior or recklessness by the defendant.

That was adopted by a strong vote in this body. Why was it adopted? Because, while the Senate agreed that we ought to have a tough standard on pleading, the Senate said we ought to look to the same court which established that pleading standard which explained how the proof would be made. But this important provision was dropped in the conference. That means the conferees did not like it. There was a little feeding frenzy as to how this legislation is finally crafted, in my opinion. There is a little feeding frenzy going on in a lot of subjects in the Congress today.

Not only was this important provision dropped, but the conference report came back and made it even tougher, saying that plaintiff had to plead ''with particularity'' the facts giving rise to a strong inference that the defendant acted with a certain state of mind.

This is a little tough, but I hope my colleagues, who will be voting on this matter, will follow this, will listen to it—or the staffs will.

In the context of what the Federal Rules of Civil Procedure provide, and these are worked out by the judges and by the rules committee of the Judicial Conference after years of experience as to what is fair, rule 9(b) of the Federal Rules of Civil Procedure requires that fraud be pleaded with particularity. That is where you have fraud.

But the same rule, when dealing with state of mind, says that the particularity pleading is not required because it is unrealistic. That rule says that state of mind can be ''averred generally.'' Here we come back with legislation on this subject which virtually closes the courthouse door to plaintiffs in legitimate cases, where there are very important issues and very important damages.

When the distinguished Senator from New Mexico, Senator DOMENICI, was saying that hundreds of thousands of people will be pleased with overriding the President's veto, I would respond that millions of Americans will be displeased when they understand that what the Senate has done here is to make it virtually impossible for them to get a case into Federal court.

These are not trivial matters. It is hard to comprehend the enormous billions and trillions of dollars which we talk about in the Senate. The gross national product of the United States of America—that is what everybody produces, all the cars, washing machines, and the services—what everybody produces in this country amounts to $7 trillion, everything that goes on in this country. The transactions on the stock exchanges, the sale of stock, approximate $4 trillion.

We are not talking about a small group of lawyers, or a hundred thousand people who Senator DOMENICI says will be pleased if we override the President's veto. We are talking about millions of people in America who invest in stocks and bonds and who need to be treated fairly. We are talking about the greatest country in the world with an economic development which has developed a corporate mechanism, the corporate machine for acquiring capital by stock offerings on the basis of fairness where we have laws which say what the offerors must do in terms of honest representations. These are matters involving enormous sums of money.

Just a few of the cases are:

Wedtech, which involved a matter where investors recovered $77 million of their losses which had exceeded more than $100 million in a class action suit;

Platinum Software, where investors lost over $100 million, recovered $22 million in a class action suit against the company for overstating revenues;

The famous Charles Keating, American Continental, Lincoln Savings case where a jury awarded $4.4 billion against Mr. Keating and others for fraud;

The Drexel Burnham Lambert case where a New York securities law firm settled the claims of 40,000 class members who had invested in municipal bonds underwritten by Drexel for $26.5 million. Drexel subsequently went bankrupt in the aftermath of the Michael Milken insider trading scandal;

A matter pending today involving investors in Orange County municipal bonds who lost more than $1.5 billion due to the high-risk trading and investment strategy pursued by Orange County, and suit is currently pending;

Hedged Investments Associates, a $40 million settlement against Kidder, Peabody and Morgan Stanley to resolve a class action brought on behalf

of 1,000 investors, mostly elderly retirees who had sustained losses of $72 million where there was a Ponzi-like scheme;

The case of LA Gear, an athletic equipment maker, a class action settled for over $35 million to resolve a suit over allegations of a false public statement about stock value;

Chambers Development suit settled for $75 million on allegations of false statements by management over corporate earnings and accounting methods;

The Washington Public Power Supply System, 26,000 investors were defrauded of over $2 billion for fraud in selling bonds using false information, and over $800 million was recovered in a class action suit.

This is a very brief statement illustrating the kind of problems for which these cases are brought.

Let me point out, Mr. President, that President Clinton has committed to signing the bill with three changes which would leave the reform program provisions essentially intact.

There would be reform of joint liability, which has been urged by many. That stays in. Safe harbor for forward-looking nonfraudulent statements which turn out to be incorrect—that change stays in. The elimination of liability under RICO, something which should have been changed a long time ago, stays in. Procedural changes to make certain that the plaintiffs, rather than their attorneys, control the litigation stays in.

The Wall Street Journal has an interesting comment in today's edition saying that only one of the three major—let me read a paragraph. It is relatively brief. ''While supporters [that is, supporters for the bill] weren't admitting it publicly yesterday, only one of the three major interest groups pushing the bill, the high technology companies often targeted for fraud suits, regard the bill's strict pleadings standards as essential. The other two groups, accounting and securities firms, are more interested in other aspects of the lawsuit-limiting bill such as limits on their financial liability.'' And those would all be retained.

President Clinton went into this pleading issue in some detail. He filed a short three-page veto message. But I can personally attest to the thoroughness of the President's analysis of this issue because he called me on Tuesday night, night before last, rather late, 10:15 at night, and told me that he was issuing a veto message and made a comment that a letter which I had written him on December 8 this year had brought to his attention matters that he had not previously understood.

The letter which I wrote to him said, in part, that I urged the veto because of the restrictive method of pleading scienter; that is, knowledge on the behalf of the defendants, and talking about the sanctions which could be applied and the strong limitations on plaintiffs' suits where you have this extraordinary standard of pleading, the short statute of limitations, and the mandatory review for sanctions under rule 11, which would so discourage any litigation from being brought. And, at the bottom of the letter, I printed in longhand this note: ''Going back to my roots on studying this issue at the Yale Law School, I think that my Federal procedure professor—Judge Charles Clark—would roll over in his grave to see the specific pleading standard in this bill, prohibition on discovery until a motion to dismiss is denied, and the chilling sanctions. Your veto would send it back for important revisions.''

When the President called—and we had a conversation lasting about half an hour—he went in into these pleading provisions in detail, and talked about his own procedure professor at the Yale Law School, fully understood precisely what he was doing, and said in his veto message that he was prepared to sign the bill and supported the goals of the bill but thought it unfair to virtually close the courthouse door with these requirements.

Mr. President, I ask unanimous consent that the following documents be printed in the RECORD following my statement:

No. 1. My letter to the President dated December 8, 1995;

No. 2. The President's veto message dated December 19;

No. 3. My ''Dear Colleague'' letter dated December 20;

No. 4. The article in the Wall Street Journal of today, December 21; and

No. 5. The editorial in USA Today dated December 21, today.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibits 1, 2, 3, 4, and 5.)

Mr. SPECTER. Mr. President, in conclusion, the two most popular words of any speech, I ask my colleagues and the staffs just to take a look at what we are doing here. The President is prepared to sign a bill and to sign into law very substantial changes in the securities fields which have been urged and would become law—limitations on joint liability, reforms, so-called, in the safe harbor provisions, the elimination of liability under RICO—and I have had many people, especially the accountants, urge that change be made—procedural changes to ensure plaintiffs, not their attorneys, control the litigation; really very major and enormous changes.

But this one provision as to how you state your case is just unfairly, unduly restrictive in this bill because it turns the Federal Rules of Civil Procedure on their head. It turns in a revolutionary way—more than revolutionary, really destructively revolutionary—the established rules of notice pleading. It strikes the amendment which this body had adopted on my introduction telling people how to meet the tough standard of specific pleading and then adds to it a particularity requirement which makes it a virtual impossibility that sufficient facts can be alleged and in a unique way cuts off discovery. The only situation like it that I know about. It mandates the cut off of discovery when a motion to dismiss is pending, because characteristically and especially when you want to get inside somebody's head you cannot do it unless you ask them a question or two.

So this is something of really enormous importance. What we would be doing in effect is returning to a common law pleading standard, the common law of ancient England, probably even tougher than common law in ancient England, which would be closing the courthouse doors on millions of Americans who invest their money. And the long-range effect of what it does to the lawyers is minuscule but not what it will do to investors and what it will do to capital formation in the United States. So I think that if we make these changes, simple but critical, as the President has said he will sign this law and we can move forward in a fair way.

I thank the Chair. I yield the floor.

EXHIBIT 1

[From USA Today, Dec. 21, 1995]

SORRY SECURITIES LAW

Caught between two big Democratic Party contributors—trial attorneys and new high-tech companies, President Clinton did something smart this week. He sided with investors and taxpayers in a battle for fair securities-litigation reform.

Clinton vetoed a bill aimed at limiting frivolous lawsuits against corporations that simply went too far.

As passed last week, the legislation gave a deserving slap to a group of trial attorneys who've literally paid people to start class-action suits against companies whose stocks decline dramatically.

To defend against such suits, companies on average pay $700,000 in attorney fees and lose nearly a half-year's worth of top managers' time. Such high costs especially threaten new high-tech firms. All of Silicon Valley's young electronics companies report being hit by so-called strike suits.

Legitimate investors aren't helped either when lawsuits harass a company in which they've put money.

The bill would benefit investors and business by allowing executives to speak more freely about their plans with less fear of suits if the plans go sour.

That's what securities reform was supposed to be about. But the legislation Clinton vetoed leapt beyond that with provisions that would open the door to fraud.

For example, the bill would allow executives to knowingly deceive investors as long as they included general cautions while hyping products. Thus, a drug company executive talking up a new drug could keep from investors the fact that the government had denied approval of it without risking suit as long as he noted the uncertainty of the drug approval process.

Worse, the legislation also would require investors to provide proof of intent to commit fraud when a complaint is filed. That standard would have kept the government from recovering money from Charles Keating and other savings and loan crooks for their billions of dollars in fraud against depositors and taxpayers.

Those problems are easily remedied. As Sen. Arlen Specter, R-Pa., argues, plaintiffs aren't mind readers. They should only have to show motive and opportunity to commit

fraud to lodge a complaint. And honest executives and businesses don't need a safe harbor for lies.

Wednesday, the House foolishly rejected those quick Clinton fixes to the bill and voted to override the veto. The Senate should take Clinton up on them.

Securities laws need to be fair to all, starting with investors and taxpayers.

EXHIBIT 2

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
*Washington, DC, December 8, 1995.*

The PRESIDENT,
*The White House, Washington, DC.*

DEAR MR. PRESIDENT: This week, both the Senate and the House of Representatives passed the conference report to H.R. 1058, the Private Securities Litigation Reform Act of 1995.

I urge you to veto this conference report. While the bill contains some reasonable provisions to eliminate frivolous securities suits, it goes too far. The bill fails to extend the statute of limitations shortened by the Supreme Court several years ago. It imposes a highly restrictive method for pleading scienter. It provides a mandatory stay of discovery when a motion to dismiss is filed, thereby preventing plaintiffs from discovering salient facts that would allow them to amend their complaints to satisfy the new pleading standard. It requires mandatory review at the completion of each case for sanctions under Rule 11 of the Federal Rules of Civil Procedure and, in what amounts to fee-shifting, provides a presumption that the remedy for any Rule 11 violation in the complaint is reimbursement of the defendants' attorneys' fees.

As a practical matter, this combination of factors will choke off many important law suits to protect innocent investors. In very few cases will either potential plaintiffs or their lawyers have a sufficient interest to justify risking sanctions because, after the fact, a judge decides that they may have violated a stringent and arbitrary pleading standard. I fear that enactment of this bill would represent the end of the private enforcement of the nation's securities laws, which have provided the most stable markets in the world.

I assure you that in the event that you veto this bill, I will support your veto and work to defeat any override effort.

Thank you for your consideration.

Sincerely,

ARLEN SPECTER.

EXHIBIT 3

*To the House of Representatives:*

I am returning herewith without my approval H.R. 1058, the ''Private Securities Litigation Reform Act of 1995.'' This legislation is designed to reform portions of the Federal securities laws to end frivolous lawsuits and to ensure that investors receive the best possible information by reducing the litigation risk to companies that make forward-looking statements.

I support those goals. Indeed, I made clear my willingness to support the bill passed by the Senate with appropriate ''safe harbor'' language, even though it did not include certain provisions that I favor—such as enhanced provisions with respect to joint and several liability, aider and abettor liability, and statute of limitations.

I am not, however, willing up to sign legislation that will have the effect of closing the courthouse door on investors who have legitimate claims. Those who are the victims of fraud should have resource in our courts. Unfortunately, changes made in this bill during conference could well prevent that.

This country is blessed by strong and vibrant markets and I believe that they function best when corporations can raise capital by providing investors with their best good-faith assessment of future prospects, without fear of costly, unwarranted litigation. But I also know that our markets are as strong and effective as they are because they operate—and are seen to operate—with integrity. I believe that this bill, as modified in conference, could erode this crucial basis of our markets' strength.

Specifically, I object to the following elements of this bill. First, I believe that the pleading requirements of the Conference Report with regard to defendant's state of mind impose an unacceptable procedural hurdle to meritorious claims being heard in Federal courts. I am prepared to support the standards of the Second Circuit, but I am not prepared to go beyond that. Second, remove the language in the Statement of Managers that waters down the nature of the cautionary language that must be included to make the safe harbor safe. Third, restore the Rule 11 language to that of the Senate bill.

While it is true that innocent companies are hurt by frivolous lawsuits and that valuable information may be withheld from investors when companies fear the risk of such suits, it is also true that there are innocent investors who are defrauded and who are able to recover their losses only because they can go to court. It is appropriate to change the law to ensure that companies can make reasonable statements and future projections without getting sued every time earnings turn out to be lower than expected or stock prices drop. But it is not appropriate to erect procedural barriers that will keep wrongly injured persons from having their day in court.

I ask the Congress to send me a bill promptly that will put an end to litigation abuses while still protecting the legitimate rights of ordinary investors. I will sign such a bill as soon as it reaches my desk.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *December 19, 1995.*

EXHIBIT 4

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
*Washington, DC, December 20, 1995.*

DEAR COLLEAGUE: I urge you to sustain the President's veto on the Securities Bill.

The President vetoed the Conference Report because it significantly changed the Senate's version of the Bill. If the Senate changes three provisions, the President has committed to signing a revised Bill which would contain most of the legislative reforms such as: reform of joint liability; safe harbor for forward-looking nonfraudulent statements which turn out to be incorrect; elimination of liability under RICO; procedural changes to insure that plaintiffs, not their attorneys, control cases.

The President vetoed the Conference Report because it established virtually impossible pleading requirements. The President accepted the toughest pleading standard of the Second Circuit on the defendant's state of mind, but the President wanted the Bill to include my amendment (adopted by the Senate 57 to 42) which codified the Second Circuit's standard on how that state of mind could be proved.

That tough pleading standard becomes even more important in the context that the Bill prohibits discovery while the defendant's motion to dismiss is pending. That means that the plaintiff must specify his entire case without the benefit of discovery. That is a virtually impossible pleading standard which turns the Federal Rules of Civil Procedure on their head.

The Conference Report's safe harbor provision excludes liability for knowingly false forward-looking statements. The President would sign a bill which retained the Senate's version.

Sustaining the President's veto would retain most of the reform measures in the Conference Report but will not close the courthouse door to legitimate claims by these draconian pleading standards.

Transactions on the stock exchanges now approximate $4 trillion annually which is more than half the U.S. gross national product.

Fairness to investors requires these revisions in the final bill which would follow the Senate's sustaining the President's veto.

Sincerely,

ARLEN SPECTER.

EXHIBIT 5

[From the Wall Street Journal, Dec. 21, 1995]

HOUSE VOTES TO OVERRIDE VETO OF SECURITIES-SUIT BILL

(By Jeffrey Taylor)

WASHINGTON.—The House voted 319–100 to override President Clinton's unexpected veto of a bill restricting investors' securities-fraud lawsuits, but the bill's supporters may find an override harder to come by in the Senate

Late Tuesday night, Mr. Clinton stunned a coalition of publicly owned companies, accountants and securities firms advocating the bill by vetoing the legislation—after indicating earlier that he planned to sign it. The bill would make it harder for investors to file lawsuits seeking damages when companies' stock prices drop and would limit the liability of accountants and underwriters for fraud by their corporate clients.

An override vote in the Senate may come as early as today. White House aides expressed confidence that Mr. Clinton's legislative staff could muster enough votes to defeat it. The Senate approved the final version of the bill two weeks ago by a 65–30 vote, barely enough for the two-thirds margin needed for an override. Both sides in the debate spent much of yesterday lobbying five senators who voted for the bill but are seen as swing votes.

In addition to his usual Republican adversaries, the president faces some unaccustomed opponents in the override fight including Sen. Christopher Dodd (D., Conn.), the Democratic National Committee chairman who aggressively supports the bill. In a speech to House Democrats yesterday morning, Sen. Dodd urged them to vote for their body's override. And in a terse public statement, Mr. Dodd vowed to ''work hard . . . to enact this legislation into law,'' which would amount to a defeat for his own party's president.

If the Senate override effort fails, the bill's supporters may be forced to reshape the bill to conform with some of Mr. Clinton's concerns about it. The first of these, the president said in his veto message, was that the bill's so-called pleading standards—or the facts investors must establish so courts will let their lawsuits proceed—impose ''an unacceptable procedural hurdle'' to many worthy lawsuits in the federal-court system. Thus, he concluded, the standards would damage the legal rights of defrauded investors.

While supporters weren't admitting it publicly yesterday, only one of the three major interest groups pushing the bill—the high-technology companies often targeted for fraud lawsuits—regards the bill's strict pleading standards as essential. The other two groups—accounting and securities firms—are more interested in other aspects of the lawsuit-limiting bill, such as its limits on their financial liability.

Mr. Clinton appears to have counted on that fact in crafting his veto message. In it, he calls for restoration of an amendment introduced by Sen. Arlen Specter (R., Pa.), who opposes the bill, which would have softened

the pleading standards. The amendment was approved by the Senate in June but was dropped in subsequent negotiations to merge the Senate bill with its House counterpart.

In a letter to Mr. Clinton this month, Sen. Specter urged Mr. Clinton to veto the bill and, if he did, promised to help defeat any override effort in the Senate. Sen. Specter, who like Mr. Clinton is an alumnus of Yale Law School, said in his letter that his former federal-procedure professor at Yale would ''roll over in his grave to see the specific pleading standard in the bill.''

In a statement issued before yesterday's House vote, Rep. Christopher Cox (R., Calif.), one of the bill's architects and most ardent supporters, dismissed the concerns raised in Mr. Clinton's message and painted the veto as a concession to class-action trial lawyers who oppose the bill. Mr. Clinton vetoed the bill, Rep. Cox asserted, ''at the bidding of securities lawyers who are some of his and the Democratic Party's biggest donors.''

The President's message also criticized the managers' statement that accompanied the bill, in which its congressional supporters explained what their intentions were in drafting it. Mr. Clinton complained about how the managers' statement described a key provision of the bill protecting companies from legal liability for their forecasts about earnings and other matters. The statement, he said, ''attempts to weaken the cautionary language'' the bill requires for companies to describe factors that might skew their forecasts.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER (Mr. KYL). The Senator from Utah is recognized.

Mr. BENNETT. Mr. President, I thank my colleague from Pennsylvania.

If we were not in the veto circumstance we are in, we might well be able to work out some of the issues that he raises. My only comment with respect to some of the comments he made is to remind Senators that this bill deals with forward-looking statements, not with fraud that is committed in terms of reporting inaccurate stock prices, earnings, asset value, et cetera. I hope Members of the Senate and any who are listening will understand the point we have made over and over again, that had this bill been in place at the time of Charles Keating's defalcations this bill would not have prevented a class action suit against Charles Keating. Had this bill been in place at the time of the class action suit brought in Orange County, this bill would not have prevented those class action suits.

There is a clear difference between fraud when one is making a false statement about the performance in the past and forward-looking statements where one is making predictions about the future. That is one of the cruxes here of this argument that has been lost. People have stood in the Chamber again and again and said to those of us who are in support of this legislation, how can you support fraud on the part of corporate executives? The answer is, we do not support fraud on the part of corporate executives. We have never supported fraud on the part of corporate executives.

If I may be somewhat predictive in my forward statements, Mr. President, I see charts that are being set up in the Chamber that we have seen before which make this point, that investors are being defrauded and therefore how can you support legislation that would support this kind of defrauding.

The fact is, stating it once again for the record, we are not talking about the Charles Keatings of this world. We are not talking about that for which Michael Milken was sent to jail, acts where information is hidden from investors or information is distorted to defraud and mislead investors. We are talking about the circumstance where an executive is asked a question about the future and gives his best answer, and then after the fact, if the future does not come to pass the way that executive had speculated, he gets sued.

If I may, Mr. President, I would like to put that in the context of the present budget debate because that is so much on everybody's mind. We are seeing estimates of the future that are coming out of the Office of Management and Budget. We are seeing estimates of the future that are coming out from the Congressional Budget Office. We are seeing estimates of the future that are coming out of the Mainstream Bipartisan Coalition, with whom I met yesterday, about what the economy is going to do and what the budget is going to do. Without the protection contained in this bill, if the Members of the Senate and the House, if, indeed, the President himself, were corporate executives making these estimates about the future, we would all be subject to class action lawsuits if it turned out we were wrong.

I guarantee you, Mr. President, we are all wrong. The only thing I know about the Congressional Budget Office projections for the future and the Office of Management and Budget projections for the future and the President's projections for the future and my projections for the future is that we will all be wrong. The future is not knowable with any degree of certainty. If it were, we would all be rich because we would all bet on the right side of every football game. We would all make the right choices for every stock that was purchased. We would all be rich because we could all predict the future with certainty.

None of us can, and yet that is the standard to which too many executives have been held in this arena: You said you were going to have product x ready for us by September and you missed it by 30 days. We are going to sue you for misleading us.

What protection does the executive have in that circumstance when they say, Mr. Executive, when do you expect to have product x ready for market? He says, I will not tell you because if I say September and it turns out to be October, you are going to sue me. And if I say September and it turns out to be August, you are going to sue me. So I will not tell you. Well, how can I make an intelligent guess as to whether or not I should invest in your company if you will not even tell me what you expect to happen? Tough luck.

That is what we have now, Mr. President. In the name of protecting the investor, we are depriving the investor of the very best guesses so labeled, estimates so labeled, conjectures so labeled, of the people who know the most about the company. We are asking the investor to fly even more blind than they would be if they had those guesses.

So let us understand as we debate this that we are talking about protecting people from lawsuits based on their inability to guess the future, not about protecting people from liars, cheats, and thieves. The liars, cheats, and thieves will still be subjected to class action lawsuits and the class action lawsuits will still end up recovering millions of dollars for investors. But if this legislation passes, honest executives who want to share their best guesses of the future with investors will be able to do so with the knowledge that if they happen to be wrong and product x comes out in October rather than September, they will not have to spend millions of the investors' money to pay off some professional plaintiff that has brought a suit against them on the technicality that exists in the present circumstance.

Mr. President, I see that my colleagues are now prepared. I am happy to yield the floor to those who have a differing point of view.

Mrs. BOXER addressed the Chair.

The PRESIDING OFFICER. The Senator from California.

Mrs. BOXER. Thank you very much, Mr. President.

I think we have an opportunity here to make a bill better, to fix some flaws in a bill that had the best of intentions when it started out, to make sure that we let people know if they are even thinking of filing fraudulent, frivolous lawsuits that they should not even think about it because they are not going to succeed in the end.

That is something I care a lot about. I represent a State that has a lot of businesses which have been hit by lawsuits that in many cases should not have been filed. On the other hand, many of them should have been filed.

My concern here is for small investors. I do not worry about the giant, wealthy investors who, frankly, can take a hit or two and not have any problem. I am worried about those people who save for their retirement, who are basically in the middle class of this country, who count on—the truth in deciding where to put their money so it is there for their retirement.

If they do get hit with one of these problems, it means big trouble. We saw it coming home to roost in the case of those who were defrauded by Charles Keating. We certainly do not want to pass a bill here—I do not think any of us would—that would make it easier for the Charles Keatings of the world to succeed in defrauding unsuspecting investors. Nobody wants that—nobody.

Yet, we know that as this bill has been analyzed by the experts, by the people in academia, by the people who know the law, by people who are really charged with protecting small investors, they are suggesting to us in very strong language that this is not a good bill.

The President heard those people, and I think it took some courage for him to veto this legislation. I think this override vote is going to be very, very close. I do not know where it is going to come out. But I hope, if Senators are making up their minds on this matter, that they would read the President's veto statement. I think it is very clear as to what problems he sees. I hope, also, they will read some of the many, many newspaper editorials that have appeared all across the country warning this Congress not to move forward with this bill.

Here is Money magazine. This is not a magazine of lawyers. As the Senator from New Mexico, Senator DOMENICI, said, ''Well, it is only the lawyers.'' This is Money magazine. It is very interested in this editorial in warning investors about this bill. ''Congress Aims at Lawyers and Ends Up Shooting Small Investors in the Back.'' I just think that sums it up.

We want to stop frivolous lawsuits. We want to stop anyone who would put a company through a lawsuit where there was no foundation for it. But we do not want to in the end shoot small investors in the back. They say:

At a time when massive securities fraud has become one of this country's growth industries, this law would cheat victims out of whatever chance they may have of getting their money back * * *. In the final analysis, this legislation * * * would actually be a grand slam for the sleaziest elements of the financial industry at the expense of ordinary investors.

Mr. President, that is strong language. What they are saying here is what I said when I began: we had a reason to take a look at all this. Our reason was frivolous lawsuits. And what we wound up doing is hurting small investors and creating a climate where the lowest of the low, the people who prey on others, who count on information to make investment decisions, are going to be rewarded by this bill. We do not want to do that, I believe.

I think what the President has done is to call our attention to the failings of this bill. I was a stockbroker many, many years ago. I was quite young at the time. But the one thing I understood was that people relied on me. It was a big responsibility. I often thought, you know, if you really did not have the best interests of the people in mind, you could get these people in an awful lot of trouble. You could churn their investments so that you would get a commission. You could hurt people.

It seems to me that type of person certainly is not the majority, but they do exist. As a matter of fact, if you look at current trends, unfortunately, there are more and more of these people than we would like to believe.

Here are some other newspapers. These are editors who have absolutely no stake in this from a financial point of view. As a matter of fact, most newspapers tend to be more conservative, more conservative, more probusiness than others. But look what they say.

''Protecting Investors From Securities Fraud.'' This is the Oakland Tribune.

Say you have a spare $1,000 or so, and don't want to salt it away in a simple savings account. You hear about a company's stock that is touted to go up because executives are forecasting greatly increased earnings. You decide to use your $1,000 to buy that company's stock based on the rosy predictions of future earnings, but the earnings forecasts turn out to be bogus. You learn the executives knew their earnings forecast was unattainable, yet they hyped their stock anyway. The stock price does not rise as the company's executives hinted it would, and your $1,000 is not worth $1,000 anymore, but less. And if you want to sue to recover your losses—

They point out—

you can now. But if a House-Senate conference bill passes—

And that is what is before us, Mr. President—he basically says:

it will be much more difficult to do so—

Meaning to sue. And they call on President Clinton to veto the measure—

because it leaves individual investors and an array of institutional investors, like pension funds, municipalities and other Government units without enough protection from manipulators like Charles Keating, Ivan Boesky and Michael Milken.

They go on to explain the bill. And they talk about how in fact these charlatans would really be popping their champagne in their boardrooms, in their homes tonight if we in fact do not sustain this veto.

Another editorial, the San Francisco Chronicle. The reason I think it is important, Mr. President, to read these is because, again, the way this bill is presented to us by the people who want to pass it is as if there were 90 lawyers in the entire country who really care about this, that they control this debate. Clearly, I am going to prove by the type and number of examples that I raise here that is not the case.

''Opening The Door To Fraud.'' And this says:

Legislation would wipe out important consumer protections. Securities fraud lawsuits—

This is in the San Francisco Chronicle—

Securities fraud lawsuits are the primary means for individuals, local governments and other investors to recover losses from investment fraud, whether that fraud is related to money, invested in stocks, bonds, mutual funds, individual retirement accounts, pensions or employee benefit plans. As the draft report stands—

That is essentially what is before us—

investors would be the losers, and their hopes of receiving convictions in suits similar to those against such well-known con men as Michael Milken and Ivan Boesky would be severely hampered. In the name of the little guy, Clinton should not let that happen.

Our President did not let that happen. Now there is a chance for us to stand up and be counted on behalf of the little guy, the little guy, the small investor, those of us in America—and that is most of us—who are really in the middle class, who would be greatly hurt if in fact we did not have the ability to go to court and to, if we were defrauded, have a chance at recovering even some of our investment.

This is a Michigan headline, and I think it is pretty strong. ''How Come GOP's 'Contract' Allows Ripoffs Of Investors?'' The reason they talk about it as the ''GOP contract''—and it is in many ways certainly supported on both sides of the aisle—is that the contract contains language that is in many ways the father of this bill. The Michigan paper says:

. . . let the bill's backers explain to the rest of us why stock swindlers need to be ''protected'' from lawsuits.

This is in the Muskegon Chronicle in Michigan.

The fact is we can stop this bill now. We can start all over again with a better bill. We can follow the advice of President Clinton. He has given us for the record, many, many letters from experts in this field who really convinced him that, in the end, this bill, as written, would hurt middle-class investors.

We have a road map from the President of some of the things that we can fix.

I would like to read a letter from the Fraternal Order of Police that I have to read before on this floor. It is a letter to the President:

On behalf of the National Fraternal Order of Police, I urge you to veto the ''Securities Litigation Reform Act.'' The single most significant result of this legislation would be to create a privileged class of criminals. . . our 270,000 members stand with you in your commitment to war on crime. I urge you to reject a bill which would make it less risky for white collar criminals to steal from police pension funds while the police are risking their lives against violent criminals.

I think this really says it all. Here is a letter written by police who are protecting our lives, they are on the line, and they are worried that their pensions will not be protected because this bill would make it possible for their pension plan to be raided and for them to lose their retirement funds.

Those who present this as an issue about special interests have a perfect right to do that, but I say to you, what we are doing goes quite beyond that. It termed called reform, but it overturns legal protections that have been there for investors since the thirties. How quickly we seem to forget history, that people, small investors deserve and need this protection.

We do not need to do this so much for those who are wealthy. They are not too worried about their being defrauded. But it is our small investors,

it is our people, particularly the elderly, who count on getting their retirement from these investments, that we should be protecting. The wealthiest do not need us to worry about them and, frankly, the very poor simply do not have the funds to make these investments. So I think this is a vote on whether you are going to stand behind the middle class, the small investor, or are you going to abandon them in the name of frivolous lawsuits, which is a wonderful and noble objective which, frankly, has just gone awry.

The President vetoed this bill because I think he wants to stand with the middle class. He is certainly standing with them in this budget fight, and there is a connection. When you fight for the elderly to protect their Medicare, you are saying you care about these people. But at the same time, if you leave their pension plans open to raiding by people like Keating and Boesky, and we know the cast of characters we have seen come out of the eighties, then you are harming them. If you protect their Medicare on the one hand, but you leave their pension plans and retirement savings prey to those that, frankly, would take advantage of them only too quickly if they knew that the legal protections have been changed, you abandon them.

So I say the bill, as it is currently, is against the middle class. The bill targets small investors, the elderly and those saving for old age through their retirement.

Again, I do not think we can really bifurcate this argument from the rest of what we are trying to do. We stand here and we say we fight for the middle class. We are fighting against those Medicare cuts, those Medicaid cuts to our elderly in nursing homes and to make sure that kids have access to college loans so their middle-class families can afford to send them to college. Protecting them from securities fraud is part of standing up and fighting for people who count on us and who rely on us.

Many of us stand up here and say we are not going to see a budget go into effect that gives large tax cuts to the wealthiest among us while we hurt our middle class by cutting all these other programs. There is a nexus here. We should stand proudly for the small investor and those who need us.

The President's three objections, I think, are very clearly stated in his veto message. First of all, he talks about the bill's pleading standards which he believes would make it virtually impossible for those who have been defrauded to even bring a lawsuit in the first place. I think this is very important, because the bill, as it currently stands, requires defrauded investors to know the state of mind of the people who defrauded them before they even file a lawsuit.

How can you possibly know what is in the heads of people you have never even met? How can you prove what was in their minds before you have had a chance to find out what, in fact, they did have on their minds when defrauding you? You cannot. That is an impossible standard.

The President was willing to accept a bill which adopted the most difficult pleading standards adopted by any Federal Circuit Court of Appeals, and that is the second circuit. But what the President was not willing to do, was to make those standards even more difficult.

That is very important. The President is not saying in his veto message this is a terrible thing, we should not even be looking at this bill. He is saying there are things wrong with it. One of them is its pleading standards. In the President's own words,

> the bill would erect a barrier so high that even the most aggrieved investors with the most painful losses may get tossed out of court before they have a chance to prove their case.

The President was particularly concerned that the conference dropped an amendment overwhelmingly adopted by the U.S. Senate, an amendment offered by Senator SPECTER. I know Senator SPECTER was on the floor talking about his amendment. It would have remedied the problem that too draconian a pleading standard would have created. The SPECTER amendment would have allowed lawsuits to be filed if the defrauded investors could show that the defendant had the ''motive and opportunity'' to defraud them.

After that standard was met, the plaintiffs would be allowed to go forward and test whether the defendants actually defrauded them. But the operative language here, ''motive and opportunity,'' would be the standard, instead of the impossible standard where you have to describe the mind of people you do not even know who have defrauded you, proving what was their state of mind before you can even get into the courthouse.

That is not what American justice is all about. We are proud of our legal system because its doors are open. They are open to the wealthiest. They are open to the poorest. This really would slam that door on the small investor. That is wrong.

The President also opposes the bill's draconian safe harbor which permits outright frauds as long as they are couched as predictions and estimates of future profits and income. The President is saying, if you allow companies who do not tell the truth to cover over outright lies using ''predictions'' and ''estimates,'' then you are not giving these companies a safe harbor, but rather, what has been described on this floor, as a ''pirate's cove'' filled with sharks and barracudas. You are going to have sharks and barracudas hiding in the safe harbor, calling something a prediction and the investor, who is not sophisticated making an investment based on this very misleading language.

Fraudulent future predictions and estimates would be permitted under this bill if those defrauding attach ''some'' possible reasons why the prediction might not come true. Those defrauding can hide the real reason that their fraudulent prediction will not come true and they cannot be sued.

In other words, they know that what they are saying to unsuspecting investors is not true, but they couch it in terms such as ''this is a prediction,'' ''this is an estimate.'' Then they are home free protected by the ''safe harbor'' from successful suit.

The President has been reasonable. He is willing to allow greater protections for predictions and estimates of a company's prospects, but he is not willing to permit outright fraud.

I think the President is being extremely reasonable when he says bill needs to be changed. The safe harbor is the one change and the pleading requirements are the other.

The President is also opposed to the bill's unfairly treating plaintiffs more harshly than defendants. That moves us toward a loser-pay standard which we all say we do not think is a good thing but, frankly, it is in this bill.

The bill creates a presumption that small investors must pay all of the other side's legal fees if their initial fraud complaint violates rule 11 of the Federal Rules of Civil Procedure, but it does not require defendants who violate that same rule in similar situations to pay all of the plaintiff's legal fees. So what kind of justice is that? That is so blatantly unfair, I do not even know how to express my outrage at that particular provision.

I do not happen to believe in loser-pays for either side. I just think that is a way to basically send a message to people that they could get stuck—mightily stuck—with large bills. They could be small investors or, frankly, small companies. I think that is totally wrong. The fact is, we have a legal system that has worked pretty well, and I am very fearful that if we start introducing a modified version of loser-pays in this bill, there is no stopping it. I think that would be a very dangerous thing to do.

If you are a very small investor and you think you have a really good case, but you know if you have an unfriendly judge, for example, you could get stuck paying the other side's legal fees, you might walk away and allow a real swindler to get off the hook. So this troubles the President, as well it should, and it troubles me, as well.

We believe, really, that small investors would be terrorized into not filing lawsuits for fear of having to pay these legal fees of large well-heeled corporate defendants who could run up very large legal bills. So for at least 100 years, the American court system has rejected loser-pays because it prevents aggrieved parties from asserting their rights.

I have already put into the RECORD today a number of newspaper articles. But I have to say, Mr. President, again, to those who try to dismiss the opposition of this bill, they are really not

being fair. It is true that everybody wants to stop frivolous lawsuits. So it was hard for many of us to stand up and oppose this bill. But I have to tell you, if you listen to some of the groups in the country who oppose this bill, I think it would be an impressive list:

The Government Finance Officers Association [GFOA], a professional association of State and local government officials, both elected and appointed, whose duties include the investment of cash balances and pension funds and issuance of municipal debt. These are the people who know what is at stake here. The Government Finance Officers Association opposes this bill.

The U.S. Conference of Mayors opposes this bill. Why? Because they have large security investments, including pension funds. For example, the city of San Jose in California was completely ripped off by an unscrupulous broker many years ago. They were able to recover because we had good laws on the books—laws that are going to be changed, and their city attorney came before our committee to testify and said it would be very dangerous to change these laws.

Then there is the North American Securities Administrators Association, who represents the 50 States' securities regulators, responsible for investor protection, and the efficient functioning of the capital market at the grassroots level. The North American Securities Administrators Association opposes this.

I have a letter from the California County Officials. They oppose this.

The American Bar Association.

I just, Mr. President, fear very much that we will be back on this floor if we cannot work this into a better bill, when the first scandal hits, with Senators saying, ''My God, I never knew, we did not mean it, and we have to take another look at this.'' You know that is going to happen.

I think we should listen to the people in the local counties across our country. I think it is pretty effective. We have a letter signed by 99 California government officials, including the mayors of San Francisco, San Jose, and officials in 43 of our State's 58 counties. Mr. President, I want to say that many of these counties who signed this letter are extremely conservative local government officials. It is rare that they call me and are so united on such an issue.

I have, also, a letter signed by 34 county treasurers in Arkansas, 51 public officials in Georgia, 58 public officials in Massachusetts, including the Massachusetts Association of County Commissioners. I have a letter signed by 39 officials in New Jersey, including the New Jersey Conference of Mayors and the New Jersey State League of Municipalities.

So it is very important. In this letter signed by California county officials that I talked about, they say:

> In recent years, local California governments, most notably Orange County, have lost more than $2 billion in the securities markets, partly due to derivative investments. Some of these governments have pending securities fraud cases; others are still deciding whether to use the courts to pursue recovery of losses.
>
> Now is not the time to weaken defrauded investors' rights to pursue civil action, as would occur—
>
> Under the bill that is pending before us—
>
> unless institutional investors that are defrauded have the ability to recover their losses in court, they will have to make the unenviable choice [as Orange County did] between cutting essential services, such as education programs, or raising taxes.
>
> We urge you to do the right thing and protect taxpayers' investments from securities fraud and oppose this unbalanced, unnecessary and dangerous legislation.

Again, this is from Fresno to Los Angeles to Riverside and Stanislaus County, Kings County, Tulare County, Yuba, Shasta, Monterey, Siskiyou, Sierra. I am talking about counties from the city to the rural areas—everywhere. Inyo, Mariposa, Santa Ana, Fremont, Stockton, Riverside, Oceanside, Elmonte, Thousand Oaks, Westminster, Newport Beach, Arcadia, Barstow, Contra Costa Water District, South Pasadena, South Tahoe Public Utility District, city of Hemet, San Benito County, and others. My State has 31 million people in it—31 million people in it, Mr. President. Every time we do something here, it affects my State more than any other State just by virtue of that fact. To have these Republican and Democratic elected officials be so united in their opposition is very, very unusual. Retirement associations all throughout the State, including my home county of Marin, where I served on the county board of supervisors—they are very conservative—they do not want to see us weaken these laws.

The American Bar Association, their new president, Roberta Ramo, has written an excellent letter to the President outlining their problems with this bill.

I want to conclude my remarks, Mr. President, by saying this: Again, my State represents a lot of the companies that have legitimate problems with frivolous lawsuits. I promised those companies I would do everything I can to work on legislation that really addressed their problems. I do not want to see anything hurt decent business people. On the other hand, I want a balanced bill and one that does not go so far that the charlatans that may be stockbrokers, investment advisers, corporations—we have seen them so much in the 1980's, and we see more now—we do not want to open the door to that kind of investor fraud.

I think the President took a strong stand to protect the middle-class investors. I applaud him. I hope we can in fact sustain that veto. I know if we do, it will be very close one way or the other, if we fail or if we succeed. But I have to say this: What is at stake here is really, I think, in the long run, the health of the securities markets. The worst thing we can do is have a situation where the laws on our books have been weakened to a point where they do not provide investor confidence. People will not invest their money, and we will have a situation where decent companies are going to have to pay a premium—it is really a premium—in order to convince people to invest with them. That will cost these good companies more money. They will have to pay more interest to these investors because many investors, as soon as we have that first scandal, are going to say, ''You know what? Maybe I am better off with Government bonds. Maybe I am just better off getting a certificate of deposit that is insured by the Federal Government.''

So that would be the worst thing that could happen, in the long run—if we try to address one problem, frivolous lawsuits, and weaken our laws to such a point that people do not have confidence to invest their money in the market.

So I hope we will stand with the President. He has really laid out a clear path on how to fix this bill. I want to thank Senator BRYAN and Senator SARBANES.

I have been proud to be on their time as we have tried to bring these issues to the President's attention, to our colleague's attention and frankly to the attention of the American people. I hope we will sustain this veto. I yield the floor.

(Mr. CAMPBELL assumed the chair.)

Mr. GRAMS. As a conferee for this bill, I am here on the floor today to also join those others in urging my colleagues to vote to override the President's—what I consider—ill-advised veto of the conference report on securities litigation reform.

Back on December 5, 65 of us voted in favor of the conference report that the President has now vetoed. Mr. President, 69 of us voted for S. 240, which was substantially similar to the conference report.

Now, the principal authors of this legislation are Senators D'AMATO, Senator DODD, and Senator DOMENICI. These Senators put aside their political and partisan differences to do something right for small investors, for workers and for the consumer. All of us did. When you have legislation that is authored and supported by the general chairman of the Democratic National Committee and the chairman of the Republican Senatorial Committee, I believe that is what you would call compromise. When you have almost 70 Senators from both sides of the aisle voting for this legislation, that is also called compromise. So, why did the President veto this measure?

Well, in his letter accompanying the veto, the President said that he wants to protect innocent investors from being defrauded. Well, this legislation protects those investors. It preserves the right of these investors who are truly victimized by securities fraud, but it does much more than that, as

well. It also will protect the worker who is out there and worried about being laid off because his employer had to pay attorney's fees instead of being able to pay his salary.

It will help the consumer who has to pay higher prices for products today because of the hidden costs of frivolous legislation and litigation.

It will pay off for the legitimate investors and for the pensioners whose life savings are being jeopardized by strike-suit attorneys.

Finally, it will also benefit the thousands of honest, hard-working attorneys who have watched the public image of their profession being tarnished by a few greedy quick change artists.

It is also for the sake of those Americans that we have put in long hours of hard work to craft what I believe is a very balanced and reasonable bill.

The only people who will lose under this legislation are the small class of attorneys who have used professional plaintiffs to file frivolous and meritless suits, again just to make a quick dollar. They use joint and several liability to bring secondary defendants into their cases simply to try and extort a higher settlement out of them as well.

Now, the social costs of these suits are very, very high. Again, they would result in fewer jobs because employers would be paying high costs for frivolous litigation, rather than being able to put that money where it would make a difference, and that is in the higher salaries or more jobs. Higher prices for the consumers who end up having to pay these costs because they are passed along in the cost of doing business. They go into the products and the services that these people provide, so consumers end up paying more because, again, of the costs—the hidden costs—of frivolous litigation, and it has diminished returns for the innocent investors. The very investors that the President says he wants to help protect are the ones who would benefit from this bill, as well.

What do investors get in return for those abusive lawsuits? In the past they have received about 6 cents on the dollar that has gone back to the victims. The rest has gone into litigation, legal expenses and lawyer's fees. Who is the President really trying to protect? Investors, the consumers, or the workers, or a small group of unethical lawyers? I think that answer was obvious.

Legislation is not meant to protect political constituencies. When we do the work of the people we should think of what the voters called for in the last election—not the commercials that consultants will be running in the next election. That is not what the President did when he vetoed this bill. We should not stand for it as well.

For those reasons and for the sake of the small investors and the consumers, the job creators and the workers, we should override this veto, because if the White House will not stand up for these individuals, who will? We must. I believe that we will.

Again, I urge my colleagues to override the veto and to enact the commonsense legal reform that is contained in this bill. I yield the floor.

The PRESIDING OFFICER. The Senator from Utah [Mr. HATCH] is recognized.

Mr. HATCH. I thank the Chair.

Mr. President, on December 19, 1995, President Clinton vetoed the conference report to H.R. 1058, the Securities Litigation Reform Act of 1995. This act represents a very modest step forward in addressing some of the egregious abuses present in our litigation system today. In doing so, I believe President Clinton has sided with a handful of very wealthy lawyers and against the interests of the American people at large. President Clinton is a tenacious defender of the status quo. I do not think the status quo is serving us well.

The securities bill was developed over the past several Congresses by a dedicated, bipartisan, moderate group of reformers who have long seen the need to change our securities litigation system. Senators CHRISTOPHER DODD and PETE DOMENICI have led this effort for a number of years and finally saw the opportunity for meaningful reform in this Congress.

The securities litigation conference report passed the Senate by a bipartisan vote of 65 to 30. A total of 19 of our colleagues on the other side of the aisle voted in support of this moderate and meaningful bill.

The legislation sought to make securities litigation fairer by curbing the abusive litigation practices that have been employed by a small number of plaintiffs lawyers in securities litigation class action lawsuits. That very small group of trial lawyers who specialize in securities litigation lawsuits represents the only ones who are truly hurt by the securities litigation reform bill. Likewise, they are the only ones who are helped by the President's veto—just a few, very wealthy litigation lawyers in the field of securities law.

The plaintiffs lawyers who benefit from the President's veto are the ones who perfected the so-called strike suits. Strike suits are filed against companies after a drop in the stock price, frequently without regard to whether there has been any fraud or wrongdoing on the part of the company. And by the time the suit really gets in full swing, the litigation is so expensive for the companies that many of these companies just settle for defense costs to get rid of the problem and the embarrassment, and to not have to take a chance with some of the juries in some of the more, shall we say, jury-liberal States in our country.

For example, in 1990, when LA Gear, the sportswear and sneaker manufacturer, announced lower than expected earnings, one law firm filed 15 lawsuits just 3 days after the announcement.

The Banking Committee heard testimony concerning other cases in which securities lawsuits were filed within 90 minutes of the drop in share prices. These kinds of filings without regard to the merits are ridiculous. They are hurting American businesses and consumers.

I am particularly concerned because perhaps hardest hit have been high-technology companies. Those companies form a key part of the American economy and are vitally important to the economies of Utah and many other States. They are being disproportionately hurt by these lawsuits.

A Stanford University law professor, conducting a study of securities class action lawsuits filed in the 1980's, most involving high-technology firms, found that every single company, every single high-technology firm that experienced a market loss in stock price of at least $20 million was sued. Every single company. Those kinds of abuses are an outrage and an affront to the legal system. These are some of the most successful American companies, and they are being besieged with lawsuits. Some think it should be called legal extortion. It simply cannot be that every single high-technology firm that has suffered a $20 million or more loss is engaged in securities fraud. It just is not true. But by the time the lawsuits start and the litigation begins, and the depositions start and the discovery becomes burdensome and onerous, a lot of companies just throw up their hands in the air and pay whatever they have to to get out of it because they know that kind of litigation is never ending.

The current litigation system encourages wasteful and needless litigation even where there is absolutely no evidence of wrongdoing. The unavoidable fact is that because of current skewed incentives in the litigation system, the small group of lawyers who file most strike suits are not filing such suits to protect shareholders against corporate fraud and wrongdoing. They are doing so to line their own pockets.

I happen to be a lawyer. I happen to understand securities law. And I can tell you that is what is happening. The Banking Committee heard testimony that plaintiffs in these suits typically receive only 14 cents for every dollar while the trial lawyers collect a whopping 39 percent of these settlements. That is abominable and everybody knows it. Other studies have suggested even lower plaintiff recoveries. We are talking about the people who are supposedly wronged getting 14 cents out of every dollar while the attorneys get 39 cents out of every dollar.

These lawyers are filing these lawsuits so that they can terrorize American companies into paying exorbitant settlements because they know these companies cannot afford the high legal fees that would be required to defend themselves even against meritless lawsuits.

When companies must pay for needless litigation, settlement and insurance costs with dollars that could be

going to create jobs or to further research and development, consumers and stockholders, virtually all Americans in fact are hurt. Due to wasted resources, profits and stock prices are lower than they would otherwise be and the shareholders in the end lose out. That should not be lost in this debate.

The truth is that shareholders are very well protected under the securities laws and under this securities bill. This legislation ensures that the class action device remains available for those shareholders who have been in fact victims of securities fraud. In fact, it improves that device so that injured investors, not a small group of greedy lawyers, can control the litigation.

Although the President pointed to what he claimed are a number of shortcomings in the bill that justify his veto, his excuses are just that—slender excuses for siding with some of these jackal lawyers.

First, the President nitpicked with the bill's pleading requirements. However, legislative history in the House and Senate makes clear why a heightened standard requiring pleading with particularity is necessary to eliminate securities lawsuit abuses. The conference report sensibly requires a heightened pleading standard to weed out frivolous litigation and to free parties against whom claims are made from being subject to abusive and expensive discovery.

Second, the President went after the safe harbor provision, which creates a safe harbor for forward-looking, predictive statements. Some companies have faced damaging lawsuits merely on the basis of vague but optimistic projections that the company would do well even though it was clear that the prediction was speculative and future oriented. The safe harbor provision sensibly addresses those problems.

In fact, President Clinton notes that he supports the conference report language but is concerned with some language in the statement of the managers of the bill on this provision. Now, the Constitution gives the President the authority to veto legislation, but nowhere does it give the President authority to veto legislative history. I think a veto on the grounds of legislative history in this case is extreme, especially in light of the clear language of the bill.

In short, President Clinton was stretching for excuses to veto this legislation. The only thing President Clinton has shown with his veto of the securities litigation reform bill is that he will side with a handful of trial lawyers against the interests of all Americans—especially American consumers and shareholders. He has proven that he is not an agent of meaningful and needed change but instead a tenacious defender of the status quo.

I encourage my colleagues to override his veto so we can provide meaningful change to Americans who are fed up with lawsuit abuse in this country. My good friend and colleague from Pennsylvania has joined the Clinton administration in questioning the pleadings standards contained in this bill. I should note, for the record, that in June of this year this very administration that has vetoed this bill called the bill's pleadings standards ''sensible'' or ''workable.'' I would also note that these pleadings standards were based, in part, on the recommendations of Judge Anthony Scirica of the Third Circuit Court of Appeals.

Mr. President, I ask that the June administration policy statement and an October 31 letter from Judge Scirica be printed in the RECORD.

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

STATEMENT OF ADMINISTRATION POLICY

The Administration supports appropriate reforms of the federal securities laws. The goal should be to and litigation abuses and to clarify the law, without improperly limiting the rights of investors to pursue civil actions against financial fraud.

As reported by the Senate Banking Committee, S. 240 contains a number of provisions designed to end litigation abuses which the Administration endorses. A number of its original provisions that had been the focus of committee discussions have been modified appropriately or deleted. S. 240 is now a substantial improvement on H.R. 1058, which the Administration could not support. For instance, S. 240 rejects certain of H.R. 1058's egregious provisions, such as its ''loser-pays'' approach and its too-stringent definition of recklessness. At the same time, S. 240 adopts several sensible provisions, including a workable pleading standard taken from the Second Circuit, and appropriate class action reform provisions.

The Administration recommends the following modifications to two provisions in the bill:

Safe Harbor—The Administration supports the Committee's attempt to craft a statutory safe harbor that would encourage the dissemination of forward—looking statements without protecting statements made with an intent to mislead. The Administration does not believe a safe harbor should protect statements known to be materially false or misleading when made. The Senate should clarify whether the safe harbor's current language would protect such statements.

Proportionate Liability—The Administration opposes the bill's provision that would establish proportionate liability for reckless defendants because in cases involving insolvent defendants, the provision would leave investors unable to recover their full damages. Culpable solvent defendants, rather than defrauded investor, should at least bear a substantial portion of this noncollection risk. Accordingly, the Administration supports an amendment that would require culpable solvent defendants to pay up to twice their proportionate share of damages (rather than 150 percent as in the Committee bill), when other defendants have gone bankrupt or fled.

The Administration recommends that the Senate adopt the following measures, which are not included in S. 240:

Private Aiding-and Abetting—The Committee bill explicitly retains the SEC's authority to take action against those who knowingly aid and abet securities fraud. Congress should also restore this action for the SEC against reckless aiders and abetters, as well as for private actions that follow a successful SEC action.

Status of Limitations—The Administration recommends extending the statute of limitations for private securities fraud actions to five years after a violation occurs. Although S. 240 as originally introduced addressed this issue, the Committee deleted it from the bill.

It should be noted that the Securities and Exchange Commission has expressed many of the same concerns with respect to this legislation. The Administration encourages the Senate to continue to work with the Securities and Exchange Commission to ensure that S. 240 redresses litigation abuses while preserving the ability of investors to bring class-action lawsuits against financial fraud, a legal device that is critical to the maintenance and integrity of our financial markets.

Pay-As-You-Go Scoring.

S. 240 could affect receipts; therefore, it is subject to the pay-as-you-go (PAYGO) requirement of the Omnibus Budget Reconciliation Act of 1990. The preliminary OMB PAYGO estimate is zero. Final scoring of this legislation may deviate from this estimate.

UNITED STATES COURT OF APPEALS,
*Philadelphia, PA, October 31, 1995.*

Ms. LAURA UNGER,
Mr. ROBERT GIUFFRA,
*Senate Committee on Banking, Housing and Urban Affairs, Dirksen Senate Office Building, Washington, DC.*

DEAR LAURA AND BOB: I have a few suggstions for your consideration on the Rule 11 issue.

Page 24, line 11: Insert ''complaint'' before ''responsive pleading.''

Page 24, line 19: Insert ''substantial'' before ''failure.''

''Complaint'' would be added to item (i), so there is a clear provision that reaches any failure of the complaint to comply with Rule 11. A small offense would be met by mandatory attorney fees and expenses caused by the offense; if item (ii) is modified without this change, a gap is left in the statutory scheme. The result still is a big change from present Rule 11, which restricts an award of attorney fees to a sanction ''imposed on motion and warranted for effective deterrence.'' A serious offense—filing an unfounded action—would be reached under item (ii).

I also wish to confirm our prior conversation on scienter and the pleading requirement.

Page 31, line 5: Delete ''set forth all information and insert in its place ''state with particularity.''

Page 31, line 12: Delete ''Specifically allege'' and insert in its place ''state with particularity.''

As I indicated, this would conform with the existing language in Rule 9(b) which provides that ''the circumstances constituting fraud or mistake shall be stated with particularity.''

Also, page 24, line 1: Delete ''entering'' and substitute ''making.''

Page 24, line 4: Delete ''of its finding.''

Many thanks.

Sincerely,

ANTHONY J. SCIRICA.

Mr. HATCH. Mr. President, this is an important bill. It is true reform. Having read and studied securities litigation, under the securities law true fraud can be prosecuted, true fraud can be brought.

This bill is not going to interfere with those cases. What it does is stop the abuse and misuse of the class action litigation and even things out. This will stop the abuse of companies

that have a downturn in their stocks, which happens to a lot of companies, and perhaps through no fault of their own or through some economic downturn that affects them, and will stop the litigation that is brought in many cases just to get defense costs. Too often, it costs more for companies to defend themselves, even though the case is meritless, than it would just to settle the case and get rid of the nasty hornet that has been buzzing around the company's head, for the use of these sometimes very greedy lawyers.

Not all lawyers are greedy; not all lawyers are bad. Most of them are very good people. But there are abuses in the law. In this area it is particularly pronounced. This bill is brought to try and correct some of those pronounced abuses.

Mr. BRYAN. Mr. President, I am looking around the gallery today, as citizens visit our Nation's Capitol, and those that are tuned in on television across the country are saying to themselves, ''I do not understand what this debate is all about. Are there not bigger problems that the Nation faces?''

Clearly, we are in a state of paralysis here in Washington today. Part of the Federal Government is shut down. There is no clear path, as I speak at near 2 o'clock in the afternoon, eastern standard time, as to how we are going to break this gridlock or logjam that has gripped us in this confrontation as to how we balance the budget in 7 years, and the road we use to get it. That is a major issue. No question about that.

Let me try to put this debate into some context because I acknowledge that the country's attention is focused on the macroeconomic picture, the kind of thing that will affect the future of our country and of our Nation.

What is at stake here? Is this an argument between a handful of greedy lawyers, as the proponents of this legislation argue, in disagreement with a small group of people on Wall Street—brokers, accountants, entrepreneurs—who wish to access the capital markets of our country and issue stock? Is that what this thing is all about? I say to our visitors and Americans across the country, this is a far, far bigger issue.

I acknowledge that it is terribly esoteric, arcane, highly technical. Why should somebody listening in on this debate have an interest or concern in the outcome? Anyone who has a single share of stock in any publicly traded corporation has an interest in the outcome of this legislation because that individual, he or she, could become a victim of a fraudulent action. The ability of that individual to recover as a consequence of that fraud is, in my judgment and those of us who have fought this legislation, severely limited and compromised. That is tens of millions of people. In addition, there are probably tens of millions of people more who do not own a direct interest and say, ''Look, I have never invested in the stock market. I have no money. My wife and I and my family are lucky if we have a few dollars in the local credit union or the bank. I don't deal with these Wall Street issues. What do I have at stake in this debate? You lawyer types and Senators have sure lost me in this debate. I do not understand what I have involved.''

The answer, that there are tens of millions of people out there in this country, good people who have worked all of their lives, who have retirement funds—their security, their safety blanket—these people have tens and tens of millions of shares invested across America in retirement funds. Those retirement funds could be victimized by fraudulent actions, and as a consequence of that fraud, those retirement funds can be severely impaired financially, devastated, and depending upon the magnitude of the fraud could, conceivably, be wiped out.

What does the average American have that interests him in this piece of legislation? His or her retirement could be at risk if they are not able to adequately recover against those malefactors, those that have been involved in perpetrating a fraud. So those who have money in a retirement out there, whether a company-sponsored family or one of the many variations of a 401(k), you have an interest in this debate and your children have an interest in this debate, because some of you are hoping that you have a little money put away, and maybe their inheritance can be affected, as well.

Broadly stated, 260 million Americans have an interest in the outcome of this debate because we are all taxpayers, every single one of us, directly or indirectly. That is why such widely divergent groups such as State financial officials, State treasurers, State controllers, State financial officers—Democrat and Republican, East and West, big cities and small towns—have expressed their opposition and concern; because they know that their community, their village, their town, investing money on behalf of the taxpayers in a securities portfolio, that they can be victimized as well. They do not want to jeopardize their ability to recover on behalf of the taxpayers of their town or their community or village. That is why they have joined in opposition.

I do not doubt relatively few if any are lawyers or stockbrokers or involved as entrepreneurs. So it is their interest on behalf of each of us as American citizens that has dictated that they write us to inform us they are gravely concerned and strongly oppose this bill. I will go into some of the reasons in a moment.

University and college officials who are involved in the management of investment portfolios of American colleges and universities—whether they be private universities, private colleges, or the great State-supported institutions in our country—they, too, have called and written. They strongly oppose this legislation because they know that the investment portfolio upon which their college or university depends can be impaired and financially wiped out if investor fraud occurs and they are unable to recover on behalf of those funds the losses sustained as a result of that fraud.

So we are here today, not talking about 90 greedy lawyers or the entrepreneurs. I think all of us in this country, irrespective of our political leaning or philosophical inclination, are highly supportive of the entrepreneurs in America. They do provide the mainstream for our free enterprise system. But this issue is much broader than that debate. Every citizen in America has an interest in the outcome of what we do.

It has been said that only the dead have seen the last of war. Tragically, I suspect that is true, as much as we would hope that is not the case. Let me just say that only the dead have seen the last of investor fraud in America. The Wall Street Journal, in a fairly recent publication, has told us that investor fraud has increased. In another article we are told that, notwithstanding the efforts of the Securities and Exchange Commission—no partisan commentary is intended—that indeed they have fallen behind. Maybe to some extent we are losing that fight, in terms of pursuing with the kind of diligence that every American would want us to pursue those individuals who practice fraud in the securities markets and who rip us off. So why are we here talking about this thing less than a week before Christmas? It is because every American is affected.

Let me try to say a few words about our system, the system we have created, Democrats and Republicans alike, over a period of some six decades and a little more now, to protect investors, to protect them against fraud. To those people out there who are motivated by greed, who cut corners a little tightly and whose primary interest is to line their own pockets and who care not a whit about whom they hurt—there are still those people out there in America. Unfortunately, they are still involved in investor securities activities.

We set up, over the years, a system that depends upon three pillars to protect the consumer, the investor, the American taxpayer in this broad sense. One, we have empowered the Securities and Exchange Commission. It is a Federal agency. They are out there monitoring the market, responding to complaints. That has been true under Republican and Democratic administrations alike. The agency traces its origin back into the aftermath of the collapse in the Great Depression in the 1930's. And they are out there. By and large they do a good job. Sure, some of us may have some criticism of this or that. Criticism can be found with each of us. But they are out there doing a good job.

But the system does not depend, in terms of the enforcement and the policing of the markets, solely upon the Securities and Exchange Commission.

Its premise and predicate contemplates that there are two additional pillars upon which investor protection is predicated.

Another one of those is what we have done at the State level. If I might say for a moment, as my colleagues know, I have had some experience in the State level serving as the chief executive of my State. They are banded together in a group called the North American Association of Securities Administrators. Their job is to try to protect their citizens in each of the 50 States against the kinds of frauds that occur in our society with respect to the issuance of securities. By and large, I think they do a good job as well. They are not lawyers per se; accountants, per se. They are individuals appointed, by and large, by the respective Governors of their States to help to protect citizens of those States against the kind of securities fraud that occurs. So they, too, have written us in the strongest, most urgent, compelling language to say in our considered judgment this would limit the ability to protect the citizens of our State. We do not speak as lawyers. We do not speak as accountants. We speak as one who, like yourself, is impressed with the public trust to protect the citizens of our State. That is the way our system works.

Finally, the system, contemplated and acknowledged by all, that notwithstanding the fact that we have people at the Federal level and at the State level who are part of our system of Federal and State government who are charged with protecting the consumer, particularly as it relates to investor fraud in the securities market—it is contemplated that the private investor, through his or her ability to file class actions in the Federal court system of America, is a very important adjunct to this system. It is absolutely indispensable; absolutely indispensable. Those statements can be heard from Republicans who have Chaired the Securities and Exchange Commission, by Democrats, and by all commentators, that the private sector is critically important in terms of monitoring the market and in terms of recovering for investors who are defrauded as a result of security fraud.

In point of fact, that is going to be even more important. Whether one characterizes himself or herself as liberal or conservative or middle of the road, everyone in this Chamber, and I think most people in America, would acknowledge today that our budgets over the next few years are going to be tighter and tighter and tighter. And that means, no matter how much we would like to allocate to certain programs, there is going to be less money. So the notion that somehow we are going to be able to provide the Securities and Exchange Commission with more money to monitor and enforce in the marketplace so that there needs to be less reliance upon the private sector and its ability, through class actions, to bring lawsuits, is simply misplaced.

Nobody in this Chamber and nobody in the other body believes for one moment that we are going to have those kind of resources, wish as we may. The budgets are going to be tighter next year and the year thereafter and the year after that. I say that, Mr. President, as one who recognizes that, who supports the need for that, who is one Democrat who believes that a constitutional amendment to require a balanced budget is a necessary and desirable objective. And I recognize that there are going to be some constraints. So there is going to be less money available.

This legislation delivers a series of crippling blows to the small investor to recover through the process of a class action securities case. Having said that, is there no problem out there? Is nothing wrong? The answer to both of those questions is yes, there is a problem out there, yes, there are some things that need corrections. I acknowledge that. The focus ought to be the frivolous lawsuit.

I am a lawyer. I am proud to be a lawyer. I was never involved in this type of work at all, have never represented plaintiffs in class actions, mercifully have never been sued as part of a class action, and have never defended anybody. But there are lawyers out there who abuse the process, and who abuse the courts, and I have absolutely no sympathy at all for those kind of lawyers. As I have said previously on the floor, let Heaven and Earth and the wrath of God Almighty fall upon those lawyers who abuse the system, and there are some.

So the focus, it seems to me, ought to be to deal with the frivolous lawsuits and to deal with some of the problems that exist in our present regulatory structure. Let me tell you, there are some things that we can agree upon and that I think are good in this legislation, things that I have agreed to support, and indeed things that I have sponsored in other pieces of legislation and which my distinguished colleague from California, who spoke so eloquently a moment ago, would agree on. So there is some consensus. Let me talk about those for a moment because I am not opposed to legislation to correct the problems in the market. I support that enthusiastically.

There has been a practice that has grown up that ought to be eliminated. That is the payment of referral fees to brokers. We ought not to give incentives to brokers to refer potential security fraud to class action lawyers.

So this legislation, my friends, prohibits the payment of referral fees to brokers. That is a good and desirable reform. I am for that. There has been a practice that has grown up that sometimes in class actions certainly plaintiffs' lawyers are given bonus payments. That, too, is a practice which is wrong, and we ought to eliminate the so-called ''bounty'' payments or bonuses.

This legislation limits the class representative's recovery to his or to her pro rata share of the settlement for final judgment, no bonus payments, and I agree with that. That has been an abuse that we need to correct. And there are occasions in which lawyers are involved in a conflict of interest. This Senator has no sympathy for those lawyers, and we ought to eliminate that practice very wisely, and correctly. This legislation does so. I agree and wholeheartedly support that provision.

We need to make sure that, before any settlement is effected, that the person for whose benefit the lawsuit was commenced in the first instance—that is, the investors themselves in the class who have lost money—ought to be adequately informed as to the proposed settlement and what it means for them. That is reasonable, is proper, and we ought to make sure that is done.

This legislation improves the information requirements to make sure that meaningful information about the terms of the proposed settlement are included, that it would also include the average amount of damages per share that would be recoverable—and the settlement parties can agree on the proposed figure—and it also must explain the attorney fees and costs.

Let me emphasize that point again. The lawyers have to be up front, and their clients ought to know what they are getting out of any recovery. I agree and support that as well.

Finally, there is the provision which empowers the court to monitor and to limit attorney fees to make sure that no small investor is gouged as a consequence of lawyer fees. We agree with this. Let me go a little bit further.

I have sponsored a piece of legislation called the Frivolous Lawsuit Prevention Act in which I believe that the provisions of rule 11—that is one of the Rules of Civil Procedure—which, in effect, requires a lawyer who files a lawsuit to, in effect, show that it is a meritorious lawsuit, not that the lawsuit will in fact be won. There are few certainties in life, and certainly filing lawsuits and being certain that you are going to win is not one of them. I tried a number of lawsuits in my time, not in this field. I have won cases that I thought I had very little chance of winning, and I have lost cases that I thought were about as certain as could be possible.

So the standard is not whether you are going to win, but is it meritorious? There are some lawyers who file frivolous lawsuits. My friends who support this legislation and I would agree, as I have said previously, about strong sanctions. I favor enhanced sanctions through the rule 11 mechanism that would require a judge who finds that there has been frivolous conduct on the part of an attorney to impose sanctions, costs and fees. But let me say that not only plaintiffs' lawyers abuse the process in the system. Defense lawyers do as well. Those sanctions in the provisions that attach ought to apply equally to both sides.

It is some indication of the bias of this legislation that the sanctions that we provide for, the enhanced sanctions, essentially apply in a very disparate way only with respect to the lawyers who represent the plaintiffs. Those lawyers should in fact be subject to the sanctions. But their counterparts who are involved in defending actions, if there are frivolous actions undertaken by the defendants' lawyers, those lawyers ought to be subject to similar sanctions. There is an old expression, ''What is sauce for the goose is sauce for the gander.'' I do not think you have to be a Harvard law graduate to understand the fairness and the soundness of that policy. Unfortunately, this legislation does not do that.

What has happened as this legislation has been developed is something that is characteristic of what has happened in this Congress. Most of the legislation that has been introduced—not all, but most of it—is designed to deal with the problem in which in a very broad and generic sense there is some legitimacy. Yes, there is a problem there that requires action. But if this Congress is noted for anything, it is noted for its propensity to overreach. Yes, there is a problem. But rather than just addressing the problem, what occurs is that the gates are opened up, and those folks who, again, are motivated by greed see an opportunity to make them immune from liability, fail to address the statute of limitations which has nothing to do with the merits of the lawsuit, but just when can an injured or defrauded party be able to file the lawsuit under the law. And this is a classic case of overreaching, and it is, in my view, an extravagance.

It is also, it seems to me, litigation that takes flight and lift only because of some of the myths that are repeatedly mentioned in this Chamber. Myth No. 1, securities class action suits are exploding in number.

Mr. President, as I indicated earlier in my comments, this legislation derives much of its support from anecdotal evidence, information, and from what I call a number of myths that have circulated through the Chamber and around the country that have taken on a life of their own and have assumed the stature of uncontradicted fact. I want to take some of these myths for a moment and discuss them.

We are told that we need this legislation with all of the overbreadth, in my view, that is contained in it because there is a securities class action lawsuit explosion crisis in America, that the courts are literally being overwhelmed by these actions that have been filed, and, therefore, the Congress must take action to address that situation.

I want my comments to be placed in the context in which I earlier commented. I recognize the need, and do in fact agree with reforms addressed to the frivolous lawsuit. But here are the facts with respect to the assertions that there is a security class action lawsuit explosion crisis that is overwhelming and inundating our court system and that we must urgently address.

The Administrative Office of the United States Courts—that is the organization that keeps the statistical records, what is happening in the court system. No one has suggested that it has any bias on behalf of plaintiffs' lawyers or investor fraud plaintiffs nor with respect to defense lawyers or securities folks. This is an outfit that collects the data. Here is what they have to say.

According to the Administrative Office of the United States Courts there were 305 securities class action lawsuits filed nationwide 2 decades ago in 1974. That would be 21 years ago. There were some 305 security class actions filed. And slightly less—let me emphasize that—slightly less than that, some 290, in 1994. So rather than the class action explosion argument, in point of fact there is approximately a 5 percent decrease.

This is at the same time in which the country has grown substantially. There are nearly 260 million people in this country. So our population has grown by millions and millions of people, and yet the number of lawsuits in this area have declined.

They go on to say,

''These numbers count multiple filings in the same case before the actions are consolidated. So the actual number of new cases is far less. Over the last several years on average suits have been filed against approximately 120 companies annually''—about 120 companies annually—''out of more than 14,000 public corporations reporting to the Securities and Exchange Commission. Out of the total of 235,000 new Federal court civil filings,''—a civil filing is as opposed to a criminal proceeding—under this total of 235,000 new civil court filings, in fact even using the preconsolidation figure of 290 cases, ''security class actions represent 0.12 of a percent of the new Federal civil cases filed in 1994.''

Those are the facts. I know that sometimes my colleagues who are so much more eloquent than I, sort of from these lofty heights make it appear that we have had a litigation avalanche. But the facts are that there are in fact fewer cases filed today in this area than there were in 1974, and that approximately 120 companies annually, out of more than 14,000, are subjected to these filings, which represents about .12 of the new Federal civil cases filed in 1994.

I do not, by making that observation, suggest that all 120 may be meritorious. There may be indeed some frivolous lawsuits that indeed the reforms that I and I think all of our colleagues can agree upon—there are some things we can do and we ought to do in that area.

Let me just share a little insight. The Rand Corp. indicates that business-to-business contract disputes, that is one business filing a lawsuit against another business, constitutes by far the largest single category of lawsuits filed in Federal court.

Although corporate executives claim that minuscule numbers by individual victims cause them to lose time, divert resources and lessen their ability to compete, I think it is fair to question why 120 suits nationwide are taking such a toll, while thousands upon thousands of suits brought by one business against another business presumably has no impact whatsoever.

As The Wall Street Journal has noted:

> Businesses may be their own worst enemies when it comes to the so-called litigation explosion.

I think the Rand Corp.'s observation is of some insight here because this legislation before us, this conference report, does absolutely nothing with respect to business suits filed against other businesses. Its scope is designed to limit private lawsuits brought as class actions to recover for investors who have lost money as a result of a securities fraud.

Here is another myth. We hear this, it is repeated, and the volume is overpowering: Securities class action suits are hurting capital formation, we are told, and that is a legitimate question. If it is hurting capital formation, we need to examine to see if it is true and, if it is true, what corrective action might be appropriate for us to consider.

But here are the facts, Mr. President. The volume of initial public stock offerings has risen exponentially over the past several years, and the number and size of public securities offerings has been at an all-time high. The number of initial public securities offerings over the past 20 years has risen by 9,000 percent.

That is the volume of the offerings, setting aside for a moment the amount of the capital that is sought to be raised through those offerings. So we have had an increase of 9,000 percent. Let me say, I think that is good for America, that is good for job creation, that is good for the economy, and I am pleased to see that.

The proceeds raised during that period of time from 1974 to 1993 increased by 58,000 percent from $98 million in 1974 to $57 billion in 1993. So in slightly less than 20 years, or approximately 20 years, the amount of capital raised through these offerings has increased from $98 million in 1974 to $57 billion in 1993, and during the same period of time, the number of securities class actions filed had actually declined by 2.3 percent.

So, Mr. President, I would say that the notion that somehow capital formation has been impeded or restricted or limited simply does not bear out, under a careful analysis, for the data that is available, and, as I say, I think this is extraordinarily good news for entrepreneurial companies and their investors, for jobs, for the economy.

I note the distinguished chairman of the Senate Banking Committee has risen to his feet. If he needs to interject, I certainly would be happy to accommodate him, because I may be a bit longer.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. D'AMATO. Mr. President, I want to thank my colleague for his graciousness, but as I only have several minutes of remarks, I can certainly wait. I would just as soon listen to my colleague, because I want him to know that even when we differ on subject matters, I find myself always learning when he speaks, particularly when he speaks on the subject of law. I have great respect for the cogent arguments that my colleague and friend presents.

I might also say, that yesterday we heard some remarks as it relates to how members in this body, in particular, should treat each other. I daresay, that while my colleague and I probably had some very diametrically opposed positions, I hope that in the context of our discourse today, Mr. President, we understand that might even be encouraged and learn from these differences at times. I cannot ever recall an occasion where I have felt better about coming away with a slightly different opinion. If you keep your mind open, sometimes—even if you arrive at a different position—you learn something. You learn that there is something out there that maybe you have not factored in fully and later on if we have kept an open mind and are willing to learn, as this is not a static body and the law is not static, whether it is securities reform litigation or some other legislation, we can correct positions if they have to be corrected.

I must say, Senator BRYAN has been one of those Senators whose views have been very instructive to this Senator personally, and I thank him for the manner in which he has always conducted himself. It is exemplary.

I do not ever envy or look forward to the opportunity of debating with the Senator. They are always good debates, but I have to tell you, he is one of the finest debaters, and he is a gentleman, in the truest sense, in terms of the great traditions of the Senate of the United States.

I just thought during this season as we approach a very special holiday season, sometimes it would pay for us to reflect, that even though we have differences of opinion and, indeed, as is the case of the legislation that is before this body today, I look back at our differences and I think we have been able to maintain our position without losing a sense of balance.

Mr. BRYAN. Mr. President, I am most grateful for the very generous and kind remarks. Let me just say by way of response before returning to the issue of the day, the Senator from New York, the very able chairman of this committee, takes a back seat to no Member in this institution or in the other body in terms of his tenacity, in terms of his persistence and effective advocacy on behalf of the causes in which he believes.

I can recall when the Senator occupied a different chair on this floor, more to the rear of the Chamber, where he was absolutely dedicated to a proposition which affected the citizens of his State and spoke, I do not recall whether it was 10, 11 or 12 hours. This is the kind of advocate that you get.

So I have learned from experience that he is always civil in disagreement, he has always been courteous and very fair to me, and we have worked together on a lot of issues. I acknowledge and appreciate that. I would rather have him on my side, because when he is with you, things not only happen on that committee but on the floor of the Senate. I appreciate his advocacy.

Again, I pledge to him we are going to continue the discussion we have on this measure and any other on which we might find ourselves honestly and sincerely having a difference of opinion in the same spirit in which our relationship has always been, and I thank him for the very generous comments.

We were talking about the underpinning of this legislation and what has been said as an arguable predicate for its enactment, and I shared a couple of myths. I think it would be helpful if I mentioned two or three more and then comment on a couple of things before yielding the floor to the distinguished chairman.

It has been asserted in defense of the legislation that is before us that security suits are filed without reason. Every time a stock price goes down 10 percent or more, there is a lawsuit. We have heard the strike lawyers are out there kind of prowling, and any time there is a dip in the stock price, bam, they are out there and they have these suits. That may occur on occasion.

I am not here to say there is no abuse. I reemphasize somewhat ad nauseam that when there is abuse, we need to change the law to make sure that kind of conduct is punished in a way which is most understood and that is a financial sanction.

But here is the data, here are the facts, not the anecdotal information, not the story that someone heard about someone who had been sued in a securities suit. Here are the facts.

The empirical data established that over 95 percent of the companies whose stock falls more than 15 percent in one day are not sued. These recent detailed studies document the falsity of the argument of the proponents of the legislation. A comparison of the number of stock price drops 10 percent or more in one day between 1986 and 1992, and a number of suits filed against those companies whose stock price dropped revealed that only 2.8 percent of those companies were sued.

A second study by the University of California at Berkeley, completed in August of last year, 1994, tested a sample of 589 cases of large stock price declines following a quarters earnings announcement. Extensive research revealed that only 20 lawsuits, amounting to about 3.4 percent of the sample, were filed. This finding is hardly consistent with the widespread belief that shareholder litigations are automatically triggered by large stock price declines.

The study was consistent with yet a third study conducted by academics at the University of Chicago in March of 1993. That study revealed that out of 51 companies that had sustained 20 percent or greater declines in earnings and sales, only one company of those 51 was the target of a shareholders' suit. Again, one of these myths that have assumed lifelike reality that is being asserted is that the suits are filed every time a stock price goes down. That simply is not borne out by the evidence.

Let me address just a couple more of these myths. Another one is that securities class action suits do not help investors, and private litigation is, in fact, the only way for individual citizens to collect damages from those who commit fraud. For most small investors, who do not have the resources to file their own lawsuit, class action representation is the only hope they have of collecting damages from wrongdoers. The Securities and Exchange Commission may prosecute some securities frauds, but it does not have, as I indicated earlier, the resources to help all victims of fraud recover their losses. That is the province and responsibility of private legal actions, which the Securities and Exchange Commission has repeatedly termed a ''necessary supplement'' to its activities.

Finally, let me just say the other myth that we hear a good bit is that plaintiff lawyers get all the money in these suits, and victims are left with pennies. The average attorney's fee and expense award is 15.2 percent of recovery, according to the authoritative Journal of Class Action Reports. The Journal based its findings on a most comprehensive independent study of attorney's fees in class action lawsuits involving 334 securities class actions, in which $4.2 billion was recovered for victims of fraud. The same journal reported in 1993 that, on average, for every dollar recovered in securities class actions, approximately 83 cents has been distributed to shareholders, and only 17 cents has gone to attorneys, including their expenses.

Let me just say that I have heard the argument here from a number of my distinguished and very able colleagues that we have to do something, that innocent investors get only a small pittance of the amount recovered in these class actions. Let us assume, for the sake of argument, that were true—assuming but not conceding. Mr. President, not one single thing in this legislation would alter that—nothing. There is nothing in this legislation that would provide any type of change in our present system that would increase the amount of money that

would be allocated in a recovery between plaintiffs' attorneys' fees and the amount of money that the individual plaintiff recovers.

Now, it is argued that this legislation is being introduced on behalf of the small investor, that we are really doing this, the proponents assert, because the small investor needs protection out there; that we have all of these ravenous lawyers here taking advantage of the system and taking advantage of the small investors, and that we really strike a blow for truth, justice, and the American way, and small investors if we support this legislation.

Regardless of how little or how much you may know about this area of law—and I am frank to disclaim any expertise other than what I have gleaned from my review of this legislation as it has been processed—I think it is fair to say, who would best represent small investors in protecting their interests? Let us set aside the lawyers for a moment because, hey, look, clearly they make money as a result of these lawsuits. There is no question about that. Let us set aside the accountants, let us set aside the brokerage folks, let us set aside the companies that are issuing stock. I think it can be conceded that each of those groups across the philosophical divide have a vested interest. No question about it. So let us look to other groups that are not lawyer-based or involved in securities industry work, or its allied fields, and let us see what those folks say about this legislation as it has been processed.

I think it is fair to conclude that this legislation is proposed by every major consumer group—every one of them, including the Consumer Federation of America; all major senior citizens groups, including the AARP; all major State and local organizations responsible for investing taxpayer pension funds; the Conference of Mayors; the League of Cities; the Association of Counties; Government and Finance Officers; Law Enforcement Officials; the North American Securities Administrators Association; a good many State attorneys general; the Fraternal Order of Police; educational institutions, and others, all have opposed it.

Now, any one of those groups may not be your cup of tea. You may have some reason, philosophically to disagree with positions they have taken on other matters of public policy, or other legislation before this Congress. But I think it taxes credibility beyond the point of being sustained to conclude that each and every one of these groups oppose this legislation, even in the conference form, unless they were asserting that in their own judgment, representing the organizational interests that they do, that they honestly and sincerely believe that this is not in the best interest of the small investor. These are the folks, unless we assert that there is some monstrous conspiracy organized by these ravenous plaintiff lawyers that has corrupted these organizations, ranging from the Consumer Federation to the Conference of Mayors, to the League of Cities, to the Association of Counties, to the Fraternal Order of Police—let me say, even those that are enamored with the Oliver Stone approach to life and film, I suspect, have some difficulty believing that—unless one subscribes to the conspiracy theories in history—there is a conspiracy of this magnitude involved. I respectfully submit, Mr. President, that these organizations express their opposition because they believe it is not in the best interests of consumers.

The North American Securities Administrators Association is not a partisan group. There are 50 States—parenthetically, a majority of those States, I think, or a fair majority, are now States that have Republican Governors. So I offer this context so that it not be asserted that there is any partisan bias that may be reflected by this statement.

Here is a letter sent by way of fax yesterday, December 20. I think it is worth sharing because, you will recall, I mentioned that in terms of the enforcement mechanisms that are provided to police for monitoring the securities markets in America—public protection, investor protection, if you will, are predicated upon three pillars: The Securities and Exchange Commission at the Federal level, the private class action investor lawsuit which we have talked about in our discussion this afternoon, and finally, at the State level, the North American Securities Administrators Association, which I would daresay, without having reviewed the legislative structure of each of the States, is subject to appointment through the executive branch of Government, either the Governor's office or the Attorney's General Office.

Here is what that group has to say, representing the States. I think a State perspective, and rightly so, have taken on an enhanced appreciation in this Congress. I commend my colleagues on the other side of the aisle for focusing much attention in terms of what is occurring at the State level. I think we can gain considerable insight.

Here is what their correspondence of yesterday said with respect to this legislation:

DEAR SENATOR: I am writing today on behalf of the North American Securities Administrator's Association to urge you to sustain President Clinton's veto of H.R. 1058, the Securities Litigation Reform Act. In the U.S., NASAA is the national organization of the 50 State securities agencies.

While everyone agrees on the need for constructive improvement in the Federal securities litigation process, the reality is that the major provisions of H.R. 1058 go well beyond curbing frivolous lawsuits and will work to shield some of the most egregious wrongdoers from legitimate lawsuits brought by defrauded investors. NASAA supports reform measures that achieve a balance between protecting the rights of defrauded investors and providing relief to honest companies and professionals who may unfairly find themselves the target of frivolous lawsuits.

Unfortunately, H.R. 1058 does not achieve this balance. NASAA is concerned with H.R. 1058 go beyond the concerns articulated by President Clinton in his veto message. In sum, NASAA has the following concerns with 1058.

Mr. President, I will give these abbreviated treatment. The bill fails to incorporate a meaningful statute of limitations. I will say more about that later during the course of our discussion this afternoon and this evening. I assure my patient colleague that I will wind these comments up so he may have a chance to express his views.

The bill's safe harbor lowers the standard for assuring truthfulness of predictive statements about future performance. My colleagues will recall it was not until 1974 that future or predictive statements were even permitted, because of the inherent risk and the temptation of those who were involved in selling and marketing, to overstate propositions to the decided disadvantage of prospective purchasers of securities.

No. 3, the bill fails to include aiding and abetting liability for those who participate in fraudulent activity, and a provision of the bill's proportionate liability section is unworkable and disfavors older Americans.

Mr. President, I am very interested, and I am sure that those who support the bill will be addressing themselves on this, but I do not know, how do we impeach the integrity of their comment? These are 50 securities administrators who tell us that in their judgment small investors are losing a great deal in terms of protection by this legislation, while acknowledging, as do I, that we need some balance. That, clearly, frivolous lawsuits ought not to be tolerated. Some of that is occurring. We ought to come down with a heavy hammer, in my view, to preclude that activity. I think it is instructive to listen to what that group had to say.

Let me be parochial for a moment and then I will leave the floor to my good friend. The State of Nevada, for whatever it is worth, a plurality of registered voters in my State are Republican. I offer that in the context of what I am about to say in terms of the kinds of letters that we are getting and the position taken.

Churchill County, a small rural county in our State, expresses their opposition to this legislation; the city of Boulder City; the city of Carlin, through the mayor; the city of Las Vegas, expressing its opposition to the Treasurer; the city of Lovelock, another small community; the city of Mesquite, our newest incorporated city, through the mayor; the city of Reno; The city of West Wendover; Clark County, the largest county in our State, the county treasurer expresses his strong opposition; the Clark County school district; the Douglas County Board of Commissioners; the Elko County Board of Commissioners; the Eureka County Board of County Commissioners; the Nevada League of

Cities; Nevada Public Agency Insurance Board; the Pershing County Board of Commissioners; the Reno Sparks Convention Visitors Authority; the Nevada Attorney General; the State of Nevada Employees Association in Washoe County school district, White Plain County, to name just a few.

I find it incomprehensible to believe that all of these folks are simply tools of class action plaintiff lawyers. I just do not think that a fair analysis—just using our own intuitive judgments, why would all of those folks in our State, as many other States, have expressed those concerns? They have expressed those concerns, Mr. President, because cities and school boards rely upon the securities market. They have investor portfolios. They are potential victims of fraud.

The Orange County situation is one that each of us is familiar with. They want to be sure on behalf of the local county or city or school district, whatever the entity might be, that if indeed they are victimized by fraud, they can be covered on behalf of the constituents whose money ultimately is what is at risk. That is why I have asserted every American has an interest in the outcome of this legislation.

I yield the floor and I thank the chairman for his great courtesy in allowing me to proceed at some length when I know he has been waiting a while.

Mr. D'AMATO. Mr. President, I ask unanimous consent for the purposes of bringing the Senate up to date, that I may be permitted to proceed for no longer than 5 minutes in morning business.

The PRESIDING OFFICER (Mr. SMITH). Without objection, it is so ordered.

## SUBPOENA ENFORCEMENT

Mr. D'AMATO. Mr. President, yesterday, after a full day of debate, the Senate voted to authorize Senate legal counsel to go to court to enforce the subpoena of the Whitewater Special Committee for the notes of William Kennedy. Mr. Kennedy took these notes at a Whitewater defense meeting at the offices of Williams and Connolly. This meeting was attended by private counsel for the Clintons and four Government employees.

I have today asked the Senate legal counsel to begin the process of enforcing the subpoena as quickly as possible. The Senate will ask the court to rule on a Senate enforcement action on an expedited basis so that we can get a determination in the courts as quickly as possible.

Now, the Senate legal counsel will file papers with the court on Wednesday, December 27. There are a number of things he must do prior to that. I have been informed he has attempted to contact counsel for Mr. Kennedy, personal counsel for the President and Mrs. Clinton, and the White House counsel to discuss a schedule in order to obtain a court ruling as fast as possible. That is so that we can have an expedited proceeding. I hope they will try to arrange for that.

As I have said repeatedly, and I want to reiterate, the Senate will stop any action to enforce the subpoena as soon as we have Mr. Kennedy's notes. Until that time, though, we will continue and take all action necessary to enforce the subpoena. So there will be no mistake, while I hope we can get these notes without having to go to court, we are not going to wait or delay and then have a situation where negotiations may break down. I understand they are negotiating—that is, ''they'' being White House counsel and the President's counsel—right now with Members of the House.

As I said before, I believe that the Senate and the American people have a right to all of the facts about Whitewater. If these notes help us obtain those, certainly, they should be provided. Again, we are going forward, but I say if we get the notes we will stop the proceedings. At this time, though, we are attempting to get an expedited proceeding. It is our intent to be in court on December 27.

Mr. President, I thank my colleague for permitting the opportunity for bringing that update.

Mr. SARBANES. Mr. President, will the Senator yield for a moment?

Mr. D'AMATO. Certainly.

Mr. SARBANES. Is the Senator now going to address the securities bill?

Mr. D'AMATO. Yes. I asked I might be permitted to proceed in morning business for no more than 5 minutes, just for the purposes of that update. That was the only thing I asked. But I was now going to address the securities reform litigation.

Mr. SARBANES. I would like to address the issue the Senator addressed. I can defer until he finishes the securities matter?

Mr. D'AMATO. No, I yield to my friend, certainly. I think it would be appropriate, if he wants to do that, to yield to him now for purposes of making his remarks at this time.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I appreciate the Senator from New York yielding.

I think the report that was just brought to the floor underscores what I thought was the wisdom and the reasonableness of the amendment that was offered yesterday and the suggestion that we ought to try to resolve this matter without moving to a confrontation. I listened carefully to my colleague. As I think he said, he intends to be in court on the 26th——

Mr. D'AMATO. The 27th.

Mr. SARBANES. That is, I think, where the majority has intended to be all along. We have consistently suggested if we would draw back here and try to resolve this matter, it could be worked out without a court test.

The assertion is made that by going to court, they will speed the process up. In fact, they will slow it down. That is very clear. Even under expedited procedures, it is going to take a fair amount of time to carry this matter through. So, if you want to get a quick resolution of it, obviously the way to do it would have been to follow the path that we outlined yesterday with respect to the furnishing of the notes and to try to have worked in obtaining from the House an agreement or understanding with the White House that would make it possible for them to do so.

They have offered to do it. They have obviously come forward in an effort to try to do it.

This push to the courtroom, I think, is simply to create, as it were, a public issue and a confrontation. As I indicated yesterday, I regret that. I continue to regret it. I think it is unnecessary. I think it is a provoked controversy, largely for political content. I think as these other negotiations seem to bear fruit, it only underscores that point.

I do think if the matter is carried to court and resolved there, that we may end up with it being clear that a very serious mistake was made by the Senate.

I thank the Senator for yielding.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Mr. President, I am not going to speak for more than 30 seconds on this whole issue of the subpoena. I just wanted to serve notice and let the administration know that, again, if they successfully complete their negotiations with whoever they are negotiating with—the House and whatever Members—that is fine, as long as we get the notes. If we do not, if it gets protracted, we will continue. I have to do that so that the process does not break down. So I thought I would at least bring us up to date on that.

## SECURITIES LITIGATION REFORM ACT—VETO

The Senate continued with the reconsideration of the bill.

Mr. D'AMATO. Mr. President, I urge my colleagues to remain firm in their support of this legislation, legislation that, just two weeks ago, was passed overwhelmingly in the Senate, legislation that was passed overwhelmingly in the House, legislation that was clearly, once again, approved by the House, when the President's veto was overturned by a huge majority, the vote was 319 to 100.

It is here now for us to consider. Let me say, Mr. President, no one can argue that the current system is not broken because it is broken. Some of my colleagues raise some objections related to pleadings, the pleading requirements and some things of a very technical nature—whether or not, for example, the second circuit opinion should be incorporated into this law—we are really getting into hair splitting.

But I will tell you an area where no one can split hairs, no one can divide. The system as it presently exists is shameful—shameful—horrendous. This system does not protect investors. This is the Full Employment Opportunity Act for a handful of lawyers. They are out there mining, prospecting for gold. They do not protect the average citizen. They do not protect the small fry investor.

Let me tell you what the leading advocate of this system says, as it relates to the practice of law. He says, and I quote, ''I have the best practice in the world.'' Do you know why he says that? It is amazing. Does he say it because he is able to help people? Because he is able to bring comfort to them? Because he is able to help widows and orphans who are in need, who have been ripped off? That he has helped? That would be laudable. Does he say that because he is able to go after those who have robbed, who have pilfered, who have cheated? That would be laudable.

''I have the best practice in the world,'' he says. And why? ''Because I have no clients.''

That is a heck of an attitude. And that is what exists. And he is working, working. I wonder how many millions of dollars—millions, he, himself, has pumped into the system to buy ads to scare people, to tell them they are going to take their rights away.

What we are looking to do is see to it that investors are protected, not a handful of attorneys, and one in particular, an attorney who says, ''I have the best practice in the world because I have no clients.'' His words. Why does he not come to the floor and explain that? Let him come out here and tell us how he can justify that kind of sentiment to the Senators who are going to be voting.

Does he care about widows? Orphans? Defrauded people? He cares about his pocketbook. He hires a bunch of people to file claims—hires them, professional plaintiffs we call them. Some of them get as much as $25,000, not based upon what the injury was to them.

How would you like to be this stockholder? You have 10 shares—that is what some of these guys own, 10 shares. They buy shares in every company. If the stock of the company goes down, they are recruited, the same handful of professional plaintiffs. You see, each one of them buys a share, a couple of shares in each company. If the share goes down, four or five of them sign up and this lawyer runs into court. He is now representing all the shareholders. In most of those cases, his shareholders do not own anything worth anything. You cannot even say one-tenth of 1 percent. So, when he says he represents no clients, he means that.

Now, he is in there representing, supposedly, all of the shareholders. Our bill says you cannot have professional plaintiffs anymore. You cannot have the same bunch of thieves, because that is what they are—thieves for hire. And we permit them, today, under the law. They should be banned, outlawed, they are robber barons.

Here is this lawyer who is pumping in hundreds and hundreds of thousands to protest this bill. I have not heard anybody talking about him. I have not seen anybody talking about how much money he has siphoned into various groups, money he has funneled to them so they can run their phony ads, how they fund these little groups who say, ''Oh, I am for the little guy.''

Little guy my foot. This millionaire lawyer is going around funding everybody. Why should he not? He makes tens of millions of dollars. Remember who his clients are—nobody. He is operating for himself. He is an entrepreneur—not my words, his words. ''I have the best practice in the world. I have no clients.''

It is a disgrace. We should change this system. And that is what this bill does. It protects, for the first time, people who own shares. It allows the pension fund managers who are managing hundreds of millions of dollars to have a say as to who will be selected to lead in the representation of investors when there is fraud and exploitation. Has there been exploitation? Absolutely. We have operators like Charles Keating, where people unjustly have enriched themselves at the expense of shareholders, stockholders, and pensioners. Of course, we must get them and put them in jail.

This legislation makes it easier for the Securities and Exchange Commission to do exactly that, to bring lawsuits. We created greater responsibility on the part of auditors and accountants for the first time in this bill. But, my gosh, let us not say that we have a system that is a good system when it is out of control, when we permit legal larceny because somebody may have some economic power, so, therefore, we permit someone else to hold them up and say, ''If you have even the tiniest bit of negligence, we are going to hold you liable for whatever the loss is even if you were not part of a conspiracy because you could have done better.'' Our laws should not work on that basis. It should be worked on the basis of fairness, what is fair and what is right.

It is really long overdue, the need to reform this kind of litigation from a money-making enterprise for a handful of lawyers—and it is a handful of lawyers—into a better means of recovery for those who have lost out. Curtailing abusive securities litigation while allowing investors to bring meritorious lawsuits will permit investors to have a system of redress that serves them, not one that entraps them. This bill serves investors and not a handful of lawyers who are proud to claim that they have the best practice because they have no clients.

I yield the floor.

Mrs. FEINSTEIN addressed the Chair.

The PRESIDING OFFICER. The Senator from California.

Mrs. FEINSTEIN. Mr. President, I want to address the securities reform veto override. It is my intention to support the override effort, and I would like to summarize for the RECORD my views on the legislation and my reasons for supporting the bill. Because the senior Senator from Connecticut is here, I would like to ask him a series of questions, if I might, and see if I am correct in my assumptions, and, if I am not, give him the opportunity to clarify my concerns. As you know, the senior Senator is one of the main cosponsors of this bill.

The first involves the so-called license to lie challenge to the safe harbor. I spent about 6 hours with various representatives of the high-technology companies and representatives of the SEC on the safe harbor. At the time the SEC would not sign off on language that they wanted and included in the bill. Subsequently, SEC Chairman Arthur Levitt did sign off on the safe harbor legislation, a decision confirmed by letter from Chairman Levitt, that has already been introduced into the RECORD.

I would like to state my understanding of the safe harbor and see if the senior Senator of Connecticut concurs.

To claim the protection of the safe harbor, an individual company officer must clearly identify the statement, either written or oral, as a forward-looking statement. By forward-looking statement, I mean a statement that applies it to economic projections, estimates, or other future events. The safe harbor cannot be claimed by certain groups of individuals—and I will go into that shortly. This statement must be accompanied by meaningful cautionary statements, identifying important factors that could cause actual results to differ materially from the forward-looking statement. That is to say, the statement must be accompanied by a clear warning that identifies the risk that the future may not turn out as forecast. This warning cannot be routine warning language, but must be specific to the forward-looking statement.

Is that a correct understanding of this bill?

Mr. DODD. Mr. President, I say to my colleague from California that she is absolutely correct. This is exactly what the meaning of that safe harbor language is.

Mrs. FEINSTEIN. I thank the Senator. If the statement is oral, it is my understanding that the individual must identify the statement as forward-looking; clarify that actual results may differ materially; and, state at the same time that additional information about the forward-looking statement is contained in a readily written available document with additional information which satisfies the same warning standard required of written standards.

Mr. DODD. Mr. President, I further say to my colleague from California that is absolutely correct.

Mrs. FEINSTEIN. Or, as a separate test, as I am led to believe, the safe

harbor does not apply if the statement is made with ''actual knowledge'' that the statement was ''an untrue statement of a material fact or omission of a material fact necessary to make the statement not misleading.''

Mr. DODD. Mr. President, the Senator from California is correct as well on that.

Mrs. FEINSTEIN. I appreciate the Senator from Connecticut's comments, which, I believe helps clarify the scope of safe harbor.

Let me go on.

As I understand it, the protections of the safe harbor are not available to reduce the obligations of companies to disclose historical information or current information truthfully and accurately. For instance, if a company makes misleading statements about known facts, the safe harbor does not protect the company.

Mr. DODD. That is correct, I say to my colleague.

Mrs. FEINSTEIN. I further understand the safe harbor provisions do not apply to certain companies we may have reason to have some doubt about, such as penny stock companies, initial public offerings known as IPO's, blank check companies, roll-up transactions, or companies recently convicted of specific securities law violations. All of these types of companies are excluded, as I understand it, from the protection of the safe harbor provisions. The provisions are only available to companies with an established track record.

Mr. DODD. Mr. President, I say to my colleague from California that is absolutely correct.

Mrs. FEINSTEIN. I thank the Senator.

As we discuss companies or individuals ineligible for the safe harbor, I would also want to clarify the safe harbor does not apply to brokers or analysts who may have an incentive to oversell a stock to obtain a sale. On this point, the safe harbor would not have applied to the financial concerns we experienced in Orange County, California. If Merrill Lynch is a broker selling derivatives to a county government, in my state of California or any other state, they are not protected by the safe harbor because the safe harbor does not protect brokers and does not address derivatives.

Mr. DODD. The Senator from California is correct.

Mrs. FEINSTEIN. I understand the safe harbor does not apply to a new company, but only applies to seasoned issuers. For instance, NetScape, a new high-technology company, which saw its stock explode from zero to $120 a share or more, can claim no protection under the safe harbor because it is an initial public offering.

Mr. DODD. That is correct.

Mrs. FEINSTEIN. Finally, I wish to clarify for the record that the safe harbor does not affect the jurisdiction of the Securities and Exchange Commission or the SEC's authority to work with the Justice Department to bring enforcement actions against wrongdoers for fraud, insider trading or any other enforcement action. So, in other words, the safe harbor cannot be used as a defense against the jurisdiction of the Securities and Exchange Commission.

Mr. DODD. Mr. President, I say to my colleague from California that is absolutely correct.

Mrs. FEINSTEIN. I very much thank the Senator. I would like to go on and specifically address the concerns of cities because I have received exactly some letters from various cities, 26 or so to be precise, indicating their concern. We have taken a good look at it.

I think one of the core lessons about Orange County is that cities should not be investing in speculative investments. I know from my tenure as mayor of San Francisco for 9 years, and I served on the investment body which was then the retirement board, these kinds of speculative ventures were prohibited.

We have heard some discussion about the financial concerns involving Orange County, CA, but as was discussed earlier, these circumstances would not be altered by the safe harbor under the bill. In Orange County, the treasurer was buying derivatives from Merrill Lynch. Derivatives are not protected by the safe harbor. Further, Merrill Lynch, serving as a broker, is ineligible to claim safe harbor protection. So you have protections built in two different ways. Derivatives are not protected, and a broker is not protected.

I believe—and my vote is cast on this belief—that the cities' concern appears primarily to address the proportional liability section of the bill. Under the proportional liability rules adopted in the bill, an accountant from a big accounting company would not risk bearing the full cost of a plaintiffs' loss if it audits the books, certifies them and fraud causing loss to plaintiffs subsequently arises. However, even the proportional liability rule, as I understand it, has a significant protection built in.

While the bill adopts a proportional liability rule, proportional liability will not limit the responsibility of a business or an individual who commits ''knowing securities violations.'' I think that is very important. Such an individual would remain responsible to pay, not the proportional loss, but the full loss, as I understand it.

I know the senior Senator from Connecticut will correct me if he believes that is inaccurate.

''Knowing securities fraud'' includes any defendant who had actual knowledge, or operated under circumstances in which they should have had knowledge, the fraud occurred.

So the provision will not permit accountants who commit knowing securities fraud to eliminate full liability for accountants who deserve to be fully liable. Would the Senator agree with that?

Mr. DODD. The Senator from California is correct, I would say, Mr. President, with that observation.

Mrs. FEINSTEIN. I think that is very important to the cities that are watching this debate.

Further, special rules are provided to force proportionally liable defendants to pay more if a particular plaintiff suffers a high level of losses. A significant part of the debate revolves around our concern for poor and potentially vulnerable plaintiffs. Under this bill, if a plaintiff can claim damages exceeding 10 percent of their net worth, and their net worth is less than $200,000, then a defendant remains fully liable for that loss to the plaintiff and no proportional liability can be used to reduce that liability.

Additionally, many of us have concerns with the application if this law in instances involving insolvent defendants. If a defendant cannot pay due to bankruptcy, the defendants who would otherwise be only proportionally liable must pay up to 50 percent more to make up the plaintiff's shortfall due to the bankruptcy. What this means is that if the battle comes down to an innocent plaintiff who loses and a proportionally liable defendant who feels it would be unfair to force them to bear the full loss, the defendant loses and the proportionally liable defendants must pay more.

These are very important concepts to me, and I wanted to come to the floor to place my understanding with respect to legislative intent in the RECORD. I am very pleased that the senior Senator and author of this legislation is present and has corroborated these statements.

I thank the Chair. I thank the Senator. I yield the floor.

Mrs. BOXER addressed the Chair.

The PRESIDING OFFICER. The Senator from California.

Mrs. BOXER. Mr. President, I thank you very much.

My senior Senator from California and I usually, when it comes to issues affecting our State, come down on the same side. We have clearly come down on opposing sides here. Before she leaves the floor, I just wanted—I do not ask her to stay because I know she has other pressing matters—to talk about the breadth and the depth of the opposition to this bill and the support for the President coming from local elected officials in our home State where she served, as we know, as an esteemed and extraordinary mayor of the city and county of San Francisco. I served on the board of supervisors in neighboring Marin County for 6 years and its president for a time.

I think what is important here is that authors of the bill feel very strongly in their work product, what they do and their intentions. I have never once doubted the intentions of those who have brought this to us, that their prime intent was to make sure that frivolous lawsuits were a way of the past. But it is the people who invest in securities who have looked at this from the standpoint of protecting investors, and I have never seen such a

list of county officials that I placed in the RECORD from almost every single county in California, from the county administrators to the treasurers, to tax collectors. These are the people who know that they need to have protection from those who would seek to take advantage of investors. This list is extraordinary.

The League of California Cities wrote a letter to the President dated December 5, 1995:

As representatives of municipal Government who oversee billions of dollars in investments, we strongly urge you to oppose the Securities Litigation Reform Act.

And they say:

Any securities litigation reform must achieve a balance between protecting the rights of defrauded investors and protecting honest companies from unwarranted litigation. Abusive practices should be deterred and sternly sanctioned. However, we believe that investors would be penalized and become victims of security fraud and that wrongdoers would be rewarded.

And they call it ''an anti-investor bill which would impose new and blatantly unfair requirements on the victims of fraud, making it very difficult for them to seek redress through the courts.''

Now, the number of California governments opposed to this is staggering—not only governments but agencies: The Alameda County Employees' Retirement Association, Amador County Treasurer/tax collector, the treasurer of the AFSCME local in Pasadena, the Calaveras County Board of Supervisors, California Association of Treasurers and Tax Collectors, California Association of County Treasurers—we have more than 50 counties in our State—California Council of Senior Citizens Clubs of San Diego and Imperial Counties, California County Administrative Officers Association—that is the association of the administrators of counties, over 50; I am just listing a few here—the California Labor Federation, the California Government Finance Officers Association, the California Municipal Treasurers Association, the California Public Interest Research Group, the California State Association of Counties, the city of Albany, the city of Arcadia, the city of Barstow, the city of Beverly Hills, the cities of Burbank, Burlingame, El Monte, Fairfield, Fremont, Glendale, Hayward, Hemet, Huntington Beach, Irvine, Long Beach, Manhattan Beach, Moreno Valley, Newport Beach, Oceanside, Ontario, Riverside, the city of San Bernardino, San Fernando, San Francisco, Mayor Frank Jordan; city and county of San Francisco board of supervisors, city of San Jose, Mayor Susan Hammer; city of Santa Ana, city of Santa Rosa, city of Santee, city of South Pasadena, city of Stockton, city of Thousand Oaks, city of Ventura.

Why am I doing this? Because I am trying to make it clear that the opposition to this legislation is broad and it is deep. I will stop mentioning the cities, and I will shift to some of the counties: Del Norte County, El Dorado County, Fresno County, Glenn County, Humboldt County, Imperial County, Inyo County, Kern County, Kings County, Lake County, Lassen County treasurer/tax collector, Los Angeles County Employees Retirement, Los Angeles County Federation of Retired Union Members, Marin County—that is where I am from—Employees Retirement Corporation, Mariposa County, Mendocino County—I am at the M's. It goes on and on: San Diego County treasurer/tax collector, Sacramento County treasurer/tax collector, San Francisco Democratic County Central Committee, San Joaquin County, San Luis Obispo County, Santa Barbara County treasurer/tax collector, Senior Meals and Activities, Service Employees International.

Then it goes to the T's and the U's and the V's, and it ends with Yuba County Supervisors, county administrator and the treasurer/tax collector. And the number of editorials has been just extraordinary from my State.

One has to wonder why this has happened, and I think it is because this is a very complicated matter.

My friend from California had several problems that she wanted to clarify, and she feels comfortable that they have been clarified. But when you are rewriting securities law, Mr. President, which has protected investors since the 1930's, it is very complicated, and as a former stockbroker I can tell you when people used to call me they trusted me. They trusted me. And the fact of the matter is I would lose sleep rather than give someone terrible advice. And that is one of the reasons I did not stay in that business. It was very, very difficult, because I worried every time the stock market went down and an elderly retiree called me the next day. I just felt it was an enormous responsibility. student. Unfortunately, in our great country, the greatest on Earth, with the greatest free market system and the greatest, frankly, laws protecting investors, there are people who would take advantage of the elderly and of people who really are not sophisticated. And it is easy to do.

What this bill does, as you look at it and its transformation, unfortunately, is give people like the Charles Keating and people who really do not care about other people an opportunity to rip off people because the legal system will not go after them.

The way the bill is written, the pleading requirements are so difficult plaintiffs would have a hard time even getting into court. And even if they get into court, you have a specter over your head that an unfriendly judge could decide, if you are an elderly, small investor, for example, that your lawsuit did not have merit and you are going to have to pay the bills of those on the other side. And that has a very chilling effect.

Therefore, when the President vetoed this bill, he said very clearly that he would love to sign a securities reform bill. He wants to sign a securities reform bill. He wants to make sure that there are fewer frivolous lawsuits. He wants to make sure, in fact, that people in the Silicon Valley, my constituents, the senior Senator from California's constituents, are not hit with strike suits. None of us wants that.

Unfortunately those with another agenda have prevented that. Instead of having a bill that goes after those lawyers that are filing frivolous lawsuits, to quote one of the newspapers, ''Instead, the bill stabs the small investor in the back.''

That is why we have so many county treasurers and county administrators and boards of supervisors and mayors and the League of California Cities opposed to the bill as it is now written—these people know they want to protect their employees and retirees investments.

Mr. President, as we enter the battle of the budget, and we fight hard—in my view, this is what the President is doing—fighting hard to protect the middle class, trying hard so that our elderly will have Medicare, and the seniors in nursing homes will have Medicaid when they need it, and we have student loans for our children, and we have the police on the beat for our middle-class and all communities—we cannot divorce this bill from that battle. Who would be hurt the most if we do the wrong thing, which the President thinks we are about to do, here?

Many of the experts in this field warn us about this bill. Who will pay the price if we do the wrong thing? Not the very wealthy because, if the very, very wealthy get bilked in one investment, they are still on their feet. They are OK. They can survive. Not the very, very poor, because the very, very poor do not have money to invest.

This bill is going to be aimed at the solid middle class, those people who saved for their retirement and suddenly find out when they are bilked that they have no recourse because the securities laws were reformed.

Mr. President, there is a difference between reform and repeal. And I think the President has laid that out. He is opposed to the pleading requirements. He is opposed to the safe harbor. Many of us believe is not a safe harbor at all, but a pirate's cove because all you have to say to be immunized is, ''This is an estimate. This is just an estimate of future activity.'' Then you can hide behind that language.

So I hope that we sustain the President's veto. It was a courageous thing for him to veto, in my opinion. It is going to be a very close vote one way or another, maybe one, two, or three votes. I just hope we will stand with the President because I think he is fighting for the middle class in this veto.

I yield the floor at this time.

Mrs. FEINSTEIN addressed the Chair.

The PRESIDING OFFICER. The Senator from California, Senator FEINSTEIN.

Mrs. FEINSTEIN. If I might briefly respond to my respected colleague.

It is interesting, I guess, in a State as big as California one can have some different constituencies. My mail is, oh, maybe over 100 to 1 for the legislation rather than opposed to it. When I read the letters from the counties, that is when I saw they were functioning under a misimpression of what the safe harbor actually did. That is why, in my colloquy with Senator DODD, I tried to clarify these concerns. As I stated earlier, first, the stockbroker who sold the derivatives to cities or counties would not gain the protection of the safe harbor because brokers are ineligible; and, second, derivatives would not be protected by the safe harbor. So I tried to straighten that part out.

I want to point out that in California we are going through an economic change. High technology and biotechnology is a big source of jobs now and in the future. It is estimated that 62 percent of the high-technology companies that went public from 1988 to 1993 have faced securities lawsuits. And 62 percent of the companies that have gone public in the last 5 years have faced securities lawsuits in the State of California. That alone indicates that there is a problem that needs to be addressed.

What has concerned me in the legislation is a desire to address the problem and not throw out the goose that laid the golden egg. I want to protect the small investor, protect the county, and yet do away with the kind of lawsuit that happens because a companies' stock drops, a suit is filed, they press discovery and they move and collect a large settlement from the company, when the suit may be baseless.

Those kinds of frivolous suits concern me. I think it is a legitimate function of government to attempt to reform that. I also think it is important that this legislation strikes a balance and protects the consumer. Based on what I have seen, I believe it does.

More fundamentally, if it is proven to have a flaw or a problem, that flaw or problem can in fact be corrected. As I understand, it this legislation has taken some 5 or 6 years now to develop. The bill has been refined and refined over time. The bill has finally passes both Houses, the veto override has been supported in the House of Representatives. It seems to me it is time to get on with it and give the kind of necessary reform that I believe this bill provides in an evenhanded manner. I thank the Chair.

Mrs. BOXER. Will my friend yield to me for just a comment? And that is, I respect her completely for coming down on the other side. Of course, there are two sides to every story. I was just pointing out that as a former stockbroker myself and having felt that responsibility on my shoulders, the people who I really do tend to listen to in these matters are people who do not have a stake in it, and that is the people who are the investors.

All they want is a safe securities market. I agree with my friend, we may be back here fixing this bill. I think that the President has given us a road map to do that. I do not want to go on except to close, and I know my friend from North Carolina has been so patient.

Money magazine has really taken this issue on. And I think they make a very good point here when they say,

> The President should not sign [the bill]. . . . Here's why: The bill helps executives get away with lying. Essentially, lying executives get two escape hatches. The bill protects them if, say, they simply call their phony earnings forecast a forward-looking statement and add some cautionary boilerplate language.

And they talk about the fact that legitimate lawsuits would not get filed. So reasonable people come down on different sides. I want reform, but I want to see it done in a way that we stop these frivolous lawsuits but we still protect the small investors. Thank you very much for your patience, I say to my friend from North Carolina. I yield the floor.

The PRESIDING OFFICER. The Senator from North Carolina is recognized.

Mr. FAIRCLOTH. I rise in strong support of the motion to override the President's veto of H.R. 1058.

Mr. President, securities litigation reform is extremely important to the future of our economy. Obviously, the President disagrees. It is unfortunate. The President pretends that he supports our high-technology industry, but his veto showed that he cares more about trial lawyers than the growth of business in this country.

The Wall Street Journal may have called it right. They said Bill Clinton could be the President of torts.

Mr. President, the irony of this is that it is not a partisan issue. The lead sponsor of this bill is my friend from Connecticut, who is chairman of the Democratic National Committee. Republicans and Democrats alike have recognized the strike suits are very serious problems.

Mr. President, America is the undisputed leader in technology. No other country comes close to our leadership in this area. But a small cadre of lawyers have found a way to make a living by launching these strike suits against companies.

This is wrong. It is hurting America, it is hurting our economic growth, it is slowing our job growth, and it has to stop. It is hurting our fastest growing high-technology business. This bill is a good start.

Mr. President, these lawsuits that have been filed against these companies have little to no merit, but they are filed for the purpose of blackmailing companies into settling rather than going to court. In other words, it is cheaper to buy them off than it is to fight it in court.

The cost of these suits to the American economy is no small matter. At the end of 1993, class action lawsuits were seeking $28 billion in damages—$28 billion—which is a staggering amount, and most of these lawsuits are totally worthless.

The committee has had example after example of how absurd the cases can be. For example, one individual has filed against 80 companies in which he held stock and, in most cases, an infinitesimal amount of stock. Another individual has filed 38 lawsuits, 14 of them with the same law firm.

Another man, a retiree since 1990, 5 years, has filed 92 lawsuits, one for every year of his age. He is 92.

One law firm files a securities suit every 5 working days, one a week. They are just churning them out, whether there is any validity or not. That is how much it takes to meet the payroll, so they churn out one a week. In many cases, these lawsuits are filed within hours of price stock drops. The National Law Journal reported that of 46 cases studied, 12 were filed within 1 day and another within a week of publication of unfavorable news about a company.

Anybody that has ever run a company knows that all the news is not always favorable, no matter how hard you work at it. Mr. President, a point to remember in this debate is that investors are not helped by these lawsuits. If the President vetoed this bill for the small investor, then he missed the point in what the bill was about, and he is wrong. He is not protecting the little investor, he is only protecting a cottage industry of trial lawyers who make a living out of these lawsuits, and they have made a very plush living.

Study after study shows that lawyers get the lion's share of the settlements. We had testimony that the average investor receives 6 or 7 cents for every dollar lost in the market because of these suits, and this is before the lawyers are paid and they get the lion's share of it.

A couple of weeks ago, Fortune magazine had a picture of two lawyers who said, ''Beware of this type of lawyers, they will destroy your company.'' That was the cover story. So this is going on and the business investment community is aware of it.

One of the significant parts of the bill allows courts to determine who the lead plaintiff is, one that is most adequate to represent the class, not a person who ran to the courthouse and got there first, and, in many cases, the way these suits have been filed, it is simply who got to the courthouse first, not who had the real vested interest.

If the President wants to protect investors, this is the bill to do it. The lead plaintiff must file a sworn statement that he or she did not buy the securities at the direction of counsel. Too often, many of these plaintiffs are straw men acting on behalf of the lawyers who instructed them to buy the stock in order that they could file the suit, and they make a profession out of filing the suits.

This provision will encourage institutional investors to be the lead plaintiff, the people who have a real vested interest. After all, they have the most at stake in these lawsuits. Institutional investors have $9.5 billion in assets. They account for 51 percent of the equity market. Further, pension funds $4.5 trillion in assets.

These funds—mutual funds and pension funds—represent the holdings of millions of Americans, many of them small savers. They have every right to have fraudulent lawsuits brought fairly and correctly, not just because a certain lawyer jumped in front of him and got to the courthouse first.

Mr. President, the conference report will punish lawyers that file frivolous lawsuits. The bill requires a mandatory review by the court of whether a lawyer filed frivolous motions and pleadings, known as rule 11 under the Federal Rules of Civil Procedure. What could be the problem with this provision—enforcing the Rules of Civil Procedure?

The veto message was concerned with the pleadings standards, but a key part of this bill is stopping lawsuits that allege no specific wrongdoing but just generally allege fraud, just blanket fraud, because the stock price dropped. We have seen some pretty sharp stock price drops lately and not because anybody committed fraud. These kinds of suits get the plaintiff into court and then they can start demanding settlement.

The bill requires that an attorney in a private action must allege facts giving rise to a strong inference that the defendant had the required state of mind to make an untrue statement. At the very least, this provision requires that lawyers have more to go on than just generally alleging fraud.

The President's veto message also objected to the discovery process. To put it plainly, once a lawyer files a frivolous lawsuit, with little or no facts, he gets the ability to engage in discovery. This allows him or her to rifle through the records of a company looking for anything with any particular spin that smacks of fraud. He does not have to have anything when he starts. He gets it after he files his suit.

Mr. President, 80 percent of the cost of litigation is in the discovery process. This bill would stop the discovery process while a motion to dismiss is being deliberated. In other words, the court has to find that the complaint has merit before the company has to spend time and money responding to voluminous document requests.

This goes to the heart of this bill: File a lawsuit and then ask for the world in discovery and hope that the company settles the suit to avoid the cost of litigation. The lawyers take home a tidy sum of money for very little work. This is what we are trying to stop, and that is the blackmailing of corporate America.

Let me just say a word about the safe harbor provision. This is critically important to the flow of information for investors. Right now, companies are literally frightened to project their earnings, or anything else for that matter, because if they do and it happens to turn out wrong, then they are going to be sued for fraud. They cannot even give an honest projection of what they might make, because if it happens to be wrong, if a change in circumstances, events, business down, up, they are subject to fraud.

Big investors and small ones alike, mutual funds, pension funds, anybody that is investing needs this kind of information projection to make wise and prudent investment decisions. It is a shame that due to the actions of a small group of parasitic lawyers that the free flow of information has been muzzled, that you simply cannot find out what a company plans to do or can do.

Mr. President, another important reform that is being made by H.R. 1058 is reform of proportionate liability rules. This bill requires that those who are responsible for causing a loss pay their fair share of the loss but no more. If they cause 1 percent of the loss, they pay 1 percent. This is the way it should be.

Too many lawyers have gone after companies looking for the deep pockets, and this can be anybody that had anything to do with the operation of the company. It can be lawyers, accounting firms—anyone that was touched. So they are simply looking for the deep pockets. In many cases, a lawyer would not even bother to file the suit but for the deep pockets of the attorney firm or accountants, whoever might be involved.

Despite this provision, there are some circumstances when individuals will pay more than they really owe. For example, we have a so-called widows and orphans provision that imposes joint and several liability on everyone to cover the losses for persons with net worth below $200,000. In other words, it is protecting those people of less than $200,000, and everyone has to pony up to pay their claim.

Further, if a defendant is insolvent, other parties have to contribute another 50 percent of their liability to make up for the insolvent defendant.

On this particular point, the conference report goes a long way toward protecting small investors financially. They will not be left out in the cold if the principal target is insolvent. Small investors will be fully protected. Those who have a net worth over $200,000 will be fairly compensated.

Finally, anyone who knowingly commits fraud will be fully liable. There is no retreat from this. If they knowingly commit fraud, they are fully liable.

Mr. President, I am a strong supporter of securities litigation reform, and I am a supporter of overall legal reform. I hope this is just the beginning. Some have suggested that the indirect cost of all this litigation is $300 billion a year.

This is a heavy price for American business and industry to pay. It is a heavy tax on the American public for the rights of a few lawyers who engage in these frivolous strike suits.

Mr. President, the SEC has sent a letter to the committee in which they state that the conference report addresses their ''principal concern.''

Mr. President, the Washington Post called it a truly useful piece of legislation.

As I said earlier, this bill is too important to our economy not to override the President's veto. I urge the Senate to vote to override this veto. I simply feel that American industry and American business—particularly the high-technology businesses—have simply fallen victim to the piranha-type lawyer who goes after them whether there is any justification to his claim or not. But because of the cost of the lawsuit, he gleans a lot of money.

With that, I yield the floor.

Mr. DODD addressed the Chair.

The PRESIDING OFFICER (Mr. GORTON). The Senator from Connecticut [Mr. DODD] is recognized.

Mr. DODD. Mr. President, this is a moment of some unease, obviously, for this particular Senator from Connecticut to be in a disagreement with my President on this issue. But I am going to be urging my colleagues to override the President's veto. I do so because I believe this bill, passed previously in this body and adopted again in a conference report, is a good bill and one that deserves support.

I appreciate the arguments raised by the President. I have had the privilege of discussing them with him and his staff over a number of months. And the President arrived at a different conclusion. I respect that.

Much has been made of the fact that I have a second hat that I wear from time to time, that is called the general chairmanship of the Democratic Party. I am very proud of that hat. As I said at the outset when I accepted that position, there would be times, I suspected, where my President, the leader of my party, and I would disagree on issues. This happens to be one of those moments. I hope there are not many, but it is one of those moments. So I regret that. Nevertheless, I feel that this is an important bill, one that I have spent a great deal of time on going back to 1991, when my colleagues—principally Senator DOMENICI of New Mexico—and others, began to work on this legislation in this body, and through a process of numerous hearings and the like, we arrived at the point we are at today.

I would like to take a few minutes, if I can, and discuss the matters of particular controversy at this moment and why I think that an override is appropriate.

First of all, I point out to my colleagues—and I think I heard my colleague from New Mexico make this point when he was addressing the Chamber earlier this morning—this is

truly a bipartisan bill, Mr. President. I realize that may not sound like much. It is certainly not a justification for supporting it. Unfortunately, there are fewer and fewer occasions when we have truly bipartisan bills like this. It is worthy of note because an awful lot of people on both sides of the aisle here have worked very hard to put this bill together. Is it a perfect bill? I suspect not. I have never seen one of those in my tenure here in Congress. Have we done everything exactly right? Probably not. Only time will tell where we have to make some corrections. But we have addressed some fundamental underlying problems that, by most people's comments, admittedly needed to be corrected. Those are the principal concerns.

I am grateful, in fact, that the President in his veto statement acknowledges that. We are no longer debating safe harbor, which was a matter of great controversy, or proportionate liability. We are no longer debating an issue my colleague from North Carolina pointed out a few moments ago, the right of the most injured plaintiffs to have at least the opportunity—it does not require it—but at least the opportunity to be the lead plaintiffs in the case, to require that in settlements or in judicial conclusions that the plaintiffs have an opportunity to get the award, and that the attorneys will take a second seat to the plaintiffs when it comes to divvying up the money that may come to them as a result of settlements, or a judicial award.

These are the principal matters in this piece of legislation. And the President, in his veto message, agrees with us on virtually all of them. In fact, in his comments—and I commend him for them—he has said this is a good bill. He has problems with two areas: pleadings and rule 11. I do not say they are unimportant, but certainly when you weigh them in the context of the overall bill, it amounts to just a handful of words—a fraction, if you will, of the overall achievement in the legislation.

So the bipartisan nature of this legislation, I think, is very, very important, and shortly I will discuss the specific concerns that I have mentioned, the pleadings area and the rule 11 area.

As I mentioned earlier, we have been debating this bill for going on more than 4 years now, into our third Congress on this legislation. Some 1,600 days have passed since the legislation was first introduced in 1991. There have been 12 public congressional hearings on this bill. That is an inordinately high number of congressional hearings on any single piece of legislation. Yet, that is how many have been held on this bill.

We have had 95 witnesses appear before congressional committees, representing all the different points of view, on securities litigation reform. We have had more than 4,000 pages of testimony, been a part of the legislative history that has led us to this bill that is now before us under these procedural circumstances.

There have been a half dozen staff and committee reports issued on the substance of the legislation, and, in fact, we have debated this piece of legislation for 7 full days over this past year here on the floor of the U.S. Senate.

Given this lengthy history, it is particularly disappointing that a veto of the bill has occurred, based on the issues that, frankly, have never previously been the subject of most of the contention and most of the debate. In fact, the President has stated his support, as I said earlier, for many of the most discussed and central issues, like the safe harbor provisions, proportionate liability provisions, the new lead plaintiff provisions, prohibitions on professional plaintiffs, and the discretionary bonding provisions. None of those issues should be the topic of our discussion today because, candidly, the President said he agrees with these issues.

What we are talking about are the issues he says he is in disagreement with. It is not an overstatement to say that his veto message indicates his support for about 95 percent of this legislation, and his veto is based on somewhere between 5 percent and 1 percent of the issues that are included in this bill.

In fact, when you boil it down, Mr. President, we are having a fight over 11 words—11 words out of over 11,000 words in the bill itself. Eleven words are the subject of the veto.

So the President vetoed this bill because of a relatively small percentage of the matters included in the legislation and apparently some wording in the statement of managers. It is somewhat rare that a veto would involve a statement of managers, but nonetheless, that was included in the veto message as well. So, Mr. President, I intend, obviously, no disrespect at all to the President, but this is the first veto I can recall where part of a veto message was based on a statement of managers.

As we discuss the issues upon which the President vetoed the conference report, it is important to remember some of the official statements that the administration has previously made, some of which directly contradict the veto message itself. Let me begin with the pleading standards, if I may.

Back in May of this year the Senate Banking Committee codified the essence of the pleading standards of the U.S. Second Circuit Court of Appeals. Then on June 23 of this year, S. 240, the bill before us moved to the floor. The administration, as administrations do, issued its statement of policy in which it praised the pleading standards ''as sensible and workable.'' That was the administration's statement of policy regarding the pleading standards in June of this year. The only difference between those pleading standards that were applauded in June and those endorsed by the administration, the ones before us today, are three words—the only difference between what was in the bill in June when the statement of policy came out and what is before you today are three words that have changed, and the words represent a technical change requested, by the way, by the Judicial Conference of the United States Federal Judiciary. These are not words we came up with. They were not words of the opponents or proponents, but they were altered at the recommendation of the Judicial Conference, in a letter from Judge Anthony Scirica to the committee staff when asked to give their comments on the pleading standards.

I know it has been included in the RECORD, but I ask unanimous consent that the letter dated October 31, 1995, be printed in the RECORD.

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

U.S. COURT OF APPEALS,
THIRD CIRCUIT,
*Philadelphia, PA, October 31, 1995.*

Ms. LAURA UNGER,
Mr. ROBERT GIUFFRA,
*Senate Committee on Banking, Housing and Urban Affairs, Dirksen Senate Office Building, Washington, DC.*

DEAR LAURA AND BOB: I have a few suggestions for your consideration on the Rule 11 issue.

Page 24, line 11: Insert ''complaint'' before ''responsive pleading.''

Page 24, line 19: Insert ''substantial'' before ''failure.''

''Complaint'' would be added to item (i), so there is a clear provision that reaches any failure of the complaint to comply with Rule 11. A small offense would be met by mandatory attorney fees and expenses caused by the offense; if item (ii) is modified without this change, a gap is left in the statutory scheme. The result still is a big change from present Rule 11, which restricts an award of attorney fees to a sanction ''imposed on motion and warranted for effective deterrence.'' A serious offense—filing an unfounded action—would be reached under item (ii).

I also wish to confirm our prior conversation on scienter and the pleading requirement.

Page 31, line 5: Delete ''set forth all information'' and insert in its place ''state with particularity.''

Page 31, line 12: Delete ''specifically allege'' and insert in its place ''state with particularity.''

As I indicated, this would conform with the existing language in Rule 9(b) which provides that ''the circumstances constituting fraud or mistake shall be stated with particularity.''

Also, page 24, line 1: Delete ''entering'' and substitute ''making.''

Page 24, line 4: Delete ''of its finding.''

Many thanks.

Sincerely,

ANTHONY J. SCIRICA.

Mr. DODD. Mr. President, let me describe what the three words are so my colleagues know what we are talking about. The words that we had in the bill were ''specifically allege facts giving rise to a strong inference of fraud.'' That was the language we had—''specifically allege facts giving rise to a strong inference of fraud.'' What the Judicial Conference recommended was that we change that language to ''state with particularity facts giving rise to a

strong inference of fraud.'' So the change went from ''specifically allege'' to ''state with particularity.''

That is the change that occurred from the language that was applauded in June by the administration and in its statement of policy as to where it stood on the bill and what was adopted in the conference report. The change occurred without a great debate or a thunder and lightning storm or a conference in which the sides were in contentious argument. This recommendation of the Judicial Conference was accepted as something the conferees felt made sense.

So we did what the judges asked us to do, which is, I thought, how you normally proceed. You ask people who will be sitting on these matters to give us their recommendations—they are not Democrats, Republicans, named in a partisan debate—but merely their recommendations to the conference report.

Mr. SARBANES. Will the Senator yield?

Mr. DODD. If I could complete my whole comment because I want to get to the Specter amendment.

Mr. SARBANES. I was not clear what conference the Senator was referring to about thunder and lightning.

Mr. DODD. In the conference between the House and the Senate.

Mr. SARBANES. There was no legitimate conference. There were meetings of all the same-thinking types, and then a meeting of the conference committee was called to which everyone came, including people who had a different point of view, and the thing was simply railroaded through.

Obviously, there was not thunder and lightning and this so-called conference—there was no such conference.

Mr. DODD. If I may regain the floor, maybe my colleague was not at the same conference meeting I was, but I certainly recall a lot of thunder and lightning in the meeting about statements being made about what was in the bill.

Mr. SARBANES. But no discussion of substance. The true thinkers had worked all the substance out at other secret meetings before they ever came to the conference. The Senator knows that as well as I do.

Mr. DODD. If this were the decision of my colleague from Maryland to have vetoed this bill, he would have vetoed the bill, but he would not have vetoed the bill on the basis of pleadings. He would have vetoed the bill because he fundamentally disagrees with the legislation. I respect that.

But I was talking about the administration's position when it comes to the veto. The administration's position in June, when it came to the pleadings, was ''to support the pleading standards that were included in the bill'' that came out of the Banking Committee. When we went to conference there were no comments made by the administration that they disagreed at all with the change of language of ''specifically allege'' to ''state with particularity.''

That is the point in the veto message. I expect my colleagues have much more fundamental disagreements with the bill than the President, but we are talking about the Presidential veto.

The judges, I might point out, did not request out of thin air that the language be changed. The requested change in the language of the statute, we were told, was to conform with the language of rule 9(b) of the Federal Rules of Civil Procedure, which governs how attorneys should draft fraud complaints.

Mr. President, there is absolutely no substantive difference between the phrase ''specifically allege'' and the phrase ''state with particularity.'' The only difference, and the reason that the Federal judges wanted the change, is that ''particularity'' already has a meaning under law and ''specifically allege'' does not. Therefore, this change would produce a clearer, more consistent standard in the pleadings section of the legislation.

I also note, Mr. President, in April of this year the Chairman of the Securities and Exchange Commission, Arthur Levitt, urged the Banking Committee to adopt—and I quote from the testimony before the committee—''the second circuit pleading requirement that plaintiffs plead with particularity''—he said—''facts that give rise to strong inference of fraudulent intent by the defendant.''

I think it is particularly distressing, Mr. President, that the administration has reversed course on the pleading standards based on this technical change requested by the impartial Judicial Conference of the United States.

A final note, if I can, regarding this particular section, on the legislative history to which the White House has objected. The White House has endorsed the pleading standards for the same language in the Banking Committee report on S. 240. Neither bill codifies the entire case law of the second circuit, as the administration says it wishes it did, and that is one of the reasons it has expressed its objection. The White House has also raised the issue of the Specter amendment, which was added to S. 240 several days after the administration endorsed the pleading standards in the bill that came to the floor of the U.S. Senate.

Now, our good friend from Pennsylvania, I gather, has already addressed this issue on the floor of the Senate earlier today and, of course, at the time he offered the amendment and at the time we adopted the conference report. As he claimed, his amendment would codify guidance on how plaintiffs who establish the strong inference of fraud. The difference was not over the issues of ''state with particularity'' or ''specifically allege'' wording, but rather, how do you establish the strong inference of fraud?

Unfortunately, because the Specter amendment failed to include key guidance from the second circuit, it would have had the effect of totally undermining the pleading standards that we were seeking to establish and that have been supported by both the Securities and Exchange Commission and the White House in its earlier statements.

Let me go into this, if I may. First, I want to read to my colleagues, if I can, a memorandum sent to the President of the United States from Prof. Joseph Grundfest of the Stanford Law School and previously a Commissioner with the Securities and Exchange Commission, on the subject of pleadings standards and pending securities reform legislation. He is one of the most knowledgeable people in this particular area:

The pleading standard articulated by the Second Circuit Court of Appeals is intended simply to require the plaintiff to allege facts sufficient to give rise to a strong inference of *motive* to defraud. Plaintiffs must do more than make bald assertions as to motive, but are not required to develop the entire case in the pleadings. While this standard differs from the standard applied in some more lenient circuits, particularly the Ninth Circuit, it has not resulted in over-deterrence in the Second Circuit or in excessive dismissals. Indeed, the Second Circuit remains one of the most active in the country for 10b–5 claims.

As I read the securities litigation conference report, the pleading standard is faithful to the Second Circuit's test. Indeed, I concur with the decision to eliminate the Specter amendment language, which was an incomplete and inaccurate codification of case law in the circuit.

As is stated in a recent Harvard Law Review article, codification of a uniform pleading standard in 10b–5 cases would eliminate the current confusion among circuits. The Second Circuit standard is among the most thoroughly tested, and it also balances deterrence of unjustified claims with the need to retain a strong private right of action. Indeed, the Second Circuit is widely respected for its legal sophistication and acumen in matters relating to securities and business litigation. The fact that the Second Circuit evolved the strong inference standard is therefore worthy of particular deference and respect.

In short, I support the pleading provision of the conference report.

Mr. President, I ask unanimous consent the memorandum from Professor Grundfest at Standford Law School be printed in the RECORD at this point.

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

MEMORANDUM

To: President Clinton, Through Elena Kagan, Office of the White House Counsel.

From: Professor Joseph A Grundfest, Stanford Law School, Commissioner, Securities and Exchange Commission, 1985–1990.

Subject: Pleading Standard in Pending Securities Reform Legislation.

Date: December 19, 1995.

The pleading standard articulated by the Second Circuit Court of Appeals is intended simply to require the plaintiff to allege facts sufficient to give rise to a strong inference of *motive* to defraud. Plaintiffs must do more than make bald assertions as to motive, but are not required to develop the entire case in the pleadings. While this standard differs from the standard applied in some more lenient circuits, particularly the Ninth Circuit, it has not resulted in over-deterrence in

the Second Circuit or in excessive dismissals. Indeed, the Second Circuit remains one of the most active in the country for 10b–5 claims.

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As is stated in a recent Harvard Law Review article, codification of a uniform pleading standard in 10b–5 cases would eliminate the current confusion among circuits. The Second Circuit standard is among the most thoroughly tested, and it also balances deterrence of unjustified claims with the need to retain a strong private right of action. Indeed, the Second Circuit is widely respected for its legal sophistication and acumen in matters relating to securities and business litigation. The fact that the Second Circuit evolved the strong inference standard is therefore worthy of particular deference and respect.

In short, I support the pleading provision of the conference report.

Mr. DODD. Mr. President, our colleague from Pennsylvania, when he offered his amendment on the floor of the Senate, said that what he wanted to do was to take the guidance from the second circuit and codify that as well.

With all due respect to my colleague from Pennsylvania, the language of his amendment did not really cover all of the guidance. His amendment stated that ''strong inference of fraudulent intent for purposes of paragraph 1, a strong inference that the defendant acted with the required state of mind, may be required, either, A, by alleging facts to show that the defendant had both motive and opportunity to commit fraud or, B, by alleging facts that constitute strong circumstantial evidence of conscious misbehavior or recklessness by the defendant.''

What is my problem with that? The problem with it is that is not the guidance. He omits what Judge Newman has included as his guidance, and the guidance that was not included in the amendment says, for part B, ''where motive is not apparent.'' Where motive is apparent, you do not have to make any allegations of a lot of circumstances. If you have a clear motive, you do not have to worry about the circumstances or the alleged strong facts. Where you do not have motive, apparently, and that can be a case where it is hard to get at that motive, then you are going to allege circumstances. There Judge Newman says, ''Where motive is not apparent, it is still possible to plead scienter by identifying circumstances indicating conscious behavior by the defendant, though the strength of the circumstantial allegations must be correspondingly greater.'' Greater. The Specter amendment did not distinguish at all between the circumstances in part A or part B of his amendment, and therefore did not really follow the guidance of the second circuit. So that is the reason that amendment was taken out.

You could have gone in, I suppose, and said why did you not include the other language here? The problem was, in a sense, by codifying guidance you get into an area where you can get some differences of opinion on this. And arguably it could have, I suppose, gone back and included all of it, but the decision was to take it out on the assumption that courts will look to the guidance.

We have established the standard clearly. We have clearly established the standard of alleging facts with particularity, showing a strong inference of motive. Then the guidance of the court would be followed.

But the suggestion that the standard and—the guidance, rather, was included in the Specter amendment, omits—omits that where a motive is not apparent, the strength of circumstantial allegations must be correspondingly greater. That was omitted. And that is the reason that, with all due respect to the administration, they are, I think, hanging their hat on the wrong issue here.

We have met the second circuit standard here, as indicated by the memorandum from Judge Grundfest, Professor Grundfest at Stanford. We have met that standard. We have left out the guidance. That does not mean you disregard it. But if you are going to follow the guidance, as Senator SPECTER suggested, then the guidance must include, in part B, that you have circumstantial allegations that are correspondingly greater than they would be if the motive was apparent.

So that is the first issue and frankly it is a marginal issue, I would say. It has some importance. I do not disregard it. But to suggest somehow this bill ought to be vetoed over that, I think is not correct.

I am not going to dwell at length on the rule 11 issues, except to make the following applications. The intent and application of the rule 11 provisions of the conference report are identical to the rule 11 provisions from S. 240 that the administration states in the veto message that it now has difficulty with. In fact, the only difference in the configuration of this provision in S. 240 is the Senate adopted a sanction for rule 11 that allowed a victim of a violation to collect the legal fees and costs incurred as a direct result of the violation. The conference report simply makes clear that it was our intent, that a substantial violation, a substantial violation in the initial complaint could trigger sanctions that included all attorney's fees and costs for the entire action.

That was our intent anyway. If you file a complaint that does not meet—that would fall under rule 11, and I will not read all four areas where a motion or a complaint would be deficient in terms of rule 11—but, if you have initiated a complaint and at the end of the action the judge goes back and says that complaint that you brought—and these have to be substantial violations—did not meet that standard, it is logical that it would have to apply to the entire proceeding.

If you brought a frivolous lawsuit, initiated a frivolous lawsuit, then all of the costs come thereafter.

You do not apply that same standard with motions, obviously, assuming the complaint does not violate rule 11. But if a defense lawyer brings a motion that is frivolous, then the costs associated with that, obviously would have to be borne by the defense lawyers as well, regarding that motion. So, logic would indicate that there is a difference here.

Mr. SARBANES. Will the Senator yield?

Mr. DODD. I will be glad to yield.

Mr. SARBANES. The defense would not be held liable for all the costs? Plaintiff would but not the defense?

Mr. DODD. Yes, they would be. My point was this: if—Let us assume for a second that the initial complaint is a frivolous complaint. The initiation of the action, what begins it, violates rule 11, is a substantial violation of rule 11, and then at the end of that case the judge finds that there was a substantial violation of that, then the costs associated with that entire case, because the initiation of the action was wrong.

Whereas, if a defense lawyer, in the process of handling the case, files a motion that violates rule 11, then the costs associated with that motion, as I understand it, would then be borne by the defense counsel incurring plaintiff's attorney's fees.

Mr. SARBANES. If the Senator will yield, I find that an absolutely staggering assertion, saying that you should have this disparity in treatment between plaintiff and the defense.

The Senate-passed bill contained a presumption that the appropriate sanction was an award of reasonable attorney's fees and other expenses incurred as a direct result of the violation, and it applied that to both plaintiff and the defendant, as the bill went out of the Senate.

The conference changed that. So they imposed a much more onerous burden upon plaintiff as compared with the defendant. There is no basis in logic or reason to do that.

Mr. DODD. Oh, absolutely there is. Absolutely there is.

The costs associated are a direct result of the complaint. If you have initiated the complaint here, and all the costs then come after, that is the action that initiated the activity, it seems to me. That is the reason. That was certainly—for those of us who were working on it, that was the intent. At any rate, that is why. And then of course thereafter there is a balance.

But there is a distinction, obviously. If you start an action and you violate rule 11 here—and for the sake of discussion you have brought an action which, to pick out in the first instance here, let us say No. 1, under rule 11, ''under circumstance that is not being presented for any improper purpose such as to harass or cause unnecessary delay or needless increased costs''—let us say ''to harass.'' You violated paragraph 1

of rule 11. The sole purpose of your lawsuit was to harass. That is what you would have to be found guilty of. So you filed a complaint for sole purpose to harass a defendant. That is the reason you brought the action. If the court finds in fact that was the reason, I think the attorney who brought the action not for good cause but solely to harass a defendant, and incurred costs thereafter that the defendant had to pay to defend an action brought solely to harass the defendant—yes, I do think that attorney should have to pay the cost of that entire case, if the sole purpose was to harass the defendant.

Mr. SARBANES. That would be the direct result of a violation under the language of the Senate-passed bill. In the conference, they changed this language.

Mr. DODD. No. I do not know.

Mr. SARBANES. They changed it in such a way that you get a disparate treatment of the plaintiff and the defendant. There is no basis to do that.

Mr. DODD. Let me finish my thought, if I can. Let me tell you what the change is.

Mr. SARBANES. I apologize to the Senator.

Mr. DODD. Nevertheless, Mr. President, we also provided some protections for plaintiffs, a presumptive sanction for initiating illegal litigation. It is not triggered unless the complaint substantially violates rule 11. So we added that part to it. There are plaintiffs who violate rule 11. Only plaintiffs file complaints, obviously, and so plaintiffs get the benefit of this heightened rule 11 threshold. Plaintiffs face sanctions only if they committed, as I said, a substantial violation.

So my point here again is that that was certainly our intent to begin with. Again, I have stated earlier, I do not like the idea—my colleagues may recall, and I see my friend from New Mexico is on the floor here—that initially you had proposals that would have said, ''Well, if you lose the case, you pay.'' That is the British rule.

I stated on this floor that I would vehemently oppose this legislation if we had a ''loser pays'' provision. A person could have a good case and lose the case. I would vehemently oppose any legislation that would have such a chilling effect. A plaintiff who thinks they have a good case—who thinks they have been harmed and injured because of a defendant's actions—and loses the case, we should make that defendant pay the cost to the plaintiff.

That is a very different situation from a violation of rule 11, where the action or the complaint is frivolous, or instances in which the plaintiff is out to harass defendants. In that case, frankly, I think the attorney should pay. I think that is the best weapon we have here to discourage these frivolous lawsuits. You had better think twice. If you are just going to file these things, make wild accusations not based on fact, and in some cases just designed to harass people, by God you ought to be asked to pay. And that is what people are angry about in this country because that is what has happened too often. Unfortunately, it is not usually the named defendants who pay. It is the people that insure—the insurance companies—the people who work in these places who end up paying. It usually is not the big guys at the top. It is other people who work in these facilities, people who invest in them, or others who end up paying the bill. When that happens, there ought to be a cost associated with it. Remember, it has to be a substantial violation in those particular matters.

Mr. President, let me also make abundantly clear that in making this change, as I said earlier, we imposed a higher burden of proof in violation of the complaint by a requirement of substantial. The entire intent of the legislation is to deter frivolous litigation from the beginning.

As I said a moment ago, why should there not be some significant sanction for initiating an action that violates the standards of the Federal Rules of Civil Procedure? Why have rule 11? Maybe we should have struck rule 11 entirely. If you are going to have rule 11 that says if you harass people or bring frivolous lawsuits, rule 11 has existed for decades. The problem is, it has only been a piece of paper. It has hardly ever been invoked at all. It has never been a threat to anybody. Maybe we should have gotten rid of it altogether. Maybe we should have done that to satisfy some people. If you are going to have it, make sure it means something. If you harass or bring a suit without any basis in fact, think twice about it. If there is no economic penalty to it, I do not know how to clean up the mess these frivolous suits have created. That is why it is included.

Those are more protections, by the way. As I said earlier, we should not forget that the conference report also gives the judge in these cases broad discretion to waive the sanction against the violating party if the judge finds that the violation was de minimis or it would be an unjust burden for the violator to pay the sanctions. Some might argue that we should not have included that. But, nevertheless, it is in there to have the judge find it is an unjust burden. We are not going to ask you to pay. You have to violate rule 11. There has to be finding that you have violated this rule of bringing frivolous lawsuits—not that you lost or won the case, but that you violated rule 11.

As I said, those are more protections for plaintiffs than currently exist in rule 11, which give no discretionary power to a judge to waive the sanctions when he or she finds a violation of rule 11. Under present law, if a judge found a violation of rule 11, then he or she has to impose the sanctions. We provide some protection here for these plaintiffs' attorneys if in fact the judge does find that they have violated—a substantial violation.

Mr. President, I am sure there will be ample opportunity to debate some of these highly technical matters. I hope we would get to a vote on this. I do not enjoy belaboring this issue. We spent days on this bill.

Let me say again that there are a number of my colleagues who fundamentally disagree with this bill. I respect that. I disagree with them, but I understand their objections. But I have to repeat: I do not understand having been through this process now.

I was asked months ago—my colleagues ought to know this—to address some concerns that the administration had with the bill, particularly with safe harbor. There were a couple of other areas the administration had problems with—aiding and abetting and the statute of limitations. I offered the amendment on the statute of limitations to give a longer period of time. I lost that in committee, and I lost it here on the floor.

In the aiding abetting provisions, we provided half a loaf here by allowing the SEC to deal with the class actions. We did not go as far as some would like, even I would like. But it was a major point of contention for the administration. In conversation after conversation after conversation, it was safe harbor—fix safe harbor, Senator. Get that safe harbor straightened out.

I cannot tell you the hours spent on the safe harbor issue because I wanted the President to sign this bill. I kept on telling them that if we did fix safe harbor, I felt confident that the bill would be signed. We worked for days on this, and ended up with language that was supported by the Securities and Exchange Commission. It met their concerns. In fact, the President in his veto message applauded us for having done it. He supports the safe harbor provision. And then I find out after the conference report is voted on that all of a sudden there are a couple of issues—not issues that are not of concern to my colleagues on the floor who object to the bill. I understand that. But I must say to my colleagues, the issue of pleadings and rule 11 was never a major issue, not to the administration. I was never asked by the administration to address the pleadings or the rule 11 issue. The only thing I was asked to address was safe harbor, aiding, abetting, and the statute of limitations. And on those two, there was an appreciation that we had done the best we could. But you do not veto a bill for what is not in the legislation.

I do not disagree that my colleagues here have difficulty with the pleadings in rule 11, but we are talking about a veto here today and the veto message. The veto message was on pleadings and rule 11 and some language in the statement of managers. That is a very small percentage of this bill. It is 11 words out of 11,800 words in this bill—11 words. After 4 years, 12 congressional hearings, 100 witnesses, 5,000 pages of testimony, we are down here about to lose that kind of an effort over 11 words.

Mr. President, we did not write the Ten Commandants here. This is not

etched in marble. I said this to my colleagues elsewhere. I have been mystified. Nobody would stand up with a bill and say that we have offered you the perfect piece of legislation. I cannot say that. I think we have done a good job here in both Chambers of the Congress, the House and the Senate, with Democrats and Republicans, and with 4 years of effort. We have put together a good bill, and in my view we have done it the way a bill ought to be adopted. Do we know it is perfect? No, we do not. If something comes up a year or two from now where there is a problem, you fix it.

We have had this problem of frivolous law suits for years, and we are trying to fix it. We may lose the opportunity to do that because of some people's concerns about things that I think, frankly, should not be matters of concern, but if they turn out to be, we can correct them. But you do not squander the opportunity to change a situation so fundamentally awry it screams out for solution.

Today, with great regret, with great regret, I urge my colleagues to override this veto and to adopt this legislation by that action, and let us get on with the business of other matters that are before this body.

With that, Mr. President, I yield the floor.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I observe for my colleague from Connecticut that the two words ''I do''—it is only two words—but they have tremendous, far-reaching significance. So the fact that there are only 11 words, you know, if they are critical 11 words they can make a tremendous difference, and in the lives of people there are the two words ''I do.'' They can make an enormous difference in our lives.

Mr. DODD. If my colleague will yield, I will not disagree on that, having said ''I do'' on occasion. Some of our colleagues have said ''I do'' on many occasions. But I appreciate the significance of what he is saying. I am merely trying to put it into balance.

Mr. SARBANES. If there are only 11 words, why do you not take this bill and rewrite it and meet the objections?

It is interesting. I find it very interesting that this is being treated as though Congress were about to end. The fact of the matter is that there is an opportunity to address these problems, eliminate them. Actually, I am not going to go at great length here because I understand the distinguished Senator from Minnesota wishes to speak.

I can address this problem later, but I am going to quote from some of these leading law professors in the country about the problems they see in this legislation. Now, I just want to make a couple of points here though because we were trying to have an exchange and I wish to register them at this point in the RECORD.

It is interesting; there is a lot in this legislation that those of us who have opposed its support. We do not disagree with trying to fashion legislation to deal with the problem of frivolous lawsuits, and there is much in this legislation that we would support. There are other things that are not in it that we think ought to be in it, which we have debated, and there are things in it which we think ought not to be in it, which is the focus obviously of the current attention.

Mr. DOMENICI. Could I ask the Senator one question?

Mr. SARBANES. I yield to the Senator for a question.

Mr. DOMENICI. I listened to the Senator's remarks to my friend, Senator DODD, when we talked about 11 words.

Why does the Senator not draft a bill with those 11 words. It ought to be easy to pass an 11-word bill.

Mr. SARBANES. I am not sure it will be because—first of all, I do not know that it is only 11 words that are at issue, and I do not think that is correct. But, in any event, those provisions were not included in this legislation and were resisted very strongly by those, whoever brought the measure to the floor, and yet they have a significant impact on what the effect of this legislation will be.

Mr. DOMENICI. I mean, would it not be a pretty good debate on 11 words? The Senator could get that to our committee, and we could debate the 11 words instead of killing the bill.

Mr. SARBANES. Well, the President sent the veto here, and the issue is whether to sustain the veto. I think we should sustain the veto.

Mr. DOMENICI. I thank the Senator.

Mr. SARBANES. Yes, indeed.

Now, let me address a couple of other things. The Senator from Connecticut spoke about the thunder and lightning at the conference on this legislation. And I say to the Senator, I was a member of the conference committee. I only remember it meeting once. Am I erroneous in that remembrance?

Mr. DODD. Far be it for the Senator from Connecticut to challenge the Senator's remembrances. I do not know if the Senator is erroneous or not in his remembrance. I do not know how many actual meetings occurred. There were a lot of conferences.

Mr. SARBANES. Of the conference committee.

Mr. DODD. I would suggest this is not a unique event. It is common to have back and forth, and so forth, at meetings. Rather than having Members sit, staff does this. I know the Senator from Maryland, having chaired committees and conferences, knows it is not uncommon in these meetings to have staffs work back and forth to try to resolve matters without Members sitting there. It is not unique. Is that a unique occurrence?

Mr. SARBANES. I say to my colleague from Connecticut, the procedure here that was unusual and somewhat unique, although it is becoming more frequent—I regret to say in the workings of this Congress, it is becoming more frequent—was that all the true believers gathered together to try to work out the House and Senate differences but did not include in those discussions the people who were on the other side.

Now, that is not a good way to legislate, in my opinion, because sometimes by having the people on the other side, you have a dialog and a discussion, and you are able to work out measures and improve them.

Now, what happened here, that never took place. What finally took place that encompassed everybody including those who were critical of this legislation was the final meeting where they simply railroaded through what the conference agreement was, and it is the conference agreement that has provoked the President's veto in this instance. The President, in fact, has indicated that if he had been given a bill as it had passed the Senate, he would have signed it, as I understand it. So it is conference action that did it, and the conference action was taken by all, any meaningful action on the substance was taken simply by those on one side of issue.

Mr. DODD. If my colleague will yield further——

Mr. SARBANES. Certainly.

Mr. DODD. The bill that is before us, except for a couple of provisions, some of which we would argue improve the bill, is virtually what the Senate adopted. This is not a bill that even remotely looks like the House-passed bill. In fact, it is the Senate-passed bill. I know my colleague from Maryland was opposed to even the Senate-passed bill. But in terms of from the administration's standpoint, again I point out that in June on the pleading standards and the statement of policy from the administration, they endorsed what came out of the Senate bill. And regarding the rule 11——

Mr. SARBANES. If the Senator will yield on that very point, it was changed then in the conference. The fact that the administration——

Mr. DODD. The only thing that was changed, the only thing that was changed was at the recommendation of the Judicial Conference, and it was regarding the words ''effectively allege'' or ''state with particularity.'' Those words were recommended by the Judicial Conference.

Mr. SARBANES. No, two other things were done. In the conference, they removed the Specter amendment that had been adopted in the Senate that carried with it further elaborations, carried with it further elaborations by the second circuit with respect to the pleading standard, and second—and this is something the President focused on in his veto message—the statement of managers about the pleading standard in effect sought to put a legislative interpretation spin on it which raised the standard even higher, and some of the law school deans

who have written in about this matter have focused on that very fact.

In other words, what you did is you changed the standard as it passed the Senate to make it more difficult and then the statement of managers put a further spin on it.

Mr. DODD. If my colleague will yield, let me go back. I tried to do this earlier. The Specter amendment said he was codifying the guidance in the second circuit, and that is not the case. That is where the problem occurred here.

Mr. SARBANES. I listened to the Senator's comments on that subject, and the distinguished Senator from Pennsylvania will have to speak for himself, but even assuming the accuracy of what the Senator stated—and I am not in a position to do that. The Senator from Pennsylvania, I am sure, will be able to do so. Assuming the accuracy, then the way to have corrected it would have embraced all the guidance, not to eliminate that guidance, which was designed to provide some additional protection for the investors as the second circuit elaborated their standard.

Mr. DODD. If my colleague will yield further—I appreciate him yielding—you can make that case.

Mr. SARBANES. Yes, you can.

Mr. DODD. I understand that. But the suggestion that somehow the courts are going to disregard the guidance because it is no longer in the bill itself, it has not been codified, I think overstates the case, when you come down to vetoing this whole bill on that particular question. My point simply has been that I do not think the Specter amendment was—I think it was an effort to get recklessness in, which would have changed the standard from the second circuit. Nonetheless, putting that aside, the guidance is still going to be there. The guidance would still be there. And you do not veto the whole bill over the issue of guidance.

Mr. SARBANES. If the Senator will yield, you not only took the guidance out of the statute from the second circuit but you sought to give the courts a different guidance contained in the statement of managers in the conference report. So you committed, as it were, a double violation. You took out the guidance of the second circuit. Then you say, well, if it is not there, the courts will look to the guidance in any event. Ah, but what you did is you then interjected in as guidance with respect to this provision a statement of managers.

Mr. DODD. First of all, Mr. President, I say to my colleague, it was the guidance of the second circuit, No. 1. And by taking it out, the statement of managers is—again, one I have never heard. Maybe my colleague can cite examples where there is some confusion over what was intended there, but you do not veto a whole bill over the statement of managers.

Mr. SARBANES. Well, this bill with respect to the statement of managers is obviously an effort to in part rewrite the bill at that level of consideration.

Now, Mr. President, let me make one other point while my colleague is still here. My colleague made a lot about the number of hearings that were held, but I have to submit to you that those hearings were in a sense ignored.

My distinguished friend from Connecticut earlier stated that with respect to one provision—I think it was on safe harbor. He quoted Arthur Levitt, the Chairman of the Securities and Exchange Commission. But let me just show you how these hearings are ignored. And so the fact that you have a lot of hearings may make no difference at all.

On May 12, 1994, the Securities Subcommittee held a hearing, which the distinguished Senator from Connecticut chaired.

The Senator himself stated at that hearing:

> Aiding and abetting liability has been critically important in deterring individuals from assisting possible fraudulent acts by others.

That is my colleague from Connecticut speaking at this hearing. Testifying at that hearing, Chairman Levitt, whom he cited earlier for another provision in terms of supporting it, stressed the importance of restoring aiding and abetting liability for private investors.

> Persons who knowingly or recklessly assist in the perpetration of a fraud may be insulated from liability to private parties if they act behind the scenes and do not themselves make statements directly or indirectly that are relied upon by investors. Because this is conduct that should be deterred, Congress should enact legislation to restore aiding and abetting liability in private actions.

And the North American Securities Administrators Association, the Association of the Bar of the City of New York, also endorse restoration of aiding and abetting liability in private actions.

So what good does the hearing do us? We have the hearing. This is what the testimony is. The distinguished Senator himself, in a sense, led off that hearing by underscoring the importance of aiding and abetting liability. And it ends up not being in the legislation.

So you can have all the hearings you want. It does not necessarily demonstrate that an appropriate and reasonable piece of legislation has been crafted.

Mr. DODD. If my colleague would yield on that, as I said earlier, he may have missed my statement. He may want to bring up the statute of limitations issues as well. It is not in the bill. I offered the amendment on that particular instance to include the legislation, as my colleague well knows.

Mr. SARBANES. That is accurate. And I commend the Senator for doing that.

Mr. DODD. As the saying goes, you make the perfect the enemy of the good. We are a body of 100 Members here. There is not the political will to do what the Senator from Maryland and I would like to do on aiding and abetting. But let us consider what happens if the President prevails today and the veto is sustained.

What happens to the statute of limitations and aiding and abetting? Obviously the statute of limitation does not change. The Supreme Court has ruled on it, so there is no difference. It is not affected by this. But on aiding and abetting we have made a substantial gain in aiding and abetting by restoring to the Securities and Exchange Commission the right to bring class actions. Without this legislation you even lose that aiding and abetting.

So I regret deeply we do not have aiding and abetting here. The majority of our colleagues have rejected that. But the suggestion that I ought to lose everything else I have achieved because I was not able to get a statute like the statute of limitations or aiding and abetting is not a reason to be against the bill.

I hope we can convince a number of people in the next couple months, in a separate bill, to expand the aiding and abetting and the statute of limitations. But I cannot see why I should be opposed to the whole bill here, when on portion of liability, on safe harbor, on lead plaintiffs and on aiding and abetting, where we do get half a loaf at least, that the SEC wanted, and I am confident my colleague from Maryland wanted, and I wanted, that we would not have been able to get that without this piece of legislation. I thank my colleague for yielding.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland has the floor.

Mr. SARBANES. Mr. President, let me just close out by including in the RECORD a letter from the ABA, from the President of the American Bar Association, to President Clinton opposing key provisions of the legislation, H.R. 1058, and urging the President to veto the legislation.

Let me just quote it very briefly:

> The ABA continues to believe that this proposed legislation can and should be corrected by the Congress to correct the significant difficulties that it would cause in its current state. We agree that underlying problems in the area of securities litigation must be addressed, but that must happen without unduly barring access to the courts to parties who are defrauded.

And then they enumerate the most objectionable parts of H.R. 1058, including the rule 11 changes about which my colleague from Connecticut has discussed, and particularly underscoring the fact that the provision now lacks balance in that it treats plaintiffs more harshly than defendants.

They also discuss the pleadings rules about which he has spoken, and in effect point out the difficulty it would present to people in having their cases heard, in other words, the danger that meritorious cases will be dismissed at the pleadings stage. It goes on to make other criticisms as well.

Mr. President, later I intend to address these comments that we have received from some of our Nation's leading legal scholars——

The PRESIDING OFFICER. Is the Senator from Maryland going to make a unanimous-consent request?

Mr. SARBANES. Mr. President, I ask unanimous consent that the letter be printed in the RECORD at the end of my remarks that have been made with respect to the provisions that are before us, letters to the President urging the veto of the bill, which the President made.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

EXHIBIT 1

AMERICAN BAR ASSOCIATION,
*Albuquerque, NM, December 17, 1995.*

President WILLIAM JEFFERSON CLINTON,
*The White House,*
*Washington, DC.*

DEAR MR. PRESIDENT: I write on behalf of the American Bar Association. The ABA opposes key provisions of legislation presently before you entitled Reform of Private Securities Litigation, H.R. 1058. I strongly urge you to veto the legislation.

The ABA continues to believe that this proposed legislation can and should be corrected by the Congress to correct the significant difficulties that it would cause in its current state. We agree that underlying problems in the area of securities litigation must be addressed, but that must happen without unduly barring access to the courts to parties who are defrauded. The most objectionable parts of H.R. 1058 include the following:

1. ''Loser Pays'' or Rule 11 Changes.—The ABA opposes any requirement that would impose responsibility on a non-prevailing party for the legal fees of the prevailing party in securities actions. H.R. 1058 contains such a ''loser pays'' provision and would materially change Federal Rule 11, it is called a mandatory sanctions rule. That provision's call for mandatory sanctions in the form of attorneys fees and its lack of balance, treating plaintiffs more harshly than defendants, are unacceptable.

2. Other Mandated Changes in Federal Rules for Securities Cases.—H.R. 1058 significantly amends Rule 9(b) on pleadings and Rule 23 on class actions. These because for the first time under the Federal Rules, they would establish special requirements for a particular class of cases.

Moreover, the proposals contradict the present Rule 9(b) of the Federal Rules of Civil Procedure. In light of the evidence that courts today already enforce heightened pleading requirements. Federal laws should not endorse the dismissal of meritorious cases at the pleading stage. The pleading standards in H.R. 1058 require a plaintiff to plead the ''state of mind'' of each defendant, something utterly impossible to do prior to discovery.

The ABA further opposes the proposed limitations on the ability of plaintiffs to amend their pleadings and to pursue discovery. Such limitations while undoubtedly preventing frivolous claims from going forward, would also bar claims with substantial merit. Only through significant discovery and repleading do these important claims get adjudicated; H.R. 1058 would subvert that process.

The ABA supports the process called for in the Rules Enabling Act. No amendments to the federal rules should ever occur except after the deliberative process of the Rules Enabling Act has been followed. H.R. 1058 wreaks havoc with that principle and violates the important principle that the Federal Rules of Civil Procedure apply uniformly to all causes of action.

3. Immunization of Intentional and Reckless Conduct.—The ABA House of Delegates adopted policy at its last meeting in February that opposed any legislation that eliminates the concept of recklessness from that which is required to be pled or proved in private actions under Rule 10 b-5. H.R. 1058 will compromise the principle that those who engage in reckless conduct, to say nothing of intentional conduct, should be held responsible under the federal securities acts. The ABA opposes this legislation's grant of a safe harbor to both intentional and recklessly issued misleading and false statements.

4. Choice of Class Plaintiff and Joint and Several Liability.—H.R. 1058 specifies that a wealth qualification directs both the choice of class plaintiff provision and the operation of the joint and several liability section. In one case, you have to be rich enough to be named the class representative and, in the other case, you have to be poor enough to receive the benefits of joint and several liability for reckless conduct. The ABA believes this provision of H.R. 1058 would bar access to the courts to shareholders with small holdings.

On behalf of the American Bar Association, I urge you to veto H.R. 1058. A veto would motivate Congress to make changes needed so that the many laudable provisions of the legislation may quickly become law.

Respectfully,

ROBERTA COOPER RAMO.

Mr. SARBANES. Mr. President, I yield the floor.

Mr. CHAFEE addressed the Chair.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I know the Senator from Minnesota is next. And my question to the Chair is, whether—I ask unanimous consent that I might follow the Senator from Minnesota when he has completed, and speak as in morning business for 10 minutes.

Mr. REID addressed the Chair.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Mr. President, I reserve the right to object. If I can enter a colloquy through the Chair to my friend from Rhode Island, there are a number of us that have been wandering around here for several hours this afternoon. I am wondering if we might find out how long people want to speak before we go into this situation where we give the floor——

Mr. CHAFEE. I did not know the Senator was——

Mr. REID. Senator PELL is here.

Mr. PELL. I would like 2 minutes.

Mr. CHAFEE. How long might people be?

Mr. REID. It would be 2 minutes for the senior Senator from Rhode Island. And the junior Senator from Nevada——

Mr. CHAFEE. I will follow the Senator from Nevada.

Mr. REID. How long is the Senator going to be?

Mr. CHAFEE. Senator BREAUX and I were going to have a little colloquy for 10, 15 minutes, so we would just as soon follow the Senator from Nevada.

Mr. REID. Then if we could—so people know that are watching—if the Senator from Minnesota would speak, the senior Senator from Rhode Island, and then the Senator from Nevada.

Mr. President, I ask that the unanimous-consent request be amended, that following that there be the time allotted to the Senator from Rhode Island and the Senator from Louisiana.

The PRESIDING OFFICER. Is that request in the form of a unanimous-consent?

Mr. REID. It is.

Mr. SARBANES. Reserving the right to object, how long does the Senator from Minnesota intend to speak?

Mr. GRAMS. About 10 minutes. I would defer to the Senator from Rhode Island making a statement dealing with this pending business ahead of my statement.

Mr. PELL. I thank my colleague.

Mr. CHAFEE. Which Senator from Rhode Island?

Mr. GRAMS. The senior Senator.

Mr. REID. I ask unanimous consent the request be amended as reflected by the Senator from Minnesota.

The PRESIDING OFFICER. Is there objection?

Mr. CHAFEE. Could I ask a question?

The Senator from Nevada, how long does he think he might be?

Mr. REID. About 20 minutes.

Mr. CHAFEE. I thank the Senator.

The PRESIDING OFFICER. Without objection, it is so ordered. Under the unanimous-consent agreement, the senior Senator from Rhode Island is recognized.

Mr. PELL. I thank the Chair.

Mr. President, today the Senate is considering overriding President Clinton's veto of the securities litigation reform bill. After careful reflection, I have decided to continue my long history of support for this legislation.

In doing so, I wish to point out that I do not do so lightly. I admire and honor our President immensely and have always respected the prerogative of our President in his use of the veto power and especially so when this power is responsibly and sparingly used, as has been the case with President Clinton. I do believe the President has acted upon personal principle with regard to this bill and that his decision was arrived at in a thoughtful and deliberate manner. Nevertheless, I respectfully disagree and believe that this particular bill should become law.

I have been a longtime supporter of legal reform, especially measures which seek to reduce the excess and frivolous litigation so prevalent in our society. On this measure, I was one of the first Democrats to join as a cosponsor some 4 years ago and have been active in promoting it ever since. As with any piece of legislation, the final product is one of compromise and, indeed, does not contain every provision that I would like. Nevertheless, it is a good, carefully considered, bipartisan effort

at addressing the very real and growing problems associated with excessive and frivolous lawsuits besieging publicly held companies. As such, this bill deserves to be implemented into law.

I do regret being in the opposition in this matter but as a longtime advocate for this legislation, I believe that this bill is both responsible and necessary to address the need for litigation reform with regard to our securities industry.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, the Chair now recognizes the Senator from Minnesota.

Mr. GRAMS. Mr. President, I want to thank the Chair very much, and I ask unanimous consent that I be allowed to speak as in morning business for up to 10 minutes.

The PRESIDING OFFICER (Mr. ABRAHAM). Without objection, it is so ordered.

## A WONDERFUL LIFE . . . OR JUST ANOTHER NIGHTMARE?

Mr. GRAMS. Mr. President, I know this is a very important debate that is going on dealing with securities litigation, but there is also an important debate going on today and has been going on for months, and that is dealing with the budget.

The string of budgets that have been coming out of the White House lately reminds me of those movies called ''Nightmare on Elm Street.'' They have a few good scares, mixed with a lot of unintentional comedy. The emphasis clearly is on quantity, not quality, and they offer few, if any, redeeming values. There have been so many of them that after a while, you just start losing count.

Just to recap: We are talking budgets. We have had Clinton I. That failed in the Senate 99 to 0;

Clinton II that did not get a single vote in the Senate as well, Republican or Democrat;

Clinton III, that one was pulled before we could even vote on it;

And just last Friday, Clinton IV. The Senate did not waste our time on it after the House late Wednesday dealt a resounding blow by defeating it on a bipartisan vote of 412 to 0.

Four budgets submitted by President Clinton, four major disappointments, and not one vote from a single Member of this Congress to support any of them.

What is it about the President's vision of a balanced budget that is so different from everyone else's? By refusing to use honest budget numbers certified by the Congressional Budget Office, the President's budgets have failed the first true test of a balanced budget: They never come close to being balanced.

Yet, there are encouraging signs that the White House is shifting its ever-shifting budget policy and now wants to cooperate with Congress to produce the kind of budget plan that the American people are demanding: A balanced budget attainable by the year 2002 that reaches balance by cutting the growth of Federal spending and does not raise taxes, that, in fact, cuts taxes.

Following his meeting Tuesday afternoon with Senator DOLE and Speaker GINGRICH, I welcome the news that President Clinton has finally agreed to work with us, using the economic projections of the CBO, to craft a plan that will bring the Federal budget into balance within 7 years.

It was his refusal to commit to such a basic promise 6 days ago that, once again, led to a Government shutdown, this time idling a quarter of a million Federal employees. They, and the American people who are forced to pay the salaries of workers who are not allowed to work when the Government shuts down, ought to be furious that the President would let this happen, especially so close to the holidays.

I hope that by opening the door to now legitimate budget negotiations, the President will sign an agreement reopening the Government and sending these people back to work immediately. As for the balanced budget plan itself, President Clinton was quoted this week as saying, ''I hope we can resolve this situation and give the American people their Government back by Christmas. We also should give them a balanced budget that reflects our values of opportunity, respecting our duty to our parents and our children, building strong communities and a strong America.''

I could not agree more with the President, but it seems he is doing his Christmas shopping just a little late this year. By so far denying the American people the benefits of a balanced budget, he is making the goals that we share, those expanded opportunities, strong communities and a strong America, a lot more difficult to reach. Both the businesses lining Main Street and the Americans who spend their dollars in them are nervous, wondering if Washington is, once again, going to let them down.

Monday's drop of more than 100 points in the stock market—and that is the worst drop in the market in 4 years—and yesterday's 50-point dive is a clear sign that a skittish business community is having real doubts that Washington is serious about ever balancing the Federal budget.

That lack of a balanced budget is causing real economic hardship for American families, and individuals as well, because for the residents of my home State of Minnesota, the benefits that they would reap from our balanced budget legislation would be deep and it would be lasting.

The statistics tell it all. In fact, if President Clinton had signed the Balanced Budget Act that we originally sent him last month, the average Minnesotan would be saving right now $2,600 a year from lower mortgage payments; over $1,000 over the life of a 4-year loan of a car worth $15,000; nearly $1,900 on the life of a 10-year student loan of about $11,000; and over $300 every year from lower State taxes due to lower State and local interest payments; and also, Mr. President, nearly $600 a year from lower interest payments on a student loan.

If President Clinton had signed the Balanced Budget Act, Minnesota families would have received a tax credit as well, a tax credit that would have helped over 529,000 Minnesota taxpayers with over 1 million dependents. That is more than $477 million of their own money every year these working families would have been allowed to keep.

The tax credit would have completely eliminated the Federal income tax bill for over 45,000 Minnesotans, and that is another $38 million every year that would stay with these working families.

The tax credit would have paid for nearly 4 years of tuition at the University of Minnesota Twin Cities campus if the parents were able to bank the $500 per child tax credit for 18 years. Or the tax credit could have saved average Minnesota families enough to buy 3 months of groceries or make 1½ mortgage payments, or pay electric bills for 11 months.

Mr. President, the people are calling on this Congress, this President, to balance the budget because they have heard those same old statistics and it sounds pretty good to them. Of course, the other component of our budget plan is our $245 billion package of tax relief, and there are real concerns outside Washington that it, the centerpiece of our budget, may be negotiated away.

I would like to show on the chart where we stand on tax relief compared to spending and how much has already been negotiated away over these last couple of months.

We started out spending $11.2 trillion. That has grown to the latest Clinton budget of over $12.4 trillion. So spending has continued to increase under these budget plans.

But at the same time, they continue to whittle away at the tax relief for Americans. It started out at $354 billion of tax relief over 7 years in the House plan to $245 billion under the Senate plan and now the Clinton budget wants to cut this back to $78 billion, or even less.

So we can see over months of negotiations which way they are headed. It is the same old scenario: More spending, but take it away from taxpayers, and less tax relief.

I urge the budget negotiators to stand firm in their commitment to the taxpayers of this Nation to let them keep more of the dollars that we are routinely snatching out of their pockets. We need to stop Washington's nasty habit of taking money out of the checkbooks of taxpayers and putting them into the checkbooks of politicians.

I remind my colleagues that $245 billion is a lot of money to the taxpayers

who finance this Government, who pick up the tab for wasteful and often extravagant schemes that Congress is too often eager to throw dollars at. Mr. President, $245 billion means a tax credit of $500 per child for 55 million American families.

It means cutting the capital gains tax so that farmers and other family businesses are not so badly penalized when it comes time to pass along their assets to another generation. It means eliminating the marriage penalty and ending the discrimination against those who take on the awesome responsibility of coming together as a family.

It means creating an adoption credit that will, hopefully, bring more children into loving and nurturing homes.

It means promoting savings by expanding individual retirement accounts.

While $245 billion is a huge sum of money, it is just a small, 1.5 percent, speck of the more than $12 trillion that Congress will spend over the next 7 years. Congress is not happy with 98.5 percent. They want 100 percent. They do not want the taxpayers to have even that small amount.

Mr. President, if the Government is so addicted to spending that it will not survive without that 1.5 percent, well, that is a pretty strong commentary on the sorry state of things in Washington.

Despite the protests of the President and some of my colleagues who will not give up a penny of the people's dollars without a fight, the Government will survive under our balanced budget plan. It will survive and the taxpayers will thrive. To be successful, this Congress, however, cannot give in.

Mr. President, there is a movie that has become very popular during the holiday season. I believe it is so beloved because it shares a simple, moving message about the power that each of us has to profoundly influence our world.

''It's a Wonderful Life'' is the name of this film. It was played on television just last weekend, in fact, and I am certain that most all of my colleagues have watched it and take its message to heart.

It is about a good man, George Bailey, who reaches a difficult point in his life and begins to question his very existence.

With the help of his guardian angel, Clarence, George Bailey is given the opportunity to see the difference he would have been able to make in the lives of family, friends, and his neighbors in Bedford Falls, and it was a revelation, because he did not realize how much he had changed their lives forever.

Mr. President, we have an opportunity in 1995 to forever change the lives of each and every American by passing a balanced budget.

And we will not need a guardian angel to show us what we have accomplished, because 10 years from now, we will be able to see for ourselves, everywhere we look, the result of our dedication to this dream: more jobs, higher salaries, cheaper loans that make homes, schooling, and transportation more affordable. A better, stronger America for the future.

The next 2 weeks will tell the story.

Is 1995 going to mark the beginning of ''A Wonderful Life'' for America's children and grandchildren? Or just another ''Nightmare on Elm Street'' sequel?

Congress and the President have the power to decide, and I urge them to put that power to work on behalf of all Americans and enact a balanced budget.

I yield the floor.

## ORDER OF PROCEDURE

The PRESIDING OFFICER. Under the previous order, the Senator from Nevada is recognized.

Mr. REID. Mr. President, I have spoken to my friend, the Senator from Rhode Island, and my friend from Louisiana. We would like to reverse the order. They will go now, and I will follow them.

I ask unanimous consent that that be the case.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Rhode Island is recognized.

## ICC TERMINATION ACT OF 1995—CONFERENCE REPORT

Mr. CHAFEE. Mr. President, I submit a report of the committee of conference on H.R. 2539 and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated.

The bill clerk read as follows:

The committee on conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2539) to abolish the Interstate Commerce Commission, to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of December 18, 1995.)

Mr. HOLLINGS. Mr. President, I urge my colleagues to pass, S. 1396, the Interstate Commerce Commission Sunset Act of 1995. This bill, reported out of the Commerce Committee by a unanimous vote, eliminates the Interstate Commerce Commission [ICC], terminates numerous existing ICC functions, and establishes an Intermodal Surface Transportation Board to carry out the remaining rail and motor carrier regulatory functions.

With this bipartisan bill, the Congress will have completed the work begun with the Motor Carrier Act of 1980, to free the surface transportation industry from unnecessary and outmoded regulation, while continuing to protect shippers of all commodities and household goods from possible abuse by carriers. In addition, this bill sunsets the Federal Maritime Commission by January 1, 1997, and will move that agency's necessary functions to the new Board. Thus, the bill will eliminate two Federal agencies, combining their remaining functions into one Intermodal Board that is smaller than either of the former agencies.

The passage of this bill is of some urgency. The ICC will run out of money within a few weeks, and its elimination without an orderly transition of its key functions is likely to disrupt affected industries. The rail industry and household goods carriers, in particular, want to ensure the continuity of the current regulatory scheme.

For the most part S. 1396 accomplishes the goal of orderly transition. I note that a very similar bill, H.R. 2539, passed the House of Representatives by a vote of 417 to 8 late last week. I expect that the differences between the two bills can be resolved quickly. S. 1396 is a good bill. It is, as reflected in the committee vote, a bipartisan effort to develop a transportation oversight program that is appropriate to the 21st century. I urge, and hope my colleagues will support, its consideration and passage.

Mr. EXON. Mr. President, I rise to support this landmark conference report to eliminate the Interstate Commerce Commission [ICC], and to reduce regulation on the transportation sector, and to transfer the responsibilities of the Commission to a new independent Intermodal Surface Transportation Board [ITSB], and the U.S. Department of Transportation.

I am pleased to lend my enthusiastic support to this legislative package of two bills to reform the Nation's transportation laws and to embrace the labor protection reforms endorsed by the House in the Whitfield amendment. If both are enacted, I expect this legislation to win Presidential approval.

I support this conference report with only two reservations. To reach agreement, difficult, painful and significant compromises had to be made. Two areas which continue to concern me are Carmack amendment review and the transfer of the Federal Maritime Commission responsibilities to the new board. While the conference report embraces solutions to perceived problems in these issue areas. which are different from both S. 1140 which I introduced earlier this year and the Senate-passed bill; given the need to bargain, I believe that fair, defensible compromises have been made.

Regarding the Carmack amendment, while I would have preferred the Senate provision to study the Carmack cargo liability system prior to enacting changes to current law, our House counterparts were firmly fixed in their

position for dramatic and immediate reform. The compromise reached is one which very closely follows the Carmack procedures in force when tariffs were filed with the ICC.

My second reservation concerns the decision of the conference to delay consideration of transferring the responsibilities of the Federal Maritime Commission to the new board. The Senate bill embraced my vision of an intermodal agency which provided one-stop shopping for all surface transportation. This action is, however, a vision delayed, not denied. When the Senate debates reforms in the Ocean Shipping Act next year, I will continue my push to transfer the responsibilities of the FMC to the new board. Notwithstanding these reservations and necessary compromises, I do endorse and urge my colleagues to support this conference report.

This legislation builds on a bill I introduced earlier this year known as the Transportation Streamlining Act. Following the introduction of that act, Senator PRESSLER and I and our staff worked long and hard to find broad areas of agreement and compromise. The work product of that negotiation is S. 1396. This conference report represents the latest chapter in a thoughtful and deliberate effort to reform and deregulate America's great transportation sector.

As one of the few Members of Congress with regular contact with America's oldest independent regulatory agency, I again acknowledge the commitment and hard work of the Commission and all of its employees. A grateful Nation owes a debt of gratitude to these dedicated public servants for over a century of hard work. Their vigilance has made the current transition to a more market-oriented transportation system possible.

One might ask, why there is a need for a successor agency to the ICC? Simply put, if there were no forum to resolve disputes, oversee standard contract terms, establish national standards and assure fair treatment for shippers and communities; the great, efficient and productive transportation sector will spin into chaos. The failure to enact this legislation will produce just such chaos. Efficiency would be replaced with litigation. Certainty would be replaced with buyer beware. The result would be great harm to the notion of interstate commerce.

The new ISTB within the Department of Transportation will continue to be the fair referee between shippers, carriers, and communities. It will provide interested parties with one-stop shopping and administer a significantly streamlined body of law which assures that the public interest is protected in transportation policy.

This transfer of responsibility and streamlining of authority will reduce costs both to taxpayers and the private sector and assure that key transportation safety responsibilities do not fall between the cracks.

Mr. President, our Nation takes for granted the blessings of America's great transportation system. Every part of the Nation has accessible transportation service. As the Congress continues its efforts to keep regulation to the minimum necessary to protect the public interest, let us not forget what a valuable asset we have and how critically important it is that the Congress carefully choose the correct course.

I urge my colleagues to vote today to modernize America's transportation policy and enact the pending conference report.

Mr. President, I yield the floor.

Mr. PRESSLER. Mr. President, the Senate will now consider the conference report to H.R. 2539, the ICC Termination Act. The Senate-passed version of this legislation is S. 1396, the Interstate Commerce Commission Sunset Act of 1995, which I introduced on November 3, 1995. My bill was adopted by unanimous consent in the Senate on November 28th. Swift passage of this conference report is necessary to provide for an orderly closure of our Nation's oldest regulatory agency.

As my colleagues know, this legislation was crafted in response to the fiscal year 1996 budget resolution which assumes the elimination of the Interstate Commerce Commission [ICC] and the fiscal year 1996 DOT appropriations bill, H.R. 2002, which provides no funding for the ICC after December 31, 1995. This means that just over 1 week from now, the ICC will close its doors forever. This conference agreement ensures the agency's sunset will be accomplished in a reasoned fashion and that certain core and vital functions will continue.

The conference report authorizes the sunset of the ICC effective January 1, 1996. It also eliminates scores of obsolete ICC regulatory functions. Finally, it transfers residual functions partly to a newly established independent Surface Transportation Board within the Department of Transportation and partly to the Secretary of Transportation.

Mr. President, this is historic legislation. The ICC is America's oldest independent regulatory agency. It was established in 1887—108 years ago. The ICC originally was created to protect shippers from the monopoly power of the railroad industry. Throughout subsequent years, the ICC's regulatory responsibilities were broadened and strengthened, and expanded to other modes. Today, the ICC has jurisdiction over the rail industry, certain pipelines, barge operators, bus lines, freight forwarders, household goods movers and some 60,000 ''for-hire'' motor carriers.

During the past decade, a series of regulatory reform bills significantly deregulated the surface transportation industries, reducing the ICC's authority. Even with this considerable deregulation, however, the ICC continues to maintain a formidable regulatory presence. It determines policy through its rulemaking and adjudicative proceedings to ensure the effective administration of the Interstate Commerce Act, related statutes, and regulations. Clearly, the positive and necessary adjudicatory role of the ICC should not simply cease at the end of the year. This legislation will ensure such limited core functions continue.

Mr. President, this conference report identifies which ICC functions can and should continue to be performed by a successor. While that premise is the report's central theme, the agreement also takes into account the fact that the new successor—a 3-member Surface Transportation Board—will have a very limited budget. Overall, it provides a reasoned approach designed to ensure continued protections for shippers against industry abuse—protections vitally important to shippers in places like my home State of South Dakota—while at the same time, assure continued economic efficiencies in our Nation's surface transportation system.

As with any conference report, this is the result of compromise on the part of both the House and Senate. Throughout this process, however, I have been guided by the need to retain sufficient protections for shippers while reducing unnecessary regulatory burdens on our Nation's rail and trucking industries. This legislation meets that objective.

Mr. President, Senator DOLE received a communication yesterday afternoon from Secretary of Transportation Federico Pena and Secretary of Labor Robert Reich stating the President would veto this legislation if we did not adopt a provision supported by rail labor imposing mandatory labor protection on small railroad mergers. In my view, the Clinton administration acted in an irresponsible fashion by threatening significant regulatory reform and protections for our shippers, farmers and ranchers.

A veto would create a regulatory black hole on January 1. Statutory and regulatory requirements would remain on the books, but no Government agency or official would be in place to administer them. This legislation would maintain critical functions affecting the rail and trucking industries that protect small shippers and others from market abuse. A veto would be in complete disregard of the needs of farmers and small agricultural shippers who rely on adequate transportation service provided by these surface transportation industries.

Therefore, with extreme reluctance we agreed to the administration's demand to modify the legislation to meet the completely unfounded concerns of rail labor. Thus, the conference report to H.R. 2539 is accompanied by a concurrent resolution which strips the class II/class III railroad merger provision agreed to in conference that created an option to merge such railroads under current law. The administration insisted we use language from the House-passed bill requiring that class

II/III mergers proceed only under a special new rule which lowers labor protection from 6 years to 1 year, but which states collective bargaining agreements may not be avoided by allowing a shifting of work from a union carrier to a nonunion carrier.

In my view, the language in the House-passed bill is drafted in such a way as to potentially create serious questions. Therefore, I can assure my colleagues we will be revisiting this issue in the next session of Congress. The language is designed to prevent a carrier from shifting work from unionized workers to nonunionized workers to avoid contracts as a part of a merger implementation.

My point is the Board established in this legislation must use the preemption provisions of the legislation to review how laws should be accommodated to enable these mergers to occur in a timely fashion and in a way that best serves the public interest in continued and effective rail transportation. This revised section is not intended to create a special rule of law that allows labor unions to delay or veto mergers between class II and class III railroads. After all, they do not have such power in any other segment of American industry.

The provisions of this bill must be read in totality. Again, Mr. President, I want my colleagues and the new Board to understand this change to the conference report is not intended to give rail labor a veto over the transportation needs of communities and shippers who would benefit by a merger between class II and class III railroads.

Mr. President, on balance this conference report is the result of nearly a year's worth of bipartisan study, discussion and work. It represents a reasonable compromise. I want to thank the conferees, their staffs and the staff of the Commerce Committee for all their dedicated work and long hours in producing this final legislative package. The legislation before us will eliminate a host of outdated and unnecessary laws while ensuring continued protection for America's shippers. I urge its adoption.

Mr. CHAFEE. Mr. President, I ask unanimous consent that the conference report be agreed to and that the motion to reconsider be laid upon the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the conference report was agreed to.

## DIRECTING THE CLERK OF THE HOUSE TO MAKE TECHNICAL CHANGES IN ENROLLMENT OF H.R. 2539

Mr. CHAFEE. I ask unanimous consent that the Senate proceed to the consideration of Senate Concurrent Resolution. 37, submitted earlier today by Senator EXON.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the concurrent resolution by title.

The bill clerk read a follows:

A concurrent resolution (S. Con. Res. 37) directing the Clerk of the House of Representatives to make technical changes in the enrollment of the bill (H.R. 2539) entitled ''An Act to abolish the Interstate Commerce Commission, to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation, and for other purposes.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the concurrent resolution?

There being no objection, the Senate proceeded to consider the concurrent resolution.

Mr. WELLSTONE. Mr. President, I have been involved in intense negotiations over the course of the last few days to try to resolve a major problem with the conference report on HR 2539, the Interstate Commerce Termination Act of 1995. We have now resolved that problem, through an agreement to make a key change in the conference report which is designed to protect the collective bargaining agreements of railroad employees. With that change, I have agreed to allow the conference report to go through without extended debate that could slow it down and put at risk its final enactment. Since we are in the final days of this session, and I know it is urgent that ICC legislation be enacted to ensure continued consumer protections for all Americans, I am delighted that this change has now been agreed to, and I am grateful for the help and support of Senators EXON, KENNEDY, HARKIN, KERRY, SIMON and others in this effort.

The change will be made through adoption of Senate Concurrent Resolution 37, submitted earlier today by Senator EXON and myself, which is to be taken up and agreed to concurrently with the conference report by unanimous consent. I am hopeful that both will also be taken up and agreed to by the House later tonight or tomorrow. I understand there are preliminary indications from the House Republican leadership, after fierce and sustained resistance that has lasted for months, that they are finally willing to make this change in order to help avoid a Presidential veto.

The concurrent resolution would restore labor protections provided for in the Senate bill that were dropped in the House-Senate conference. Without this change, the conference report would be strongly opposed by representatives of railroad employees nationwide because it would significantly reduce existing rights of workers employed by small- and medium-sized railroads. In fact, that is also one key reason why the administration has indicated its intent to veto this measure. I hope that if this change is made by the House, the administration would take another look at this legislation, and its decision to veto the bill announced yesterday.

Let me briefly describe how we came to this point. At various points in this legislative process, employees were forced to give up labor protections on line sales to noncarriers, give up mandatory labor protections on line sales to class III carriers, agree to reduced labor protections on line sales to class II carriers, give up mandatory labor protections on mergers between class III carriers, and agree to reduced labor protections on mergers between class II and class III carriers.

All these concessions were made by employees in return for the right that every other American worker has—to bargain collectively with their employers and have those collectively bargained agreements enforced in court. Employees asked for just one exception to the current ''cram-down'' practice of the ICC, which allows abrogation of collective bargaining agreements under certain circumstances.

This may seem somewhat technical, but it is profoundly important to the lives and livelihoods of thousands of rail workers in my State and throughout the Nation. For mergers between class II and class III railroads, likely to become increasingly common over the next decade, railroad employees requested a provision contained in the so-called ''Whitfield Amendment'' adopted on the House floor by a vote of 241–184, to require that a merger could not be used to avoid a collective bargaining agreement, or to shift work from a union to a nonunion carrier.

But unlike the House and Senate-passed bills, the conference agreement does not provide such protection. Instead, it gives the carrier applying for the merger a choice of whether to preserve collective bargaining agreements or to abrogate them unilaterally through the successor to the ICC. The concurrent resolution will fix this problem by effectively restoring the language of the Whitfield Amendment, which prohibits abrogation of such agreements. I am pleased we reached agreement on this key change.

At the same time, I understand why the administration has reservations about the conference report. Although I support much of it, which streamlines the Federal Government while maintaining a fair and responsible Federal regulatory structure, this final version is not perfect, and there are parts which I oppose. For example, I am concerned about a provision that changes the regulation of household goods shipping. I supported the Senate version which would have ensured no Federal preemption of State laws relating to the shipment of household goods. Unfortunately, conferees chose to include the House language that would allow Federal preemption of State laws relating to shipping these goods.

I am concerned about this Federal preemption of State laws, because consumers deserve continued State protections when shipping their belongings to a new home. I intend to monitor the implementation of this provision carefully, and if it poses serious problems, as I expect it will, to try again to address these problems next year.

But my overriding concern has been the fate of thousands of railroad employees across the Nation who could have been harmed under its provisions, and that is why we wanted to try to address this problem before it passed the Senate. I am delighted that this has now been done, and I am hopeful that the House will act on it immediately to ensure abroad, comprehensive labor protections for railroad workers. I want to go again thank Senator EXON for his help with this problem.

Mr. CHAFEE. I ask unanimous consent that the concurrent resolution be agreed to, the motion to reconsider be laid upon the table, that any statements relating to the conference report or the concurrent resolution appear at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the concurrent resolution (S. Con. Res. 37) was agreed to, as follows:

S. CON. RES. 37

*Resolved by the Senate (the House of Representatives concurring)*, That the Clerk of the House of Representatives, in the enrollment of the bill (H.R. 2539) to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation, and for other purposes, shall make the following corrections:

In section 11326(b) proposed to be inserted in title 49, United States Code, by section 102, strike ''unless the applicant elects to provide the alternative arrangement specified in this subsection. Such alternative'' and insert ''except that such'';

In section 13902(b)(5) proposed to be inserted in title 49, United States Code, by section 103, strike ''Any'' and insert ''Subject to section 14501(a), any''.

## A BIPARTISAN GROUP UNVEILS A PLAN TO BALANCE THE BUDGET

Mr. CHAFEE. First of all, I thank the Senator from Nevada for permitting us to go ahead of him. That was very gracious.

This morning, a bipartisan group of Senators—19 in all—unveiled a plan to balance the budget by the year 2002, using CBO, Congressional Budget Office, numbers. The group, which Senator BREAUX and I had convened several weeks ago—actually, we had our first meeting in October—includes, as I say, so far, 19 Senators. That is without going out and seeking new Members. It is just those who have come to us and want to join in this effort.

We are all united in this belief, Mr. President: It is absolutely essential that this Nation have a balanced budget by the year 2002, and that it will be impossible to achieve that budget unless those on both sides of the aisle are prepared to compromise. This is the essence of the effort of this group of Republicans and Democrats who are getting together for a common objective.

The Senate bipartisan balanced budget plan is a huge step forward on the path to this budget agreement. It represents, I might say, Mr. President, the first truly bipartisan proposal to balance the budget. There are other groups in the House that are working, but they do not include Members of both sides. It was made possible, this agreement, only because both sides were willing to compromise on some very strongly held beliefs. We did this for the good of this country of ours. This is especially true with the compromising aspects with respect to the issues of Medicare and tax cuts. I am grateful to the Democrats in our group for their willingness to go with the CBO numbers. They agreed to that before it became accepted by the White House. This was a big step for the Democratic Members of our group.

Now, undoubtedly, this plan will cause consternation on the Democratic side with number, and on the Republican side with some. But we are committed to reaching this balanced budget, free of gimmickry, and we are doing it for the welfare of future generations, for our children and our grandchildren.

To those who disagree with our numbers, let me say this, Mr. President, and to those who think they can do a better job: Go to it. We welcome their efforts. All I ask is they do it with a bipartisan group, not just one group from one side and one group from the other. Sure, we can come out on the Republican side with a massive tax cut and tremendous slashes in Medicare, for example. But try that on the Democratic side and see how it goes. So the essence of this was that we had Members from both sides.

Mr. President, this plan is intended to demonstrate to the negotiators on both sides that, one, it is essential to compromise and, two, that it can be done. It is a doable task. No one should throw up their hands in despair and say the sides are too far apart.

What did we do? There were significant steps taken to control the growth of Medicare and other entitlements. Our plan calls for Medicare savings of $154 billion, with a strong commitment from everybody in the group that the part B premiums stay at 31.5 percent, with affluence testing for those above the regular brackets, and also means testing for those who are in the lower-income areas—and they might well qualify for paying less than 31.5 percent.

We have agreed to conform the retirement age for Medicare with that of Social Security—namely, age 67. This is something that is going to take place in the future and will not contribute any dollars to the 7-year plan. But we feel it is critical to include this needed long-term entitlement reform.

On Medicaid, we have savings of $67 billion. Underlying this number is a view that we should preserve the Federal entitlement for our most vulnerable citizens, while, at the same time, we provided the States with broad flexibility to administer the program. This is, again, not going to make everybody happy, but it was something that we all agreed to.

We have agreed to $130 billion in tax cuts. We did not delineate how the tax cuts would be. We left that to the negotiators. We did not say X amount for capital gains cuts or Y amount for a child tax credit. We have chosen to reduce the CPI, Consumer Price Index, by .5 percent, which gives us $110 billion in additional savings.

Frankly, we did this because we have had all kinds of testimony before the Finance Committee, which stated that the present CPI is a flawed measurement and should be adjusted actually beyond the .5 percent. It should be as high as .7 percent, or indeed some economists say as high as 2 percent. We also included $58 billion in savings under welfare, which assumes the Senate-passed welfare reform bill. On discretionary reductions, we came in slightly below the so-called hard freeze—namely, no increase for inflation over the 7-year period.

Finally, Mr. President, we support the immediate adoption of a clean continuing resolution, on a short-term basis, until sometime next week, to get people back to work and get these budget negotiations back on track.

Mr. President, this is not a perfect plan, and it is not offered in the sense that we are budget negotiators. It is an illustration that a responsible balanced budget agreement using CBO numbers is doable. I hope it will help our negotiators as they go about the difficult task of securing a final budget accord.

Mr. President, I am delighted to be joined here on the floor with the distinguished Senator from Louisiana, who was absolutely crucial in all these negotiations that we had.

I yield the floor to him.

Mr. BREAUX. Mr. President, at a time when most Americans believe that many Members of Congress ruined this Christmas season, and are probably on the verge of killing each other because we have not been able to agree on the principles and even how to keep the Government open, I want to say what a great privilege and pleasure it is to be able to work with the senior Senator from the State of Rhode Island. His wisdom, his experience, his knowledge, his compassion for people, and yet his dedication to making Government work really is a pleasure to me, as a Democratic Member on this side of the aisle, to be able to work with a person of great common sense and great compassion and just common sense that understands that in order to make Government work there is such a thing as the art of compromise. That makes sense.

I think we have gotten to a point in this Congress where the word compromise is almost a dirty word that you should never utter for fear of moving away from the party principles. All of us who have been here longer than 12 months have to understand the way to get things done is to put forth the best ideas from both sides of the aisle and recognize that on difficult issues that those principles that we stand for need not be compromised, but how to get to those goals in fact does necessitate

compromise if we are ever going to make Government work.

Unfortunately, there are some who do not want to make Government work who have been elected to the Congress who are more concerned with shutting it down in order to make a point than in being willing to negotiate and talk with the other side and compromise with the other side in an effort to reach a legitimate compromise.

I think there is enough blame to go around. This is not a partisan statement at all. In fact, it is the opposite. I think both sides have had various Members at various times stake out lines in the sand and say we will not go any further than this, but there is a consequence to those type of speeches. The consequence is that the American people are shouting. They are not whispering any longer. They are shouting, ''Enough is enough. We have sent all of you here, Democrats and Republicans, to make Government work, not to shut it down, not to close the doors on the services that people need, not to make political points.''

That is what elections are about. After you are here, it is about service, and after you are here it is about making Government work for the people that elected us. We are at a point now where we are, both sides, losing the faith of the American people to do exactly what we are supposed to be doing.

That is why the press conference that we had this morning, Senator CHAFEE and myself, accompanied by about 19 Members, 18, 19, 20—half and half; half Democrats and half Republicans—who stood up and said, we have heard the pleas of the American people to get the job done. We have heard the pleas of our constituents who have said ''Stop the madness. Make Government work again. Trust us to accept your judgment when you reach a compromise,'' and we presented that plan. It is a blueprint. It is an outline. It has specific numbers on how to reach a balanced budget in 7 years, scored by the CBO in a way that is not everything that both sides would want, but I think reflects a fair middle ground.

We have called for a continuing resolution. This is a bipartisan group that says we should continue the Government so we can have the negotiators work without the pressure of having the Government shut down. This is Republicans and Democrats saying, at the same time, and in the same forum, we need a simple continuing resolution, uncluttered, give us until January 15th so the negotiators can work in peace and do the job that they are supposed to do. A very important point, the first time that a bipartisan group has said that.

Second, this group has called for tax cuts. These tax cuts are smaller than many Republicans would like but at the same time these tax cuts are larger than many Democrats would like. But it is a tax cut, a significant tax cut, which is designed to increase growth and productivity and savings in this country.

The second thing we do is we say there will have to be more cuts in entitlement programs—propose less cuts than Republicans would like and certainly more cuts than Democrats would like. But we are recommending that there be entitlement cuts to these programs to restore their solvency, to assure they will be around for the next generation, recognizing that to do that we have to have some significant reforms.

Mr. President, what we have offered is a blueprint. Part of that blueprint is something that some people think is so horribly controversial that we cannot even utter the word except in closeted surroundings, and that is an adjustment in the Consumer Price Index. Every economic expert, the people that read numbers every day and wear the green eyeshades and look at how much it costs to buy a typical basket of groceries, have told the Congress that we overestimate the Consumer Price Index, and taxes are indexed to that. Entitlement increases are indexed to that. But the index needs to be adjusted.

You would think that that is not too difficult a thing to do. But our side does not want to go first because people will say it is a tax increase or a cut in entitlement programs. Republicans do not want to go first because of the same reason. So as a result, nothing gets done. Our side stood up today in a public forum and said yes, we think it ought to be fixed. It is broken. The suggestion is that there be a .5 percent adjustment in the Consumer Price Index, which will generate about $110 billion over the next 7 years that we can use for programs that need greater funding, that will meet the needs of the people of this country.

I will conclude by saying this: Mr. CHAFEE has offered some real leadership here, and the other Republicans who have joined him have said, yes, it is time to recognize that compromise is all the way out. So we call for a truce today. We called for a ''stop the shouting and stop the blame game'' today. It was a significant statement. The product that we have put on the table, I think, is one that makes sense. It may not be the final answer, but it certainly offers a blueprint for us to get out of the mess that we are in.

We would hope that our colleagues will take a look at the product. I hope the negotiators will consider it as we present it to them this afternoon. I think the negotiations are going well. And hopefully, with a continuing resolution, they will have adequate time to get the job done. I yield the floor.

Mr. CHAFEE. Mr. President, I want to thank the distinguished Senator from Louisiana for the kind comments. It was a joint leadership. He was kind enough to say it was my leadership. No, no, it was the joint leadership in which we shared the responsibilities and the effort together, Senator BREAUX and I, and we certainly had wonderful support from everybody involved.

Mr. President, the agreement that we submitted today in the press conference and have outlined here on the floor was remarkable for this fact: Everybody agreed on every point. Now, that does not mean we started that way, but when we finished people did not say, ''Well, I am for points 1 through 4 but include me out on points 5, 6 and 7. But I am there for points 8, 9, and 10.'' Everybody signed on for all of the points. That was tough. It was tough for the Democrats to go to the $140,000 tax cut; it was tough for the Republicans to agree on the Medicare cut. We think we could have done better on the Medicare cut. We do not use the word ''cut''; ''reduction in the rate of increase.''

In order to reach an agreement we all compromised. I think it was a wonderful effort, and along with the Senator from Louisiana, I commend it to our colleagues and hope they take a good look at it.

The PRESIDING OFFICER. Under the previous order the Senator from Nevada is now recognized.

Mr. CONRAD. Will the Senator from Nevada yield to me for just 2 minutes?

Mr. REID. As soon as I yield to the Senator from West Virginia for whatever time he may consume, as long as I do not lose my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. Senator from West Virginia.

## RECOGNIZING SENATOR DOLE'S SERVICE AS REPUBLICAN FLOOR LEADER

Mr. BYRD. Mr. President, I thank the Senator for his characteristic courtesy. I will be brief.

Mr. President, today Senator ROBERT DOLE equals the record set by Charles McNary, of Oregon, as the longest serving Republican floor leader. Senator McNary served as floor leader for 10 years, 11 months, and 18 days, until his death on February 25, 1944.

Senator DOLE, who began his service as leader on January 3, 1985, will have served 10 years, 11 months, and 18 days, as of the close of business today. That is quite a record. Tomorrow, the Lord willing, Senator DOLE will break the all-time record for the longest serving Republican floor leader.

I have been majority leader, minority leader, and majority leader again. I know something about the burdens that a leader carries. It is a thankless task. All of his colleagues think that they can do a better job than he can do as leader, or at least I kind of had that feeling when I was leader. And it is a heavy responsibility.

Senator DOLE has served his country on the far-flung battlefields, he has sacrificed for his country on foreign battlefields, and he has served his country on the legislative battlefield. I salute him and commend him.

He broke Everett Dirksen's record as second longest serving Republican floor

leader on September 4 of this year. I served here when the late Everett Dirksen graced this Chamber, serving at that desk where Senator DOLE now serves as majority leader. And I also served with Howard Baker, who was Everett Dirksen's son-in-law. Dirksen served 10 years and 8 months, extending from January 7, 1959, to September 7, 1969.

So, I salute BOB DOLE and I wish him many, many happy returns on this day. It is not his birthday, but he equals the record of the longest serving Republican leader. I look forward to tomorrow, when he will break that record.

Mr. President, I ask unanimous consent that a list of all the Republican floor leaders with their dates and length of service be printed in the RECORD at this point.

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

REPUBLICAN FLOOR LEADERS

| Length of service | Name | Service as leader |
|---|---|---|
| 10 years, 11 mos., 18 days. | Charles L. McNary (OR) | Mar. 7, 1933–Feb. 25, 1944 |
| 10 years, 8 mos. ..... | Everett M. Dirksen (IL) | Jan. 7, 1959–Sept. 7, 1969 |
| 10 years. 5 mos. [to June 1995]. | Bob Dole (KS) ..... | Jan. 3, 1985–present |
| 8 years ..... | Howard H. Baker, Jr. (TN). | Jan. 4, 1977–Jan. 3, 1985 |
| 7 years, 4 mos. ..... | Hugh D. Scott, Jr. (PA) | Sept. 24, 1969–Jan. 3, 1977 |
| 5 years, 5 mos. ..... | William F. Knowland (CA). | Aug. 4, 1953–Jan. 3, 1959 |
| 4 years, 4 mos. ..... | Charles Curtis (KS) ..... | Nov. 28, 1924–Mar. 3, 1929 |
| 4 years ..... | James E. Watson (IN) .. | Mar. 5, 1929–Mar. 3, 1933 |
| 4 years ..... | Wallace H. White, Jr. (ME). | Jan. 4, 1945–Jan. 3, 1949 |
| 2 years, 11 mos. ..... | Kenneth S. Wherry (NE) | Jan. 3, 1947–Nov. 29, 1951 |
| 1 year ..... | Styles Bridges (NH) ..... | Jan. 8, 1952–Jan. 2, 1953 |
| 7 mos. ..... | Robert A. Taft (OH) ..... | Jan. 2, 1953–July 31, 1953 |

Mr. BYRD. I thank my friend from Nevada, Senator REID, for his kindness and courtesy in yielding.

Mr. REID. Mr. President, before my friend, the distinguished senior Senator from West Virginia leaves the floor, I join in commending the majority leader for his service.

But I was thinking, as the distinguished Senator was speaking, that ROBERT DOLE has been Republican floor leader longer than I have been in the Senate, a year longer than I have been in the Senate. If there were ever an illustration of why the term limit argument is so worthless, we need only look at the distinguished services rendered by Senator ROBERT DOLE.

Those people who are still beating the drums—the unconstitutional drums, I might add—of term limits are people who do not recognize that being a great leader does not come overnight. Even though I do not always agree with the majority leader I have always found him to be fair, deliberate, and really statesmanlike in the things that he does in the Senate. That did not come by accident. He, as has been outlined by the Senator from West Virginia, has served not only in the military but in this body for many years. And the only thing term limits would do is increase the power of bureaucrats, those nameless, faceless people that do not answer phones, who we continually hear complaints about. It would also greatly increase the power of the lobbyists who fill these hallways of the U.S. Senate, and, of course, it would also increase the power of congressional staff and weaken the ability of the American public to be served well.

So, I commend and applaud the Senator from West Virginia for recognizing the great services of the Senator from Kansas, service that will go down in the history books. And also my editorial comment, that term limits are a bad idea today, tomorrow, and any other time.

Mr. DORGAN. Will the Senator yield for just a moment?

Mr. REID. I am happy to yield.

Mr. DORGAN. Mr. President, if I might just make an observation, I was struck by the comments offered by the Senator from West Virginia and by the Senator from Nevada. I have had exactly the same thoughts, especially in recent days when we have seen, sometimes, behavior that seems intemperate and behavior that does not always do this institution proud, to recall there are people who have served many, many years in this institution, whose knowledge, whose understanding, and whose wisdom serves this country well.

With respect to Senator DOLE, I have said before on the Senate floor and I will say again today, while I do not always agree with him—in fact, sometimes we have very vigorous debate about policy—I have enormous respect for his capabilities, and I have enormous respect for his service to this country as a U.S. Senator.

It seems to me that this country has been well served for many, many decades by service from people with names like Webster and Calhoun and Clay, and so many others, and in this century, Goldwater and Humphrey, and so many others, including Senator ROBERT C. BYRD. And it especially includes Senator ROBERT DOLE.

I think almost all of us in this Chamber, no matter where we come from or what our political philosophy is, respect the leadership and the service offered this country by the distinguished majority leader.

I appreciate very much hearing the comments, the generous and appropriate comments offered today about Senator DOLE, by the Senator from West Virginia. And I appreciate the Senator from Nevada yielding to me.

Mr. DASCHLE. Will the Senator from Nevada yield as well?

Mr. REID. I am happy to yield to the Democratic leader.

Mr. DASCHLE. Mr. President, I appreciate, again, the Senator yielding the time. I know the Senator from Nevada did not come to the floor to talk specifically about this issue, but I want to commend the distinguished Senator from West Virginia for calling to the attention of the Senate this important day. I think it is obvious, from many of the comments made by Members on this side of the aisle, the respect and the extraordinary degree of real friendship that we have for the majority leader. As many have also indicated, there are many, many occasions when we find ourselves in disagreement, but never, hopefully, to be disagreeable.

Our view is that we have been led well by this majority leader and, obviously, in the tradition of the majority leadership of the Senator from West Virginia, Senator DOLE has served us very ably. He is a person who wants to get things done. He is a person who recognizes the philosophical differences, the partisan differences that we hold. But he is also a person I have found to be immensely helpful and supportive in my new role as the Democratic leader.

I have had the good fortune to work with many people on both sides of the aisle since coming to the Senate, but I know of no one on the Republican side of the aisle with whom I have enjoyed working more and for whom I have greater respect. So it is important that on this special day we call attention to his service and to the great affection in which he is held by so many Members on this side of the aisle.

I share my congratulations with the Senator from West Virginia, the Senator from North Dakota, and the Senator from Nevada, in expressing our best wishes to him as we mark this special occasion.

I yield the floor, and I thank the Senator for yielding.

The PRESIDING OFFICER. Under the previous order, the Senator from North Dakota is recognized.

Mr. REID. Mr. President, I believe that order should be that the Senator from Nevada had the floor.

The PRESIDING OFFICER. The Senator yielded 2 minutes under a previous order.

So I recognize the Senator from Nevada.

Mr. REID. My understanding is that the Senator from North Dakota wished the floor. I would be happy to yield the floor for whatever time the Senator may take and I still maintain my right to the floor.

Mr. CONRAD. Mr. President, I thank my colleague from Nevada for his very generous willingness to give me some time.

First, on the matter of the majority leader, I want to join my colleagues in recognizing his service as a leader in the U.S. Senate. His period of time as leader, I understand, has extended over 10 years. That is longer than I have served in the U.S. Senate. I, too, admire the Senator from Kansas. I have found that he is somebody who commands respect. He does his homework. He leads his side of the aisle in a very vigorous and determined way. While there are many times that we disagree on a policy issue, I have never thought that he is someone who commands anything other than full respect. And I want to add my voice to the voices of others.

Frankly, I think we could use a good bit more of that around here, recognizing the worth of people on both sides, because I have found that colleagues on both sides of the aisle in this Chamber are some of the finest people I have ever known. Just because we have differences and we debate vigorously does not diminish the value nor the humanity of anyone on either side. Maybe that is a word that needs to go out from this Chamber more; that people who serve here are worthy, and they are good people.

In fact, I think my constituents sometimes are surprised when I tell them that I find, on both sides of the aisle, the people that I serve with are some of the finest people I have ever known, the people who are in the U.S. Senate.

## THE LEADERSHIP OF SENATOR CHAFEE AND SENATOR BREAUX

Mr. CONRAD. Mr. President, I would like for just a moment to single out two of my colleagues who, I think, are showing real leadership at a time of gridlock in Washington. I want to single out Senator CHAFEE, the Senator from Rhode Island, and Senator BREAUX, the Senator from Louisiana, who have led our bipartisan effort to put together a budget plan that would merge the differences, that would find common ground, that would break the gridlock, and that demonstrates that the two sides can work together here to achieve a result that is important for the country.

Mr. President, earlier today we were able to hold a news conference and indicate that last night we reached agreement between 19 Senators—10 Republicans and 9 Democrats—on the outlines of a plan to balance the budget on a unified basis over 7 years using CBO scoring, and that we were able to do it in a way that is fair and balanced.

Mr. President, I must say I have been very proud to participate in this effort because we did it without raised voices, we did it without hurling brick bats across the barricades, we did it by sitting together, by reasoning together, and by working together to achieve a result that is important to the country.

I think the leadership of Senator CHAFEE and Senator BREAUX should serve as an example to others who are negotiating on this budget matter because I think our group has blazed the trail showing others how we could achieve a result that will get the Government back to working and break the gridlock.

Mr. President, every day in this town there is a news conference that puts a spotlight on the differences between the two parties. This was the first news conference in many days in this city in which we were not talking about differences but we were talking about the ability of people of good will on both sides to get together, to reason together, and to achieve a breakthrough.

Mr. President, we just had an opportunity to make a presentation on that plan to the negotiators from both sides. I was pleased by the reaction.

I am just hopeful now that in the hours ahead cooler heads will prevail and that both sides will understand that to achieve an agreement neither side can get precisely what it wants but that we can have a principled compromise and one that advances the interests of this Nation.

Mr. President, I want to end as I began by saluting the leadership of Senator CHAFEE and Senator BREAUX. It takes courage to compromise.

Mr. President, as in the words of the ''Liberty Song'' by John Dickenson, ''By uniting we stand, by dividing we fall.''

This is an example of Senators working together to unite, of Senators reasoning together to unite, and I hope our colleagues will begin to focus on the need for uniting. That is what has made America strong—pulling together, working together, and uniting in order to achieve a result.

I thank the Chair. I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada has the floor.

Mr. MOYNIHAN. Mr. President, will the Senator allow me 30 seconds on the subject of BOB DOLE?

Mr. REID. I am happy to yield without losing my right to the floor.

## SENATOR BOB DOLE

Mr. MOYNIHAN. With great precision and with equal interest, Mr. President, it has been a quarter of a century since I first knew BOB DOLE and worked with him. He would find it interesting that we began working in an effort with a Republican President to establish a guaranteed income as a way of getting us out of our welfare problems. We are still in them. We will be in them much of the evening.

But in 25 years I have not known a man I have respected more. I have not worked with anyone with greater consequence. He is an ornament to this institution and to this Nation. We are proud of him.

I thank the Senator from Nevada.

Mr. REID addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

## THE BALANCED BUDGET

Mr. REID. Mr. President, we have heard some talk on the floor today about we should have a balanced budget within 7 years. I would certainly acknowledge that. But I think the thing we should be concerned about today is getting Government back to work.

There have been statements made by the Republican leadership that those 250,000 Federal employees who are on furlough will be paid. Well, if they are going to be paid, it seems logical to me that the taxpayers would be getting a much better deal if they were doing something for their pay, like maybe doing their job.

I would suggest that just sheer logic tells me that, if the Republican leadership said that the furloughed employees are going to be paid their wages for not working, that we should go the next step and allow them to work so that the taxpayers are getting their money's worth. This way they are getting a real bad deal. The taxpayers are told that the parks are going to be closed. There are various Federal agencies where 250,000 people work and are not going to be operable but the people are going to be paid anyway. If I were a taxpayer, I would say that does not sound like a real good deal for me.

So I say for the third time here in the last few minutes, if the Republican leadership has said they will pay the furloughed workers, it seems to me logical that we should get them all back to work.

Mr. DORGAN. Will the Senator yield on that point?

Mr. REID. I am happy to yield for a question.

Mr. DORGAN. Mr. President, I would like to ask the Senator a question about that because I feel much as he does—that somehow, sometime today, or immediately, if possible, we ought to have the Federal workers come back to work and end the shutdown and still continue to negotiate on a balanced budget agreement.

It does not make any sense to see a circumstance where Federal workers—some 300,000—will not be allowed to come to work but will still be paid for work they did not do. And the bill is going to be paid by the American taxpayer.

I ask the Senator from Nevada, is not this a period several days before Christmas where it is for most a magic time, a time of family, reflection, lights, music, worship, and now we have a circumstance where we have 1 million checks that have been written sitting in a warehouse here in Washington, DC, that are supposed to go out to the veterans and are supposed to be in their mailboxes on January 1 for veterans and survivors? Unless a continuing resolution is passed immediately, that is not going to happen. We have 4 million children whose AFDC payments for their daily needs relates to the question of whether the continuing resolution will be passed so the money and the resources will be available for them.

You can imagine what will happen if on January 2 or 3 a veteran's survivor expecting a check needing to pay the rent or to buy food or to provide for their children's needs discovers the check is not there because of this shutdown. That is why I hope somehow this evening all of this gets unlocked and we can pass a CR. Does the Senator from Nevada see any reason that it provides any leverage for anyone to continue to have a Government shutdown in which people are sent home,

some 300,000, but yet we pay them for work they did not do? Is there anybody that gets penalized other than the American taxpayer with this kind of strategy?

Mr. REID. I would say to my friend from North Dakota, they are being penalized, the taxpayers that is, to the tune of $40 million a day. That is my understanding of the wages that are going to be paid for not doing the work. So you multiply just a little bit the time they have already been out of work—this is counted on Saturdays and Sundays. They get paid no matter what day it is—2 days, 80, 120, 160. It gets up pretty quickly.

That is where we are now. And the American taxpayer gets nothing in the way of services. We have here in Washington now one of the finest art exhibits to have been here in decades, the greatest still lifes probably ever painted, but it is only going to be here a short time and people have come from all over the United States to see that. They cannot see it. But yet those people who should be working are not working but are being paid, and the taxpayer gets a real bad deal on that.

Mr. BUMPERS. Will the Senator yield for an observation?

Mr. REID. I would be happy to yield to my friend without losing my right to the floor.

Mr. BUMPERS. It has been mentioned once or twice, but I do not think the full impact of the shutdown of the Government has really been accurately described. If you were one of the 260,000 people sitting home and being paid for nothing, first of all, that is demeaning, to ordinary people. They would much rather be working, despite the fact they are sitting home and being paid to sit home. But the dimension that I am going to mention is here is the most joyous season of the year, Christmas, that everybody looks forward to and among the 260,000 workers at home, I promise you, a lot of them live from paycheck to paycheck, and a lot of them were depending on spending money for gifts for their children for Christmas. And you know, sometimes I think the Congress ought to be charged with child abuse because a lot of children are not going to have the Christmas they otherwise would have.

I am not saying this is going to be massive, but obviously a lot of people are affected by the fact that they do not have a paycheck and therefore cannot spend any money unless they have a credit card that has a little bit left on the limit. But it is one of the most unfathomable things—I have been here 21 years. This is the most irresponsible, unfathomable, irrational things I have ever seen in my 21 years here. What on Earth are we doing?

Mr. REID. I would say to my friend from Arkansas, I repeat, especially when the Republican leadership has said these 250,000 or 260,000 people are going to be paid anyway. So would not the next step be to say, OK, you are going to get paid; go to work?

Mr. BUMPERS. It is an interesting thing about how we are cutting everybody under the shining Sun in the interest of a balanced budget but willing in the interest of some kind of unfathomable, absolutely incomprehensible to me ideology that says you cannot keep the Government going and talk about balancing the budget at the same time. It is a nondebate about whether we are going to balance the budget or not. That is a no-brainer. Everybody agrees on that point.

What we are arguing about mostly is the tax cut. If the Republicans would forgo all or just a significant portion of the tax cut, this is a done deal. Everybody knows that we have to cut Medicare. Everybody knows that we are going to have to slow the escalation of Medicaid costs. But I am not for slowing the environment and I am not for slowing education, an observation that has been made on this floor time and time again and just seems so patently clear and obvious, and yet I pick up the paper and it never points it out except ''Congress Bogged Again,'' ''Congress Can't Gets Its Act Together,'' blah, blah, blah. And all you have to do is sit down and say let us crank the Government up, pass a continuing resolution. After all, a continuing resolution funds these agencies at a dramatic discount from what they have been getting.

Mr. REID. Twenty-five percent.

Mr. BUMPERS. I thank the Senator for yielding. We can sit here I guess and engage in this colloquy all evening. I thank the Senator very much for allowing me to interject this.

Mr. REID. As always, I appreciate the statement of my friend from Arkansas.

Mr. President, I see the majority leader in the Chamber. I have yielded to everybody else and certainly I am happy to yield to him.

I am told, Mr. President, that the leaders want to have a unanimous-consent request entered. I am happy to yield to them without my losing the right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

The majority leader is recognized.

Mr. DOLE. Mr. President, I thank the Senator from Nevada, Senator REID.

## UNANIMOUS-CONSENT AGREEMENT—CONFERENCE REPORT ON H.R. 4 AND VETO MESSAGE ON H.R. 1058

Mr. DOLE. Mr. President, I ask unanimous consent that following Senator REID's remarks, the veto message be laid aside, and the Senate turn to the conference report to accompany H.R. 4, the welfare bill, that it be considered under the following time restraints: 3 hours to be equally divided in the usual form.

Mr. President, I further ask unanimous consent that at 10:15 a.m., on Friday, there be 30 minutes for closing remarks on securities, to be equally divided in the usual form, and that at 10:45 a.m., there be 30 minutes for closing remarks on welfare, to be equally divided in the usual form.

Finally, Mr. President, I ask unanimous consent that at 11:15 a.m., the Senate proceed to vote on the question shall H.R. 1058 pass, the objections of the President to the contrary notwithstanding, to be followed immediately by a vote on adoption of the Welfare conference report.

The PRESIDING OFFICER. Is there any objection?

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Reserving the right to object. If the result of this unanimous-consent request is made, we will vote on the two matters that are referred to, but we will not have an opportunity, given what the House of Representatives has just done—and that is, effectively they are recessing tomorrow without a continuing resolution, which will mean that millions of children will be unattended to, millions of the disabled will be unattended to. Effectively, do I understand the majority leader is making a request for those votes tomorrow on those two without giving any indication as to what the majority's intention is going to be, particularly without a continuing resolution, the impact that it is going to have on children and the disabled in this country?

Mr. DOLE. Mr. President, I say to the Senator from Massachusetts, there is a meeting with the President tomorrow morning with the leadership in the Senate and the House. It is my hope that after the meeting is concluded we may be in a position to do something under the CR. I can only speak for myself. I am prepared to do that now, but the House has not sent us one.

I think there will be an effort by the Democratic leader to call up and amend the bill that is now pending, which I would be constrained to object to. But there are others that will be affected in addition to veterans. I think there are four or five groups. It seems to me, if nothing else is successful, we ought to amend the one that the House sent over dealing with veterans and put all the other groups on so they will not be deprived of any benefits or delay in their checks, if everything else fails, as far as the CR is concerned.

Mr. KENNEDY. I will just take another moment.

Mr. President, I appreciate the willingness and the commitment of the majority leader to do that. As the Senator knows, the House has passed now their resolution just a few moments ago which effectively puts them in recess for 3 days, with the possibility of extending 3 more days, the possibility of extending 3 more days, with a 12-hour call-back, and without any continuing resolution, which will be in effect as of 2:30 tomorrow afternoon.

We are being asked to consent to this agreement, where the final votes of which will be some time in the midday;

and the House of Representatives, according to the House rules and the Senate rules, then will be permitted to effectively recess without corresponding necessary action by the Senate. And the particular groups that the majority leader has addressed, their needs will be left unattended.

I just want to know what the intention of the majority is going to be with regard to those individuals, particularly since the majority leader has indicated to the minority leader that he has every indication that he is going to object to a clean continuing resolution.

This appears to be the only avenue that is left open to us. I just learned a few moments ago that this was the action that was taken in the House. And this is the inevitable action that will result if the House takes off and we pass this. Those individuals which the majority leader has identified, they will be left unattended while the House of Representatives recesses and while evidently we will be unable to take any action. We will be foreclosed from taking any action too. And I find that that is a troublesome response.

I want to say at this point, I know that the majority leader has been very positive and constructive in trying to move the larger issue about the reconciliation on the budget forward. I think all of us understand that he has tried to be and is a positive force toward moving in that direction. So I am not at this time trying to interrupt that continued kind of effort.

But that really is independent from the groups that the majority leader has mentioned, from their needs being served. I fail to see how we are going to be able to reach any conclusion with regard to those individuals because it will require both bodies taking action.

Is that the understanding of the majority leader?

Mr. DOLE. It is my understanding—I would have to check—but what happened in the House was simply to give the Speaker authority to recess for 3-day periods in accordance with their rules. I do not believe the recess takes effect at 2:30 tomorrow. It is my understanding our meeting at the White House should end about 11:15, 11:30.

If we can accomplish something tomorrow morning, which I believe we can, then it would be my hope that the House would then—either we amend the bill that is over here with a CR or they send us a CR. I am not an advocate of shutting down the Government. I never have been.

We have indicated in a letter to Senator WARNER and others that we would support on this side and the House side paying all those who were furloughed. But I think we have a larger problem, as pointed out by the Senator from Massachusetts. If everything else fails, I think the least we should do is take up the bill that is now here concerning veterans and add to it the other categories that might be affected.

Mr. KENNEDY. I appreciate that. So that would be the intention of the majority leader.

I will not object to the request. I want to commend the majority leader for that responsible action. I hope that during the time between now and tomorrow that he would use his persuasive powers, which he uses so frequently around here, to encourage that action be taken in a similar way by the House of Representatives.

Mr. DOLE. I thank my colleague from Massachusetts. I certainly will make every effort. I am not certain I will be successful, but I share many of the views he has expressed.

The PRESIDING OFFICER. Is there objection?

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, reserving the right to object, and I shall not object, it would be the right of any Senator to ask at this time that the conference report to accompany H.R. 4, the Personal Responsibility Act, be read in its entirety by the clerk. Such a reading would provide the first indication to most Senators of what is in this conference report. It has been 3 full months since the bill passed the Senate, but the conference committee met only once, 2 months ago, October 24, and conducted no business at the meeting other than opening statements. The entire conference process was conducted behind closed doors and without participation by the minority, which is one reason why there is not a single Democratic signature on this conference report.

I was able to obtain a copy of the conference report only a few hours ago, as the House completed its consideration. We are woefully uninformed as to the details, but may I say that all any Senator needs to know about this legislation is that it would repeal title IV–A of the Social Security Act, Aid to Families with Dependent Children, and that it will be vetoed by President Clinton. Mr. President, I do not object.

I simply want to make the point that this partisan mode is not the way great social-political issues are addressed successfully in our country, and I hope this will pass with the coming of Christmas.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

## UNANIMOUS-CONSENT AGREEMENT—START II TREATY

Mr. DOLE. Mr. President, I further ask unanimous consent that immediately following the two votes, the Senate proceed to executive session to begin consideration of the START II Treaty.

Let me indicate with reference to that, there has been ongoing work that I have been indirectly involved in, in the past several days, to reach some agreement on START II. As I understand, there were seven or eight different issues that have been resolved. They are very close to getting agreement. If that happens, it should not take too long to dispose of the START II treaty.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DASCHLE addressed the Chair.

The PRESIDING OFFICER. The minority leader.

## UNANIMOUS-CONSENT REQUEST—HOUSE JOINT RESOLUTION 134

Mr. DASCHLE. Mr. President, I associate myself with the remarks made by the distinguished Senator from Massachusetts. Many of us have watched with some dismay as the House continues to refuse to offer a resolution which funds the Government. They have now provided for a resolution which only funds that part of the continuing resolution dealing with veterans. We have no objection at all to the veterans resolution coming to the floor and passing it.

We would like to offer an amendment which does that for everything else, including the children and many others who are adversely affected by this Government shutdown.

It is our hope that at some point, certainly before the end of the week, that can be done and would like to see if it could be done tonight.

So, Mr. President, I ask unanimous consent that the Senate now proceed to House Joint Resolution 134, the veterans' continuing appropriations resolution; that the bill be read a third time and passed, as amended, with an amendment that will reopen the Government and keep it open until January 5, 1995; and that the motion to reconsider be laid upon the table.

The PRESIDING OFFICER. Is there objection?

Mr. DOLE. Mr. President, I do reserve the right to object and I shall object, because it does not seem to me this will serve any constructive purpose at this time.

We are going back tomorrow. The principals are going to meet on a balanced budget in 7 years. I am not certain what action the House will take on this this evening, in any event.

As I indicated to the Senator from Massachusetts, and I will again state to the Democratic leader, it is my hope we can make enough progress tomorrow that we can do precisely what he recommends. Maybe the date will not be January 5. I do not know about that date. It does seem to me we have made progress today. If we make some in the morning, perhaps we cannot only do some other legislative business, but also pass a continuing resolution. Therefore, I object.

The PRESIDING OFFICER. Objection is heard.

Mr. DASCHLE. Mr. President, let me just say, I hope as a result of the meeting tomorrow at the White House we can move forward with some form of a continuing resolution tomorrow. I would like it to be a complete continuing resolution, obviously, dealing with

veterans and children and the whole range of those who are adversely affected by this shutdown.

It must not go on. We simply cannot leave with this matter left unresolved. And so it is important that regardless of what happens at the meeting tomorrow, the Senate be on record in support of a continuing resolution which completely funds the Government for a period of time. I am hopeful the majority leader and I can work together to make that happen at some point tomorrow under any set of circumstances.

I yield the floor.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada has the floor and yielded to the two leaders for the purpose of the unanimous-consent request. Does the Senator from Nevada yield or reclaim the floor?

Mr. DOLE. What is the pending business now?

The PRESIDING OFFICER. Completing the statement of the Senator from Nevada, the pending business will be the conference report.

Mr. DORGAN. Mr. President, I simply want to make an inquiry of the majority leader. I wonder if the Senator from Nevada will allow me to do that.

Mr. REID. I will, without losing my right to the floor. We talked about records. Senator DOLE talked about his record. I think I have broken a record. I have been here and yielded 12 times. I will be happy to make it for the 13th.

[Laughter.]

Mr. DORGAN. Make mine the 14th.

Mr. REID. This is the 13th.

## THE FARM BILL

Mr. DORGAN. Mr. President, I appreciate the Senator yielding to me. I would like to inquire of the majority leader on the subject of the farm bill. Senator DOLE comes from farm country, as many of us do in the Chamber, and we face an unusual circumstance toward the end of this year. This is the year we normally would have written a 5-year farm plan. A plan has not been written. One was in the original legislation that was passed by the Senate that was vetoed by the President, the reconciliation bill.

Many of us are concerned, as are farmers from across the country, about what will be the decision of Congress, what kind of circumstance might exist for them and their lenders to anticipate with respect to planting next year, what kind of support prices and so on.

I just rise to inquire of the majority leader what his thinking is about the movement of a farm bill or the extension of the current farm program for a year. What is the current thinking of the majority leader on that subject?

Mr. DOLE. Obviously, I share the concern expressed by the Senator from North Dakota.

Let me first indicate, there will be no more votes today, because I have had inquiries.

It is my understanding that at 3:30 or 4 o'clock this afternoon, there was a discussion of the so-called farm bill with different representatives from the White House and others who were there. I would like to see it part of this package that I hope we can agree on that will give us a balanced budget but still include the agriculture legislation. It is important not only to the Midwest where we are from, but very important to consumers in America and other farmers across this country.

A 1-year extension, if everything else fails, might be an option. As the Senator knows, if that does not happen, we go back to, what is it, 1948, 1949, which would not be very productive, in my view. It would be very high price supports. So I am hopeful that we can work—we are working in a bipartisan way. I say to the Democratic leader, talking about when we get to agriculture, it must be one of the areas we must agree on if we are going to come together and pass a package.

Mr. DORGAN. I appreciate the answer. I point out, as the Senator knows, the urgency with which many farmers view this process, whether it is in or out of a reconciliation bill. I think farmers and their lenders need some understanding of what will be the circumstances for their planting next year, what might or might not be the price support system.

I am not suggesting there is blame here. I am suggesting somehow we need to get to a decision and it might be the extension of the current farm bill or it might be a different plan put in the reconciliation bill. If a reconciliation bill does not occur, then would there be a contingency and does the Senator share the urgency many of us feel on this floor about the need to resolve this issue?

Mr. DOLE. I have been on the Ag Committee—I think I have the record of more service on the Ag Committee than any other member on that committee. We have gone through this a number of times. Certainly, it is very important, very significant for America's farmers. I feel, I hope, as deeply as the Senator from North Dakota and others in the Chamber, when we have large numbers of farmers and ranchers in our States. I hope we can reach some conclusion. If not, we may have to look at an extension for a year.

Mr. DORGAN. Thank you.

Mr. DOLE. Mr. President, if I can ask the Senator from Nevada to yield just one more time.

## SENATOR BYRD'S COMMENTS

Mr. DOLE. Mr. President, I learned in my absence my colleague from West Virginia, Senator BYRD, revealed that I had tied the record for service as the Republican leader. I had no idea that was a fact. If Senator BYRD says it, I know it is a fact because I know he checked it very carefully. I want to thank him for his gracious comments and thank all of my colleagues who have tolerated me during that—what is it—10 years.

## SECURITIES LITIGATION REFORM ACT—VETO

The Senate continued with the reconsideration of the bill.

Mr. REID. Mr. President, I am here to speak on the securities litigation veto override. I want everyone in Nevada to know that this is the same issue that a few weeks ago Senator BRYAN and I disagreed on. It is not a new issue. You see, in Nevada, Mr. President, it is news when Senator BRYAN and Senator REID disagree on an issue, so I repeat for the people of Nevada this is the same issue; it is not a new issue, because we vary so little in our outlook on what is good Government.

Mr. President, there are a lot of issues today that perhaps I would rather be debating, but the parliamentary measure now before us is the securities litigation. A balanced budget or welfare reform would certainly be more timely. There are a number of other issues we should perhaps be dealing with. But the matter that is now before this body is a bipartisan piece of legislation designed to curtail the filing of frivolous security strike suits.

Yesterday, in the House of Representatives, 83 Democrats voted to override, joining the Republicans to obtain, of course, over 300 House votes, significantly more than enough to override the President's veto.

I am distressed that the President has decided to veto this moderate, centrist approach to litigation reform. I am concerned that he has vetoed this legislation for the wrong reasons.

I have reviewed closely his veto message. It does not take very long to read. It would appear he has found very few substantive reasons for vetoing the measure. I believe that the President of the United States received very bad staff advice. One need only look at a number of editorials written this morning in the papers around the country. One in the Washington Times today says, among other things ''According to administration aides, the crucial moment came when New York University Law School Professor John Sexton visited the White House to personally argue that the legislation should be vetoed.''

I do not know who John Sexton met with, whether it was staff in the White House or whether it was the President, but if it were staff and the message was carried to the President, it was pretty bad information because had the staff properly advised the President, they would have found that this man is not really a law professor in the true sense of the word but, rather, he is the dean of a law school. In fact, if this advice was delivered from a professor, as has been stated, without clear vested interests on either side of the hotly contested issue, then the staff gave the President some pretty bad advice, because according to The Wall Street

Journal that is what decided things for Mr. Clinton, because he received advice without clear vested interests on either side of the hotly contested issue.

I believe the staff gave the President some very bad advice. Why? Because Mr. Sexton is not just a professor at New York University school of law, but rather he is the dean of the school of law.

One of the prime functions of the dean of a law school is to raise money for the law school. It is interesting to note—and I think the President should have known this—and it is too bad that the staff did not tell him, that one of the first major donations to New York University School of Law during Mr. Sexton's tenure as dean of the law school was in 1990 when Mr. and Mrs. Melvin Weiss donated $1 million to the school, and then led a campaign to raise another $5 million.

It is interesting to note, Mr. President, that this Mr. Weiss is the Weiss in Milberg, Weiss, Bershad, Haynes & Lerach.

So it seems to me that the staff and the advisors that gave this information to the President failed to tell him that this man and his law school received $1 million from Mr. Lerach's law firm. Then the same partner in the law firm went ahead and helped raise $5 million. So, I think it goes without saying that he received some biased advice.

None of the objections were raised by the White House prior to the vote on the conference report. I understand it is a large bill and that there may be parts the White House disagrees with, but the veto message was pretty skimpy, Mr. President. It makes little sense to reject this measure and all the bipartisan efforts that went into drafting it.

The current system encourages plaintiffs to file strike suits at will.

Mr. President, I think the President got some bad advice. I think what he should have done and what his staff should have shown to him is a memorandum that is dated December 19, directed to the President of the United States, to the Office of White House Counsel. In this, there would have been a clear statement as to answering the main problem the President said in his very brief veto statement.

This memorandum was written by Prof. Joseph A. Grundfest, of Stanford School of Law. Professor Grundfest is a man who can speak with some authority. He is not only a professor at Stanford, one of the foremost law schools in the entire world, but he joined Stanford's faculty 5 years ago after having served as Commissioner of the United States Securities and Exchange Commission. I will not go through his entire resume, but he knows something about securities.

What he said to the President is that the pleading standard is faithful to the second circuit's test.

> Indeed, I concur with the decision to eliminate the Specter amendment language, which was an incomplete and inaccurate codification of case law in the circuit.
>
> As is stated in a recent Harvard Law Review article, codification of a uniform pleading standard in 10b–5 cases would eliminate the current confusion among circuits. The Second circuit standard is among the most thoroughly tested, and it also balances deterrence of unjustified claims with need to retain a strong private right of action. Indeed, the second circuit is widely respected for its legal sophistication . . . .

This is the type of scholarly counsel the President should have been provided by the staff. In fact, they were directed to one of the law partners' donatees, someone who had given the law school large sums of money.

Mr. President, the current system encourages plaintiffs to file strike suits at will. The system almost operates like a pyramid scheme where investors are encouraged to get in early but ultimately lose out to the operators of the scam—in this case, these attorneys. How quick are these suits filed? We heard statements this morning that they have been filed within minutes of the stock dropping. I heard a statement today of 90 minutes.

In dismissing the Philip Morris securities litigation, the court in the Southern District of New York, noted that 10 lawsuits were filed within 2 business days of a drop in earnings being announced. In one case, a suit was filed within 5 hours of the announcement. They were slow. They have beaten that by at least 3½ hours. In that case, the court states:

> . . . in the few hours counsel devoted to getting the initial complaints to the courthouse, overlooked was the fact that two of them contained identical allegations, apparently lodged in counsel's computer memory of ''fraud'' form complaints, that the defendants here engaged in conduct to prolong the illusion of success . . . .

The judge, in that case, found it hard to believe that the shareholders could have contacted their lawyers to file suit so quickly. The speed with which they file these suits suggests that these attorneys are constantly on a hunt for any drop in a stock price. This is really a form of Wall Street ambulance chasing. The Philip Morris case is, unfortunately, not the unusual. It is a competitive business among a very small group of lawyers. Each attempts to get in on the bottom floor of each action. They follow the old Chicago corollary on elections: file early and file often. Why? Because the lawyer that is designated the lead counsel by the court is in the best position to collect attorney's fees.

Mr. President, in a single 44-month period, one plaintiff's law firm alone filed 229 separate 10b–5 suits around the country, the equivalent of filing one 10b–5 every 4.2 business days. Almost 70 percent of the 10b–5 class actions filed by Milberg Weis, the leading securities litigation plaintiffs firm, over a 3-year period were filed within 10 days of when the stock price dropped.

Now, if you look at the editorial today from the Wall Street Journal, you find it quite interesting. They ask rhetorically, why did President Clinton veto this? They say, among other things:

> So what is the big show-stopper? Mr. Clinton singles out several minor clauses, especially the language on ''pleading requirements.''

I already addressed that:

> This is the part of the bill designed to ensure that lawyers state a specific cause of action . . . before being allowed to paw through a company's files. Mr. Clinton says he is prepared to accept a higher pleading standard, just not as high as the one called for here.

They go on to say:

> This is why he vetoed the entire bill? Give us a break. Even Sen. Dodd doesn't buy it. In a statement, he said, [Senator Dodd] ''While I respect the President's decision, frankly I'm surprised at the reasons, raised at the 11th hour, which are relatively minor given the real scope and degree of the strike-suit problem. In fact, they have been resolved over the course of the more than four years it took to carefully craft this compromise, bipartisan legislation.''

That is a statement from Senator CHRIS DODD.

The Wall Street article goes on to say:

> If the Democrats are to put together a forward-looking, next-century agenda that can attract widespread support, they've got to get off their bended knee before groups like the trial lawyers.

Defrauded investors are not adequately compensated because attorneys, not investors, control these class actions. The average class action settlement gives investors only 14 cents for every dollar lost, while one-third of each settlement and more goes to the attorneys.

The legitimacy of the plaintiffs must be examined. Some are clearly professional plaintiffs who lend their names to any class action suit. One study of 229 cases showed 81 people were plaintiffs more than once. These are not aggrieved, injured parties, but professional plaintiffs, and the lawyers know it.

If you do not believe me, Mr. President, listen to the words of one of the plaintiff's attorneys who benefit from the status quo. An attorney by the name of William Barrett told Forbes Magazine, ''I have the best practice in the world because I have no clients.'' This might be funny if it were not so true and so costly.

Just how expensive is maintaining the status quo? One report stated that it cost companies an average of $8.6 million in settlement fees, $700,000 in attorney's fees, and about 1,000 hours of management time to settle the typical frivolous securities suit.

Status quo means companies will have to pay these costs rather than create new products and, I submit, new jobs.

Mr. President, who pays for these costs? These costs are passed on to investors in the form of stock price devaluation and lower dividends. This undermines the confidence of all investors in our capital markets.

Let us look at specific costs one company faced because of the current pro-

trial lawyer's laws. After one company, called Adapt Technology, went public, it was advised to carry $5 million in director and officer liability insurance. This cost them $450,000 each year for premiums. Prior to going public they paid a few thousand dollars per year. To be exact, less than $29,000. The additional insurance is needed because of the virtual certainty that the company will be sued for securities fraud within a short time after going public, and then they have to be concerned about the different margins where the stock falls. If Adapt did not have to pay this additional liability insurance they say they could hire at least five new engineers.

I know there have been mayors and other officials around the country who have been given information, mostly from these lawyers, that this is bad for them. They write to me and others, still talking about the original House version of the bill which certainly is not anything we have before us now, saying this is not what they want.

I would like to refer to some people who support this legislation because there is lots of support of our people at home who want this legislation approved. They want this veto overridden.

Bill Owens, State treasurer of the State of Colorado, in a letter states, ''The plaintiffs typically recover only a small percentage of their claims and the lawyers extract large fees for bringing the suit. A system that was intended to protect investors now seems to benefit the lawyers.''

We also have a letter, part of a letter from the State treasurer of Delaware. Certainly Delaware—that is where most corporations are formed—I think we should give some credence to the treasurer of the State of Delaware, where she says, ''Investors are also being harmed by the current system as it shortchanges people who are being victimized by real fraud. The plaintiff's lawyers who specialize in these cases profit from bringing as many cases as possible and quickly settling them, regardless of the merits. Valid claims are being undercompensated in the current system because lawyers have less incentive to vigorously pursue them.''

Another State treasurer, Judy Topinka, from the State of Illinois, in a letter to Senator MOSELEY-BRAUN writes, ''Because shareholders are on both sides of this litigation it merely transfers wealth from one group of shareholders to another. However it wastes millions of dollars in company resources for legal expenses and other transaction costs that otherwise could be invested to yield higher returns for company investors.''

''The concern about and reaction to meritless lawsuits has caused accountants, lawyers and insurance companies to insure their directors with price tags ultimately paid by the consumer and investing public including a large part of our retirees and pension holders.'' So says Joe Malone, Treasurer of the Commonwealth of Massachusetts.

The treasurer of North Carolina: ''I agree,'' he says, ''that the current securities fraud litigation system is not protecting investors and needs reform.''

The treasurer of the State of Ohio and the treasurer of the State of Oregon say similar things. The treasurer of the State of South Carolina, the treasurer of the State of Wisconsin, the treasurer of the State of California state similar things.

So, if we look to our States for guidance we should follow what our treasurers say.

But there are others who support this securities litigation reform and there would be many more that would support the securities litigation reform had they not been given such bad information early on that scared them to death. The information was given to them by these lawyers who make a fortune with these security litigation lawsuits. Supporters of the securities litigation reform, I will read off a few of the names: American Business Conference, American Electronics Association, American Financial Services Association, American Institute of Certified Public Accountants, Association for Investment Management and Research, Association of Private Pension and Welfare Plans, Association of Publicly-traded Companies, BIOCOM—formerly Biomedical Industry Council—Biotechnology Industry Association, Business Round Table, Commissioner of Corporations of the State of California, Champion International Pension Plan—one of the largest in the United States—Director of Revenues of the city of Chicago, Coalition to Eliminate Abusive Security Suits, Connecticut Retirement and Trust Fund, Eastman Kodak Retirement Plan, Electronics Industries Association, chief administrative officer of the State of Florida, Information Technology Association of America, Massachusetts Bay Transportation Association, National Association of Investors Corp., National Association of Manufacturers, National Investor Relations Institute, National Venture Capital Association, Governor of the State of New Mexico, Comptroller of the City of New York, New York City Pension Funds, Oregon Public Employees Retirement System, Public Securities Association, Securities Industries Association, Semiconductor Industry Association, Silicon Valley Chief Executives Association, Software Publishers Association, Teachers Retirement System of Texas, Washington State Investment Board—just to name a few of those that want something to happen, namely that this veto be overridden.

There are a lot of good reasons to support this measure. Frivolous strike suits are not simply windfalls to unscrupulous attorneys, but they are costing our Nation jobs. They are inhibiting the development of high technology in every State in the Union. It is almost a certainty that start-up companies will get, with the formation of the company—a strong chance that soon thereafter there will be a securities class action lawsuit after they have gone public. The information provided to the Senate Banking Committee indicates that 19 of the largest 30 companies in Silicon Valley have been sued since 1988.

According to another study, 62 percent of all entrepreneurial companies that went public since 1986 have been sued. This was by 1993, when the records were made available to us. In the last year and a half, I will bet we are nearing 80 or 90 percent. They file them almost as fast as they can. This is just in Silicon Valley.

So, as one of the Senators from Nevada, I find this disappointing. There are other reasons for supporting this legislation. By discouraging frivolous security suits, companies can use their capital to increase shareholder returns. They could expand research and development. They could create new jobs. The conference report also ensures that victims of securities fraud and not their lawyers are winners.

I think that one reason we are hearing the screaming from these lawyers is that under this conference report, under this legislation, the people who will benefit if they have been cheated will be the people who have been cheated, not the lawyers and the professional plaintiffs. Too often these attorneys collect millions of dollars while their clients collect only pennies.

What about investors? Investors are harmed by the status quo because companies are reluctant to provide estimates about future performance for fear they will be sued. The conference report remedied this by providing for the safe harbor, while the Chairman of the SEC said he approved this.

Let us also talk about the work done on this legislation by the senior Senator from the State of Connecticut. I remind my colleagues, my Democratic colleagues who voted for this measure originally, that this issue is not about supporting the President. This issue is about supporting the chairman of the Democratic National Committee, who has spent countless hours working on this legislation, drafting this legislation, debating this legislation, and who worked with the White House up to the very end to get their approval on what was done. So this is not a question about supporting the President. It is a question of those who originally supported this bill yanking the rug out from somebody who has worked very hard on this legislation. He has done so in consultation with the White House. The White House has been included from the very beginning. That is a tribute to the senior Senator from Connecticut.

He was instrumental in including the White House in developing this legislation. There have been good-faith efforts to consult with the administration every step of the way. And when this legislation left the Senate, the senior Senator from Connecticut said, ''I will

support this legislation when it comes back from conference only if it matches what we have done here in the Senate.'' That is, that it follows what we have done here in the Senate.

Certainly that is what it did. The Senate position was what was adopted. The President's weak ideas for vetoing this, we have gone over.

There are people who do not like this legislation, and I respect them for that. I respect them for that. But those people who supported this legislation initially should understand that one of our leaders, Senator DODD, has spent a great deal of time and effort on this legislation and he does not deserve any of the 18 Democratic Senators who voted for this to have jerked the rug out from under him. He deserves more than that. He works on a daily basis for all Democratic Senators. But certainly let us not do this to him. As chairman of the DNC, he is probably more in sync with the desires of the body politic than the rest of us. He knows what direction our party should be headed, and he realizes that the centrist commonsense proposals, such as we are now asking of the majority of this Senate should be given our support.

I ask my Democratic colleagues to consider this when voting on the override. Consider the work that has gone into this by the senior Senator from Connecticut.

This is needed legislation that will do much good. This will put some lawyers out of the kind of work they have been doing making fortunes. They may have to get another practice, or another type of law, or maybe start doing work in which they get paid on an hourly basis. But in the long run, it will also create many new jobs and benefit small investors. It represents the moderate centrist approach to legislating that we ought to be engaged in here.

I respect the opposition to this legislation. There are some people who simply did not like it to begin with. It is a very small minority. But I respect them for that. But those that supported this legislation on this side of the aisle should stick with our leader on this issue, that is, Senator DODD who has spent so much time on this legislation.

This legislation does not represent the ideology of the liberal left or the radical right. It represents a commonsense, bipartisan consensus, and I believe that is what the voters sent us here to do.

There is speculation as to why it was vetoed. I am not going to engage in that other than to say that the President got some real bad advice. The absence of persuasion in the veto message does little to quell any speculation.

I must say, however, that the death of this legislation only benefits a very small group of lawyers who have ruthlessly exploited current laws. They do so to the detriment of small investors and those who have legitimate claims. Their access to money has endowed them with tremendous influence in this debate, and I believe that is regrettable.

I believe, Mr. President, that this legislation is fair. I think it is directly going to help clear up an area of law that needs clearing up.

To those people who are talking about investors not being protected, I repeat that Senator DODD went to great lengths to work with the vast majority of people on the other side of the aisle, with the White House, and a number of Senators on this side, making sure that investors would still be protected. Investors will be protected, but the lawyers who have been getting these exorbitant fees will not be protected if this veto is overridden, which I hope it is.

## PERSONAL RESPONSIBILITY AND WORK ACT OF 1995—CONFERENCE REPORT

The PRESIDING OFFICER. Under the previous order, the clerk will report the conference report.

The legislative clerk read as follows:

The committee on conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of December 20, 1995.)

Mr. MOYNIHAN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROTH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, sometime ago the American people reached a turning point concerning welfare reform. They understand that despite having spent over $5 trillion over the past 30 years, the welfare system is a catastrophic failure.

In 1965, 15.6 percent of all families with children under the age of 18 had incomes below the poverty level. And in 1993, 18.5 percent of families with children under the age of 18 were under the Federal poverty level. The system created to end poverty has helped to bring more poverty. By destroying the work ethic and undermining the formation of family, the welfare system has lured more Americans into a cruel cycle of dependency. The size and cost of the welfare programs are at historically high levels and are out of control. Federal, State, and local governments now spend over $350 billion on means-tested programs.

Between 1965 and 1992, the number of children receiving AFDC has grown by nearly 200 percent. Yet, the entire population of children under the age of 18 has declined—declined by 5.5 percent over this same period. More than 1.5 million children have been added to the AFDC caseload since 1990. And if we do nothing, if we do nothing to reform it, the number of children receiving AFDC is expected to grow from 9.6 million today to 12 million within 10 years.

That is what the future holds if the current system is allowed to continue. A welfare system run by Washington simply costs too much and produces too little in terms of results.

Twenty years ago, 4.3 million people received food stamp benefits. In 1994, that number had grown to 27.5 million people, an increase of more than 500 percent. And between 1990 and 1994 alone, the number of people receiving food stamps grew by nearly 7.5 million people.

In 1974, the Supplemental Security Income Program was established to replace former programs serving low-income elderly and disabled persons. SSI was considered to be a type of retirement program for people who had not been able to contribute enough for Social Security benefits. Of the 3.9 million recipients in 1974, 2.3 million were elderly adults. The number of elderly adults has actually declined by 36 percent.

But consider this: In 1982, noncitizens constituted 3 percent of all SSI recipients. By 1993, noncitizens constituted nearly 12 percent of the entire SSI caseload. Today, almost 1 out of every four elderly SSI recipients is a noncitizen.

Before 1990, the growth in the number of disabled children receiving SSI was moderate, averaging 3 percent annually since 1984. Then, in the beginning of 1990, and through 1994, the growth averaged 25 percent annually and the number trimmed to nearly 900,000 children. The number of disabled children receiving cash assistance under the Supplemental Security Income Program has increased by 166 percent since 1990 alone. The maximum SSI benefit is greater than the maximum AFDC benefit for a family of three in 40 States.

Welfare reform is necessary today because while the rest of the Nation has gone through a series of social transformations, the Federal bureaucracy has been left behind, still searching in vain for the solution to the problems of poverty. It simply will not be found in Washington.

Our colleague, Senator MOYNIHAN, has reminded us on a number of occasions that the AFDC Program began 60 years ago as a sort of widow's pension. Consider that the AFDC Program cost $697 million in 1947 measured in constant 1995 dollars. In 1995, the Federal Government spent $18 billion on the AFDC population, an increase of 2,500 percent measured in constant dollars.

Now, the AFDC Program was originally intended to be a modest means to keep a family together in dignity. But much has changed since then and the system has become a cruel hoax on our young people. It has torn families apart and left them without the dignity of work.

Washington does not know how to build strong families because it has forgotten what makes families strong. It has failed to understand the consequences of idleness and illegitimacy.

Last March, the House of Representatives charted an ambitious course for welfare reform in the 104th Congress. H.R. 4, the Personal Responsibility Act of 1995, was a bold challenge to all of us. It was a creative and comprehensive response to the many problems we currently face in the complex welfare system.

Since then, the Senate has continued the national debate and built on the blueprint provided by the House. Just 3 months ago, the Senate demonstrated that it recognized dramatic and sweeping reforms are necessary. The Work Opportunity Act passed the Senate with an overwhelming and bipartisan vote of 87 to 12.

Today, I am here to present to the Senate and to the American people H.R. 4, the Personal Responsibility and Work Opportunity Act of 1995. H.R. 4 ends the individual entitlement to Federal cash assistance under the current AFDC Program. It also caps the total amount of Federal funding over the next 7 years. These are the critical pieces of welfare reform which will institute dramatic changes the American people want.

These two provisions are the key to everything else which will transpire in the States. They make all other reforms possible. They guarantee the national debate about work and family will be repeated in every statehouse. Fiscal discipline will force the State to set priorities. Block grants will provide them with the flexibility needed to design their own system to break the cycle of dependency. And most importantly, this legislation restores the work ethic and reinforces the value of the family as the fundamental cell of our society.

Mr. President, after decades of research and rhetoric, it is indeed time to end welfare as we know it. This welfare reform initiative is built on three basic platforms and contains all the necessary requirements of authentic welfare reform.

First, individuals must take responsibility for their lives and actions. The present welfare system has sapped the spirit of so many Americans because it rewards dependency. It has also allowed absent parents to flee their moral and legal obligations to their children. This legislation ends the individual entitlement to public assistance and provides for a stronger child support enforcement mechanism.

Second, it restores the expectation that people who can help themselves must help themselves. For far too long, welfare has been more attractive than work. This legislation corrects the mistakes of the past which allowed people to avoid work. We provide additional funding for child care and incorporate educational and training activities to help individuals make the transition from welfare to work. Under this legislation, welfare recipients will know that welfare will truly be only a temporary means of support and must prepare themselves accordingly.

Finally, this legislation transfers power from Washington back to the States where it belongs. This will yield great dividends to recipients and taxpayers alike. As the power is drained from Washington, Americans should eagerly anticipate the reciprocal actions that take place in the States. States will find more innovative ways to use this money to help families than Washington ever imagined.

Freed from the current adversarial system, the States will be able to design their own unique methods to help families overcome adversity. The current system insults the dignity of individuals by demanding a person prove and maintain destitution. States will reverse this disordered thinking and raise expectations by shifting the emphasis from what a person cannot do to what a person can do.

On balance, you will find that the conference reflects the work of the Senate on the major issues within the Finance Committee jurisdiction. And as you examine the individual parts and the bill as a whole, I believe you will find we have been responsive to the concerns of the Senate.

The conference report provides the right mixture of flexibility to the States but still retains appropriate accountability. And I think the States will find this transfer of power to be a reasonable challenge.

Here are the major specific items included in title I which creates the new block grants to States for temporary assistance for needy families with minor children.

Each State is entitled to receive its allocation of a national cash welfare block grant which is set at $16.3 billion each year, and in return the States are required to spend at least 75 percent of the amount they spent on cash welfare programs in 1994 over the next 5 years.

In terms of funding, the States will be allowed to choose the greater of their average for the years 1992 to 1994 or their 1994 level of funding or their 1995 level of funding. By allowing the States to use their 1995 funding level, we have increased Federal spending for the block grant by $3.5 billion over the Senate-passed bill. We have maintained the $1 billion contingency fund.

The States will be required to meet tough but reasonable work requirements. In 1997, the work participation rate will be 20 percent. This percentage will increase by 5 percentage points each year. By the year 2002, half of the State total welfare caseload must be engaged in work activities. As provided by the Senate bill, States will be required to enforce ''pay for performance.'' If a recipient refuses to work, a pro rata reduction in benefits will be made.

We provide the resources to make this possible with $11 billion in mandatory child care funds for welfare families. Let me repeat. The conference report includes $1 billion more for child care than the Senate welfare bill.

Another $7 billion in discretionary funds are provided to assist low-income working families. There will be a single block grant administered through the child care and development block grant, but guaranteed funding for the welfare population.

The House has agreed to accept the Senate definition of work activities to include vocational training.

The House has agreed to drop its mandatory prohibition on cash assistance to teenage mothers. As under the Senate bill, this will be an option for the States to determine. The House has accepted the Senate authorization for the creation of second chance homes for unmarried young mothers.

The family cap provision has been modified from both positions. Under the new proposal, States will not be permitted to increase Federal benefits for additional children born while a family is on welfare. However, each State will be allowed to opt out of this Federal prohibition by passing State legislation.

The sweeping reforms in child support enforcement has unfortunately been overlooked in the public debate. This has been an important area of bipartisan action and an important method of assisting families to avoid and escape from poverty.

We are strengthening the enforcement mechanism in several ways. In general, the conference report more closely reflects the Senate bill. We reconciled several of the differences between the House and Senate on items such as the Director of New Hires and the expansion of the Federal Parent Locator Service simply by choosing a midpoint. We have increased funding over the Senate bill for the continued development costs of automation from $260 to $400 million.

One particular child support enforcement issue which may be of interest to you is the distribution of child support arrears. Beginning October 1, 1997, all post-assistance arrears will be distributed to the family before the State. As of October 1, 2000, all preassistance arrears will go to the family before the State will be allowed to recoup its costs.

We believe that improving child support collection will greatly assist families in avoiding and escaping poverty.

The American Bar Association strongly supports our child support enforcement changes. The ABA recently wrote that, ''if these child support reforms are enacted, it will be an historic

stride forward for children in our nation.'' Mr. President, we cannot afford to miss this historic opportunity.

SSI is now the largest cash assistance program for the poor and one of the fastest growing entitlement programs. Program costs have grown 20 percent annually in the past 4 years. Last year, over 6 million SSI recipients received nearly $22 billion in Federal benefits and over $3 billion in State benefits. The maximum SSI benefit is greater than the maximum AFDC benefit for a family of 3 in 40 States.

The conference agreement contains the bipartisan changes in the definition of childhood disability contained in the Senate-passed welfare reform bill. I am pleased we have addressed this problem on common ground.

The conference rejected the House block grant approach. All eligible children will continue to receive cash assistance. We retain our commitment to serving the disabled while linking assistance to need.

For children who become eligible in the future, there will be a two-tier system of benefits. All children will receive cash benefits. Those disabled children requiring special personal assistance to remain at home will receive a full cash benefit. For families where the need is not as great, such children will receive 75 percent of the full benefit.

No changes in children's benefits for SSI will take place before January 1, 1997. This will allow for an orderly implementation and protect the interests of current recipients.

These changes will restore the public's confidence in this program and maintain our national commitment to children with disabilities.

Current resident noncitizens receiving benefits on the date of enactment may continue to receive SSI, food stamps, AFDC, Medicaid, or title XX services until January 1, 1997. After January 1, 1997, current resident noncitizens may not receive food stamps or SSI unless they have worked long enough to qualify for Social Security. States will have the option of restricting AFDC, Medicaid, and title XX benefits.

Legal noncitizens arriving after the date of enactment are barred from receiving most Federal means-tested benefits during their first 5 years in the United States. SSI and food stamps will remain restricted until citizenship or until the person has worked long enough to qualify for Social Security. The States have the option to restrict AFDC, Medicaid, and title XX benefits after 5 years.

Mr. President, it is time to correct the fundamental mistakes made by the welfare system over the past three decades. All too often, the system simply assumes that if a person lacks money, he or she also lacks any means of earning it. The present welfare system locks families into permanent dependency when they only needed a temporary hand up. It creates poverty and dependence by destroying families and initiative. To end welfare as we know it, we must put an end to the system which has done so much to trap families into dependence. The Personal Responsibility and Work Opportunity Act of 1995 will accomplish precisely these goals.

From the early days of his administration, President Clinton promised welfare reform to the American people. H.R. 4 meets all principles he has outlined for welfare reform. If the President vetoes H.R. 4, he will be preserving a system which costs and wastes billions of taxpayers' dollars. More importantly, however, if the President vetoes H.R. 4, he will be accepting the status quo in which another 2½ million children will fall into the welfare system.

On January 24, 1995, President Clinton declared at a joint session of Congress, ''Nothing has done more to undermine our sense of common responsibility than our failed welfare system.''

Mr. President, vetoing welfare reform will seriously undermine the American people's confidence in our political system. The American people know the present welfare system is a failure. They are also tired of empty rhetoric from politicians. Words without deeds are meaningless. The time to enact welfare reform is now.

Mr. President, I yield back the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, just as a point of inquiry, we have 3 hours this evening, and I assume it will be equally divided? Is that agreeable to my friend, the distinguished chairman?

Mr. ROTH. That is correct. That is my understanding.

The PRESIDING OFFICER. That is correct.

Mr. MOYNIHAN. Mr. President, first, may I express my appreciation for the thoughtfulness and sincerity with which the Senator from Delaware has addressed this troubled issue. It is not necessarily the mode of address in these times with regard to this subject. And if I do not agree with him, it is not for lack of respect for his views. He knows that.

He mentioned the subject of a presidential veto, sir. And I must say that there will be such. The President this morning issued a statement saying that, ''If Congress sends me this conference report, I will veto it and insist that they try again.'' And I hope we will try again.

He spoke to the idea that, as he says as he concludes, ''My administration remains ready at any moment to sit down in good faith with Democrats and Republicans in Congress to work out a real welfare reform plan.''

May I say in that regard, first of all, that it is disappointing considering the degree of bipartisan efforts we have made with respect to the Social Security Act. As the Senator from Delaware stated, this bill would repeal the individual entitlement under title IV-A of the Social Security Act, the Aid to Families with Dependent Children program.

The conference report before us states:

> The committee on conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4), to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence, having met, after full and free conference, have agreed to recommend—

Full and free conference? No, Mr. President. There was one meeting of the conferees on October 24, 2 months ago. We took the occasion to make opening statements, and the conference, as such, has never met since. We received a copy of this report late this afternoon. This is no way to address a matter of this consequence. Let me, if I may, state to you what consequence I refer to.

It is possible to think of the problem of welfare dependency, an enormous problem, as somehow confined to parts of our society and geography, the inner-city, most quintessentially. It is certainly concentrated there but by no means confined there.

The supplemental security income provision, established in 1974, is what is left of President Nixon's proposal for the Family Assistance Plan that would have created a guaranteed level of income. I remarked earlier, a quarter century ago I found myself working with our masterful majority leader in this purpose—the children were left out. But we established a guaranteed income for the aged, the blind and disabled and later expanded it greatly for children. But, basically, the provision to replace AFDC with a negative income tax was dropped.

In the course of the 1960's we developed a new set of initiatives, in particular the Economic Opportunity Act of 1965. We had learned, as a matter of social inquiry, that there is just so much you can do with a one-time survey of the population to understand the condition of that population. You can extrapolate, you can use your mathematical skills as much as possible, sampling and surveying periodically. But we said, if you are going to learn more, you are going to have to follow events over time. Longitudinal studies, as against vertical. The distinguished Presiding Officer knows those words from his experience as an applied economist in the world of business. In 1968, we established the panel study of income dynamics at the University of Michigan at the Survey Research Center, and they have been following a panel of actual persons, with names and addresses, for almost 30 years. We now know something about how people's incomes go up and down, and such.

A distinguished social scientist, Greg J. Duncan, at Northwestern University and Wei-Jun Jean Yeung of the University of Michigan have calculated the

incidence of welfare dependency in our population for the cohort, by which we mean people born, between 1973 and 1975. These people will be just going into their twenties and out of age of eligibility.

Mr. President, of the American children born from 1973 to 1975, now just turning 20, 24 percent had received AFDC benefits at some point before turning 18. That includes 19 percent of the white population and 66 percent of the black population. Do not ever forget the racial component in what we are dealing with.

If you include AFDC, supplemental security income, and food stamps, you find that 39 percent of your children, 81 percent of African-Americans and 33 percent of whites—received benefits at some point in their youth.

Problems of this magnitude deserve careful analysis and careful response. That is why persons whose voices have been most persuasive in this debate, those asking, ''What are you doing?'' have been conservative social analysts, social scientists. James Q. Wilson at the University of California, Los Angeles, for example; Lawrence Mead on leave at Princeton. His chair is at New York University. And George Will, a thoughtful conservative, who had a column when we began this discussion last September called ''Women and Children First?'' He said:

As the welfare reform debate begins to boil, the place to begin is with an elemental fact: No child in America asked to be here.

No child in America asked to be here.

Each was summoned into existence by the acts of adults. And no child is going to be spiritually improved by being collateral damage in a bombardment of severities targeted at adults who may or may not deserve more severe treatment from the welfare system.

We are talking about these children.

I ask unanimous consent that this column be printed in the RECORD.

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

[From the Washington Post, Sept. 14, 1995]

WOMEN AND CHILDREN FIRST?

(By George F. Will)

As the welfare reform debate begins to boil, the place to begin is with an elemental fact: No child in America asked to be here.

Each was summoned into existence by the acts of adults. And no child is going to be spiritually improved by being collateral damage in a bombardment of severities targeted at adults who may or may not deserve more severe treatment from the welfare system.

Phil Gramm says welfare recipients are people ''in the wagon'' who ought to get out and ''help the rest of us pull.'' Well. Of the 14 million people receiving Aid to Families with Dependent Children, 9 million are children. Even if we get all these free riders into wee harnesses, the wagon will not move much faster.

Furthermore, there is hardly an individual or industry in America that is not in some sense ''in the wagon,'' receiving some federal subvention. If everyone gets out, the wagon may rocket along. But no one is proposing that. Instead, welfare reform may give a whole new meaning to the phrase ''women and children first.''

Marx said that history's great events appear twice, first as tragedy, then as farce. Pat Moynihan worries that a tragedy visited upon a vulnerable population three decades ago may now recur, not as farce but again as tragedy.

Moynihan was there on Oct. 31, 1963, when President Kennedy, in his last signing ceremony, signed legislation to further the ''deinstitutionalization'' of the mentally ill. Advances in psychotropic drugs, combined with ''community-based programs,'' supposedly would make possible substantial reductions of the populations of mental institutions.

But the drugs were not as effective as had been hoped, and community-based programs never materialized in sufficient numbers and sophistication. What materialized instead were mentally ill homeless people. Moynihan warns that welfare reform could produce a similar unanticipated increase in children sleeping on, and freezing to death on, grates.

Actually, cities will have to build more grates. Here are the percentages of children on AFDC at some point during 1993 in five cities: Detroit (67), Philadelphia (57), Chicago (46), New York (39), Los Angeles (38). ''There are,'' says Moynihan, ''not enough social workers, not enough nuns, not enough Salvation Army workers'' to care for children who would be purged from the welfare rolls were Congress to decree (as candidate Bill Clinton proposed) a two-year limit for welfare eligibility.

Don't worry, say the designers of a brave new world, welfare recipients will soon be working. However, 60 percent of welfare families—usually families without fathers—have children under 6 years old. Who will care for those children in the year 2000 if Congress decrees that 50 percent of welfare recipients must by then be in work programs? And whence springs this conservative Congress's faith in work programs?

Much of the welfare population has no family memory of regular work, and little of the social capital of habits and disciplines that come with work. Life in, say, Chicago's Robert Taylor housing project produces what sociologist Emil Durkheim called ''a dust of individuals,'' not an employable population. A 1994 Columbia University study concluded that most welfare mothers are negligibly educated and emotionally disturbed, and 40 percent are serious drug abusers. Small wonder a Congressional budget Office study estimated an annual cost of $3,000 just for monitoring each worldfare enrollee—in addition to the bill for training to give such people elemental skills.

Moynihan says that a two-year limit for welfare eligibility, and work requirements, might have worked 30 years ago, when the nation's illegitimacy rate was 5 percent, but today it is 33 percent. Don't worry, say reformers, we'll take care of that by tinkering with the incentives: there will be no payments for additional children born while the mother is on welfare.

But Nicholas Eberstadt of Harvard and the American enterprise Institute says: Suppose today's welfare policy incentives to illegitimacy were transported back in time to Salem, Mass., in 1660. How many additional illegitimate births would have occurred in Puritan Salem? Few, because the people of Salem in 1660 believed in hell and believed that what today are called ''disorganized lifestyles'' led to hell. Congress cannot legislate useful attitudes.

Moynihan, who spent August writing his annual book at his farm in Delaware County, N.Y., notes that in 1963 that county's illegitimacy rate was 3.8 percent and today is 32 percent—almost exactly the national average. And no one knows why the county (which is rural and 98.8 percent white) or the nation has so changed.

Hence no one really knows what to do about it. Conservatives say, well, nothing could be worse than the current system. They are underestimating their ingenuity.

Mr. MOYNIHAN. I thank the Chair.

Mr. President, in our family, we have had the great privilege and joy since the years of the Kennedy administration to have a home, an old farmhouse on a dairy farm in up-State New York, Delaware County, where the Delaware River rises. Mormonism had some of its origins on the banks of the Susquehanna in our county.

The population of Delaware County is largely Scots, the one main group that you can identify. This was sheep raising country in the 19th century. Presbyterian churches are everywhere. It is not so very prosperous, but more so now than when we moved there. In 1963, 3.5 percent of live births in Delaware County were out of wedlock; in 1973, 5.1; 1983, 16.6; 1993, 32.6. We are, in fact, above the national average in this rural traditional society.

We talk so much about how the welfare system has failed. Mr. President, the welfare system reflects a much larger failure in American society, not pervasive, but widespread, which we had evidence of, paid too little attention to, but still do not truly understand. It will be the defining issue of this coming generation in American social policy and politics.

There is nothing more dangerous to writer Daniel Boorstin, that most eminent historian, former Librarian of Congress, who said that it is not ignorance that is the great danger in society, it is ''the illusion of knowledge.'' The illusion exists where none exists. I have spent much of my lifetime on this subject and have only grown more perplexed.

In the Department of Labor under Presidents Kennedy and Johnson, we began the policy planning staff and picked up the earthquake that shuttered through the American family. We picked up the first trembles. If you told me the damage would be as extensive as it is today, 30 years ago if I was told what would be the case, I would have said no, no, it would never get that way. It has.

Now, we did make an effort. We did, indeed, do something very considerable, and in 1988, by a vote of 96–1, we passed out of this Chamber the Family Support Act, which President Reagan signed in a wonderful ceremony. Governor Clinton was there, Governor Castle for the Governors' Association, in a Rose Garden ceremony, October 13. He said:

I am pleased to sign into law today a major reform of our Nation's welfare system, the Family Support Act. This bill represents the culmination of more than 2 years of effort and responds to the call in my 1986 State of the Union message for real welfare reform—reform that will lead to lasting emancipation from welfare dependency.

The act says of parents:

We expect of you what we expect of ourselves and our own loved ones: that you will

do your share in taking responsibility for your life and the lives of the children you bring into the world.

First, the legislation improves our system of securing support from absent parents. Secondly, it creates a new emphasis on the importance of work for individuals in the welfare system.

All we are saying all this year has been what President Reagan said. We put that legislation into place.

I offered on the floor a bill to bring it up to date, the Family Support Act of 1995. It got 41 votes, all, I am afraid, on this side, because both the present and previous administration, to be candid, have somehow not been willing to assert what has been going on under the existing statute.

I stood on the floor when we were debating the welfare bill and Senator after Senator on our side talked about the extraordinary things going on in his or her State by way of welfare changes, and none acknowledging that they are going on under the existing law.

On Wednesday, Senator James T. Fleming, a Republican, the majority leader of the Connecticut Senate, had an op-ed article, as we say, in the New York Times, called ''Welfare in the Real World.'' He talked about Connecticut's new welfare legislation, which is tough. ''It imposes the Nation's shortest time limit on benefits, 21 months, and reduces payments under the Aid to Families with Dependent Children program by an average of 7 percent.''

Then he goes on to complain that to do this, the State had to get a waiver from Washington, which it did, particularly objecting to the fact that the administration has also refused to permit a two-tier payment system which discourages welfare migration by paying newcomers a lower cash benefit. He says the administration desperately clings to the discredited theory that Washington knows best.

Mr. President, I have spoken to our extraordinarily able, concerned, Secretary of Health and Human Services about this proposition. Why did you refuse the two-tier system? And she said, because it was unconstitutional, that is why. We have a Constitution which provides that an American citizen has equal rights with any other citizen of any State he or she happens to live in. That is what it means to be an American citizen—and that Connecticut cannot say you came from New York and therefore you get half of what somebody who was born here gets. We do not do that. That is all they did.

In point of fact, under the Clinton administration, 50 welfare demonstration projects have been approved in 35 States; 22 States have time-limited assistance in their demonstrations. This kind of experimentation is going on around the country. Governors have finally come to terms with the reality here. A new generation of public welfare officials is learning that they are no longer dealing with the old system. Frances Perkins, who I had the privilege to know years ago, was Secretary of Labor when the Social Security Act was passed, which created the Aid to Families with Dependent Children program. It was simply a bridge program until old age assistance matured, as there was old age assistance. She described a typical recipient as a West Virginia coal mine widow. The widow was not going to go into the coal mines and was not going to get into the work force.

A wholly new population has come on to the rolls. We know it is extraordinary. We have had intense efforts. Douglas Besharov describes them in an article in the current issue of Public Interest, which I ask unanimous consent to have printed in the RECORD.

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

[From the Public Interest, Winter, 1995]

PATERNALISM AND WELFARE REFORM

(By Douglas J. Besharov and Karen N. Gardiner)

After years of collective denial, most politicians (and welfare policy makers) have finally acknowledged the link between unwed parenthood and long-term welfare dependency, as well as a host of other social problems. But it is one thing to recognize the nature of the problem and quite another to develop a realistic response to it. For, truth be told, there has been a fair amount of wishful thinking about what it takes to help these most disadvantaged parents become self-sufficient.

Young, unwed parents are extremely difficult to help. Besides living in deeply impoverished neighborhoods with few social (or familial) supports, many suffer severe educational deficits and are beset by multiple personal problems, from high levels of clinical depression to alcohol and drug abuse. As a result, even richly funded programs have had little success with these mothers; and they rarely, if ever, try to reach the fathers.

The best remedy, of course, would be to prevent unwed parenthood in the first place. But, even if the number of out-of-wedlock births were somehow reduced by half, there would still be over 600,000 such births each year. Thus social programs must do a much better job of improving the life prospects of unwed mothers and their children (without, of course, creating more incentives for them to become unwed mothers). This will require de-emphasizing the voluntary approaches of the past that have proven unsuccessful, and, in their place, pursuing promising new policies that are more paternalistic.

UNWED MOTHERS ON WELFARE

In the last four decades, the proportion of American children born out of wedlock has increased more than sevenfold, from 4 percent in 1950 to 31 percent in 1993. In that year, 1.2 million children were born outside of marriage. These children, and their mothers, comprise the bulk of long-term welfare dependents.

Images of Murphy Brown notwithstanding, the vast majority of out-of-wedlock births are to lower-income women: nearly half are to women with annual family incomes below $10,000; more than 70 percent are to women in families earning less than $20,000. In Addition, most unmarried mothers are young (66 percent of all out-of-wedlock births were to 15- to 24-year-olds in 1988), poorly educated (only 57 percent have a high-school diploma), and unlikely to have work experience (only 28 percent worked full time and an additional 8 percent part time in 1990).

Consequently, most unwed mothers go on welfare. In Illinois, for example, over 70 percent of all unwed mothers go on welfare within five years of giving birth to a child. Nation-wide, an unmarried woman who has a baby in her early twenties is more than twice as likely to go on welfare within five years than is a married teen mother (63 percent versus 26 percent). And, once on welfare, unwed mothers tend to stay there. According to Harvard's David Ellwood, who served as one of President Clinton's chief welfare advisors, the average never-married mother spends almost a decade on welfare, twice as long as divorced mothers, the other major group on welfare.

Unwed parenthood among teenagers is a particularly serious problem. Between 1960 and 1993, the proportion of out-of-wedlock births among teenagers rose from 15 percent to 71 percent, with the absolute number of out-of-wedlock births rising from 89,000 to 369,000.

Teen mothers are now responsible for about 30 percent of all out-of-wedlock births, but even this understates the impact of unwed teen parenthood on the nation's illegitimacy problem. Sixty percent of all out-of-wedlock births involve mothers who had their first babies as teenagers.

Because so many unwed teen mothers have dropped out of school and have poor earnings prospects in general, they are even more likely to become long-term welfare recipients. Families begun by teenagers (married or unmarried) account for the majority of welfare expenditures in this country. According to Kristin Moore, executive director of Child Trends, Inc., 59 percent of women currently receiving Aid to Families with Dependent Children (AFDC) were 19 years old or younger when they had their first child.

These realities have changed the face of welfare. In 1940, shortly after AFDC was established as part of the Social Security Act of 1935, about one-third of the children entering the program were eligible because of a deceased parent, about one-third because of an incapacitated parent, and about one-third because of another reason for absence (including divorce, separation, or no marriage tie). By 1961, the children of widows accounted for only 7 percent of the caseload, while those of divorced or separated and never-married mothers had climbed to 39 percent and 20 percent, respectively. In 1993, the children of never-married mothers made up the largest proportion of the caseload, 55 percent, compared to children of widows (1 percent) and divorced or separated parents (29 percent).

The face of welfare dependency has changed for many and infinitely complex reasons. But there should be no denying that the inability of most unwed mothers to earn as much as their welfare package is a major reason why they go on welfare—and stay there for so long. (A common route off welfare is marriage, but that is a subject for another article.) Hence, since the 1960s, most attempts to reduce welfare dependency have focused on raising the earnings capacity of young mothers through a combination of educational and job-training efforts. Given the faith Americans have in education as the great social equalizer, this emphasis has been entirely understandable. However, the evaluations of three major demonstration projects serve as an unambiguous warning that a new approach is needed.

THREE DEMONSTRATIONS

Beginning in the late 1980s, three large-scale demonstration projects designed to reduce welfare dependency were launched. Although the projects had somewhat different

approaches, they all sought to foster self-sufficiency through a roughly similar combination of education, training, various health-related services, counseling, and, in two of the three, family planning.

New Chance tried to avert long-term welfare recipiency by enhancing the ''human capital'' of young, welfare-dependent mothers. Designed and evaluated by Manpower Demonstration Research Corporation (MDRC), the program targeted those at especially high risk of long-term dependency: young welfare recipients (ages 16 to 22) who had their first child as a teenager and were also high-school dropouts. Its two-stage program attempted to remedy the mothers' severe educational deficits—primarily through the provision of a Graduate Equivalency Degree (GED) and building specific job-related skills.

The Teen Parent Demonstration attempted to use education and training services to increase the earnings potential of teen mothers before patterns of dependency took root. Evaluated by Mathematical Policy Research, the program required all first-time teen mothers in Camden and Newark, New Jersey, and the south side of Chicago, Illinois, to enroll when they first applied for welfare. The program enforced its mandate by punishing a mother's truancy through a reduction in her welfare grant.

The Comprehensive Child Development Program (CCDP), which is still operating, seeks to break patterns of intergenerational poverty by providing an enriched developmental experience for children and educational services to their parents. A planned five-year intervention is designed to enhance the intellectual, social, and physical development of children from age one until they enter school. Although not a requirement for participation, the majority of families are headed by single parents. The program, evaluated by Abt Associates, also provides classes on parenting, reading, and basic skills (including GED preparation), as well as other activities to promote self-sufficiency.

These three projects represent a major effort to break the cycle of poverty and to reduce welfare dependency. New Chance involved 1,500 families at 16 sites and cost about $5,100 per participant for the first stage, $1,300 for the second, and $2,500 for child care (for an 18-month total of about $9,000 per participant). The Teen Parent Demonstration, involving 2,700 families at three sites, was the least expensive at $1,400 per participant per year. The most expensive is the CCDP, which serves 2,200 families at 24 sites for $10,000 per family per year. Since it is intended to follow families for five years, the total cost is planned to be about $50,000 per family. These costs are in addition to the standard welfare package, which averages about $8,300 per year for AFDC, food stamps, and so forth.

All three projects served populations predominantly comprised of teen mothers and those who had been teens when they first gave birth. The average age at first birth was 17 for New Chance and Teen Parent Demonstration clients, while half of the CCDP clients were in their teens when they first gave birth. As the project evaluators soon found, this is an extremely disadvantaged—and difficult to reach—population. Over 60 percent of Teen Parent Demonstration and New Chance clients grew up in families that had received AFDC at some point in the past. If anything, early parenthood worsened their financial situations. All Teen Parent Demonstration clients, of course, were on welfare, as were 95 percent of those in New Chance. The average annual income for CCDP families was $5,000.

The mothers also suffered from substantial educational deficiencies. Although most were in their late teens or early twenties, few had high-school diplomas or GEDs. Many of those still in school (in the Teen Parent Demonstration) were behind by a grade. In New Chance and the Teen Parent Demonstration, the average mother was reading at the eighth-grade level. Their connections to the labor market were tenuous at best. Almost two-thirds of the New Chance participants had not worked in the year prior to enrollment, and 60 percent had never held a job for more than six months. Only half of Teen Parent Demonstration mothers had ever had a job. These young mothers also had a variety of emotional or personal problems. About half of New Chance clients and about 40 percent of those in CCDP were diagnosed as suffering clinical depression. The mothers also reported problems with drinking and drug abuse. Many were physically abused by boyfriends.

DISAPPOINTING RESULTS

Besides the intensity of the intervention, what set these three demonstrations apart from past efforts is that they were rigorously evaluated using random assignment to treatment and control groups. Random-assignment evaluations are especially important in this area because, at first glance, projects like these often look successful. For example, one demonstration site announced that it was successful because half of its clients had left welfare, and their earnings and rate of employment had both doubled. These results sound impressive, but the relevant policy question is: What would have happened in the absence of the project? This is called the ''counterfactual,'' and it is the essence of judging the worth of a particular intervention.

Unfortunately, despite the effort expended, none of these demonstrations came anywhere near achieving its goals. After the intervention, the families in the control groups (which received no special services, but often did receive services outside of the demonstrations) were doing about as well, and sometimes better, than those in the demonstrations. In other words, the evaluations were unable to document any substantial differences in the lives of the families served. Here is a sample of their disappointing findings:

WELFARE RECIPIENCY

All three evaluations were unanimous: Participants were as likely to remain on welfare as those in the control groups. Robert Granger, senior vice president of MDRC, summed up the interim evaluation of New Chance: ''This program at this particular point has not made people better off economically.'' At the end of 18 months, 82 percent of New Chance clients were on welfare compared to 81 percent of the control group. The Teen Parent Demonstration mothers did not fare any better. After two years, 71 percent were receiving AFDC, only slightly fewer than the control group (72.5 percent). CCDP participants were actually 5 percent more likely to have received welfare in the past year than were those in the control group (66 percent versus 63 percent).

EARNINGS AND WORK

Only the Teen Parent Demonstration program saw any gains in employment. Its mothers were 12 percent more likely to be employed sometime during the two years after the program began (48 percent of the treatment group versus 43 percent of the control group) and, as a result, averaged $23 per month more in income. In most cases, however, employment did not permanently end their welfare dependency. Nearly one in three of those who left AFDC for work returned within six months, 44 percent within a year, and 65 percent within three years.

The other programs did not show even this small gain. Fewer New Chance clients were employed during the evaluation period than controls (43 percent versus 45 percent), in part because they were in classes during some of the period. Those who did work tended to work for a short time, usually less than three months. Given the lower level of work, New Chance clients had earned 25 percent less than the control group at the time of the evaluation ($1,366 versus $1,708 a year). Only 29 percent of the CCDP mothers were working at the time of the two-year evaluation, the same proportion as the control group; there was no difference in the number of hours worked per week, the wages earned per week, or the number of months spent working.

EDUCATION AND TRAINING

All three demonstrations were relatively successful in enrolling mothers in education programs. Teen Parent Demonstration mothers were over 40 percent more likely to be in school (41 percent versus 29 percent), and about one-third of the CCDP clients were working towards a degree, 78 percent more than the control group.

About three-quarters more New Chance participants received their GED than their control-group counterparts (37 percent versus 21 percent). But the mothers' receiving a GED did not seem to raise their employability—or functional literacy. The average reading level of the New Chance Mothers remained unchanged (eighth grade) and was identical to that of the control group. This finding echoes those from evaluations of other programs with similar goals, including the Department of Education's Even Start program. Jean Layzer, senior associate at Abt Associates, concluded that, rather than honing reading, writing, and math skills, GED classes tended to focus on test-taking: ''What people did was memorize what they needed to know for the GED. They think that their goal is the GED because they think it will get them a job. But it won't—it won't give them the skills to read an ad in the newspaper.''

In this light, it is especially troubling that, while increasing the number of GED recipients, New Chance seems to have reduced the number of young mothers who actually finished high school (6 percent versus 9 percent). According to one evaluator, the projects may have legitimated a young mother's opting for a GED rather than returning to high school.

SUBSEQUENT BIRTHS

Although the young mothers in New Chance and the Teen Parent Demonstration said they wanted to delay or forego future childbearing, the majority experienced a repeat pregnancy within the evaluation period, and most opted to give birth. Mothers in one project spent only 1.5 hours on family planning, while they spent 54 hours in another, with no discernible difference in impact.

All New Chance sites offered family-planning classes and life skills courses that sought to empower women to take control of their fertility. Many also dispensed contraceptives. In the Teen Parent Demonstration, the family planning workshop was mandatory. Despite these efforts, over 7 percent more New Chance mothers experienced a pregnancy (57 percent versus 53 percent). One-fourth of both Teen Parent Demonstration clients and the control group experienced a pregnancy within one year; half of each group did so by the two-year follow-up. Two-thirds of all pregnancies resulted in births. Although it was hoped that the CCDP intervention would reduced subsequent births, this was not an explicit goal of the demonstration; nor was family planning a core service provided by the sites. But,

again, there was no real difference between experimental and control groups: 30 percent of mothers in both had had another birth by the two-year follow-up.

MATERNAL DEPRESSION

Two of the projects, New Chance and CCDP, attempted to lessen the high rates of clinical depression among the mothers. All New Chance sites provided mental-health services, most often through referrals to other agencies (although the quality of such services differed by site). Yet program participants were as likely as those in the control group to be clinically depressed (44 percent). CCDP clients likewise received mental-health services as needed. But, again, there was no discernible impact. Two years into the program, 42 percent of the mothers in both the program and control groups were determined to be at risk of clinical depression. Measures of self-esteem and the use of social supports also showed no differences.

CHILD DEVELOPMENT AND CHILD REARING

The CCDP sought to prevent later educational failure by providing five years of developmental, psychological, medical, and social services to a group of children who entered the program as infants. Developmental screening and assessments were compulsory for all the children; those at risk of being developmentally delayed were referred to intervention programs.

A major CCDP goal was to improve the ability of the parents to nurture and educate their children. But, at the end of the first two years, the evaluation found only scattered short-term effects on measures of good parenting, such as time spent with the child, the parent's teaching skills, expectations for the child's success, attitudes about child rearing, and nurturing parent-child interactions. More disheartening, especially given the success of other early intervention programs, CCDP had small or no effect on the development of the children in the program. Participating children scored slightly higher on a test of cognitive development but about the same in terms of social withdrawal, depression, aggression, or destructiveness. They were only slightly more likely to have their immunizations up to date (88 percent versus 83 percent). CCDP's lack of success may be explained by its approach to child development (delivering about one hour per week of early childhood education through in-home visits by case managers or, sometimes, early-childhood-development specialists), which did not focus large amounts of resources squarely on children.

All in all, it's a sad story. But what is most discouraging about these results is that the projects, particularly New Chance and CCDP, enjoyed high levels of funding, yet still seemed unable to improve the lives of disadvantaged families. There are several explanations for their poor performance: Many of the project sites had no prior experience providing such a complex set of services; some were poorly managed; and almost all were plagued with the problems that typically characterize demonstration projects, such as slow start-ups, inexperienced personnel, and high staff turnover. In addition, the projects often chose the wrong objectives and tactics. For example, most focused on helping the mothers obtain GEDs, even in the face of accumulating evidence that the GED does not increase employability. As for the two programs that attempted to reduce subsequent births, program staff tried to walk a fine line between promoting the postponement of births and not devaluing the women's role as mothers. Their sessions on family planning seemed to have emphasized that the mothers should decide whether or not to have additional children—rather than that they should avoid having another child until they are self-sufficient.

But even such major weaknesses do not explain the dearth of positive impacts across so many goals—and so many sites. One would expect some signs of improvement in the treatment group if the projects had at least been on the right track. Hence, one is impelled to another explanation: The underlying strategy may be wrong. Voluntary education and job-training programs may simply be unable to help enough unwed mothers escape long-term dependency.

FROM CARROT TO STICK

Young mothers volunteered for both New Chance and the CCDP; no one required that they participate. That level of motivation should have given both projects an advantage in helping them break patterns of dependency. As social workers joke, you only need one social worker to change a light bulb, but it helps to have a bulb that really wants to be changed.

In both New Chance and the CCDP, however, initial motivation was not enough to overcome decades of personal, family, and neighborhood dysfunction. In relatively short order, there was serious attrition. New Chance, for example, was designed as a five-days-a-week, six-hours-a-day program. Yet, over the first 18 months, the young mothers averaged only 298 hours of participation, a mere 13 percent of the time available to them. CCDP experienced similar attrition. Although clients were asked to make a five-year commitment to the program, 35 percent quit after the end of the second year and 45 percent after the end of the fourth.

These dropout rates make all the more significant the Teen Parent Demonstration's success at enrolling non-volunteers. Participation was mandatory for all first-time mothers and was enforced through the threat of a reduction in welfare benefits equal to the mother's portion of the grant, about $160 per month. When teen mothers first applied for welfare, they received a notice telling them that they had to register for the program and that nonparticipation would result in a financial sanction. Registration involved a meeting with program staff and a basic-skills test. Over 30 percent came to the program after receiving this initial notice. Another 52 percent came in after receiving a letter warning of a possible reduction of their welfare grant.

The 18 percent who failed to respond to the second notice saw their welfare checks cut. Of these, about one-third (6 percent of the total sample) eventually participated. As one mother recounted, ''The first time they sent me a letter, I looked at it and threw it away. The second time, I looked at it and threw it away again. And then they cut my check, and I said 'Uh, oh, I'd better go.''' Thus sanctions brought in an entire cohort of teen mothers—from the most motivated to the least motivated and most troubled. For example, no exceptions were made for alcoholic and drug-addicted mothers.

Moreover, the Teen Parent Demonstration was able to keep this population of non-volunteers participating at levels similar to the volunteers in New Chance and the CCDP. After registration, the mothers were required to attend workshops, high-school classes, and other education and training programs. In any given month, participation averaged about 50 percent, reaching a high of about 65 percent during the period when the projects were fully operational. Sanctioning was not uncommon: Almost two-thirds of the participants received formal warnings, and 36 percent had their grants reduced for at least one month.

MORE TOUGH LOVE

Voluntary educational and training programs can play an important role in helping those welfare mothers (often older and divorced) who want to improve their situations. But, by themselves, they seem unable to motivate the majority of young, unwed mothers to overcome their distressingly dysfunctional situations. Mandatory approaches are attractive to the public and to policy makers because they seem to do just that. In the ''learnfare'' component of Ohio's Learning, Earning, and parenting Program (LEAP), AFDC recipients who were under the age of 20 and did not have a high-school diploma or GED were required to attend school. Those who failed to attend school or did not attend an initial assessment interview had their welfare grant reduced by $62 per month. This penalty continued until the mother complied with the program's rules. Conversely, those who attended school regularly got a $62 per month bonus. Thus the monthly benefit for a ten with one child was almost 60 percent higher for those who complied with the program ($336 versus $212). The program also provided limited counseling and child care. Based on a random assignment methodology, MDRC's evaluation found that, one year after LEAP began, almost 20 percent more LEAP participants than controls remained in school continuously or graduated (61 percent versus 51 percent). Over 40 percent more returned to school after dropping out (47 percent versus 33 percent).

Despite early concerns, such behavior-related rules have not been burdensome to administer. Most have been implemented without creating new bureaucracies or new problems. According to MDRCC's Robert Granger, these ''large-scale programs have not been expensive.'' The cost of the LEAP program in Cleveland, for example, was about $540 per client per year, of which about $350 was for case management and $190 for child care.

Nor do such rules seem unduly harsh on clients. The sanctioning in the Teen Parent Demonstration caused little discernible dislocation among the young mothers. In fact, very few of them were continuously sanctioned (and, besides, the sanction was applied against only the mothers' portion of the grant). Rebecca Maynard, the director of the Mathematica evaluation, found that the ''clear message from both the young mothers and the case managers is that the financial penalties are fair and effective in changing the culture of welfare from both sides.'' Clients viewed the demonstration program as supportive, although also serious and demanding. Case managers believe it motivated both clients and service providers. Similarly, the LEAP sanctions caused ''no hardship whatsoever to the vase majority of participants and their children,'' according to David Long of MDRC, a co-author of the evaluation report. Mothers who had been sanctioned reported that they were able to ''get by'' either by trimming their budgets or by receiving assistance from others.

The early success of such experiments linking reductions (and increases) in welfare to particular behaviors led (as of May 1995) more than two-thirds of the state to adopt, and another nine to propose, one or more behavior-related welfare rules. (State reforms are authorized by a federal law that allows the Secretary of Health and Human Services to ''waive'' certain federal rules.) Between 1992 and 1995, 21 states adopted learnfare-type programs, which tie welfare payments to school attendance for AFDC children or teen parents (with federal waivers pending in three more); eight states adopted ''family caps'' that deny additional benefits to women who have more children while on welfare (with waivers pending in six more); 15 states adopted time limits for receiving benefits (with waivers pending in nine more); and 10 states adopted immunization requirements (with waivers pending in three more).

In the coming years, expect more states to adopt such rules—and expect more behaviors to become the subject of such rules.

This attempt to regulate the behavior of welfare recipients is a sharp break from the hands-off policy of the past 30 years—and an implicit rejection of past voluntary education and training efforts. It was not so long ago that people such as Princeton's Lawrence Mead were widely derided for suggesting that welfare is not simply a right but an obligation that should be contingent upon certain constructive behaviors. But, because of both political and practical experience, they are now in the mainstream of current developments.

THE LIMITS OF REFORM

No one, however, should expect such paternalistic welfare policies to eradicate dependency. Our political system is unlikely to adopt rules and sanctions tough enough to motivate the hardest-to-reach mothers—nor should it. No politician really wants tough welfare rules that result in large numbers of homeless families living on the streets. Although those who remain on welfare should feel the pinch of benefit reductions, they nevertheless need to be protected from hunger, homelessness, and other harmful deprivations. Thus there is a political limit to the amount of behavioral change that financial sanctions might potentially achieve.

Hence, in the coming years, states will have to grapple with issues such as: How many behaviors can be subject to regulation? How much can the sanctions be stiffened before becoming punitive (and counterproductive)? How should agencies handle clients who, because of emotional problems or substance abuse, seem unable to respond to financial incentives?

Even the experts can only guess about the impact of future rules. The jury is still out, for example, about the impact of New Jersey's family cap; and time-limited programs have yet to be tested in the ''real world.'' Just as important, no sanctioning scheme can compensate for the inadequacy of existing programs for low-skilled and poorly motivated mothers. Programs need to hold out a palpable promise of higher earnings, otherwise participants will drop out—even in the face of financial sanctions. New Chance, the Teen Parent Demonstration, and CCDP all had high dropout rates, suggesting that they failed the consumer test. Describing the services available to the Teen Parent Demonstration, Maynard says: ''We did not have much to offer. We had lousy public schools, boring and irrelevant GED programs, and very caring case managers.''

Current approaches need to be fundamentally rethought. For example, many welfare experts now believe that education in basic skills is less effective than simply pushing recipients toward work. A recently released evaluation of welfare-reform programs in three sites (Atlanta, Georgia, Grand Rapids, Michigan, and Riverside, California) by MDRC found that intensive education and training activities were only about one-third as effective in moving recipients off welfare as what it called ''rapid job entry'' strategies (6 percent versus 16 percent).

''The mothers were taught how to look for work and how to sell themselves to employers,'' according to Judith Gueron of MDRC. ''The focus was on how to prepare a resume, pursue job leads, handle interviews, and hold a job once you got one.'' The programs also maintained telephone banks from which recipients could call prospective employers. And, she stresses, ''The program was very mandatory, backed up with heavy grants reductions for mothers who did not comply with job search requirements.'' Institutionalizing such programs and developing others in all parts of the country will require creativity, clarity of purpose, and patience, and much trial and error. Still, success will be elusive.

Even if behavior-related rules do not sharply reduce welfare rolls, they could still serve an important and constructive purpose. The social problems associated with long-term welfare dependence cannot be addressed without first putting the brakes on the downward spirals of dysfunctional behavior common among so many recipients. Thus it would be achievement enough if such rules could stabilize home situations. Given the failure of voluntary approaches, the accomplishment of that alone would at least provide a base for other, more targeted approaches.

Aristotle is credited with the aphorism: ''Virtue is habit.'' To him, the moral virtues (including wisdom, justice, temperance, and courage), what people now tend to call ''character,'' were not inbred. Aristotle believed that they develop in much the same way people learn to play a musical instrument, through endless practice. In other words, character is built by the constant repetition of divers good acts. These new behavior-related welfare rules are an attempt, long overdue in the minds of many, to build habits of responsible behavior among long-term recipients; that is, to legislate virtue.

Mr. MOYNIHAN. I am coming to a close. The three demonstration projects of intense efforts for young, unmarried mothers, training them, stimulating them, encouraging them, reassuring them—it is so hard. If we knew how hard it was, we would know what we are putting at risk here. We are abandoning the national commitment to solve a national problem. We are doing it with very little understanding, very little understanding.

I have here, Mr. President, and I will close with these remarks—we are getting used to everyone who comes to the Senate floor having a poster—I have an artifact. Give this a little thought, just a little thought. What I am holding is a pen with which John F. Kennedy, in his last public bill signing ceremony at the White House, October 31, 1963, signed the Mental Retardation Facilities and Community Health Centers Construction Act of 1963. I was there. I had worked on the legislation. He gave me a pen.

In that act we undertook what was known as the deinstitutionalization of our great mental institutions. We developed tranquilizers, first in New York State, at Rockland State Hospital. We again used them systemwide. We thought we had a medication for schizophrenia. We thought it could be treated in the community, perhaps more effectively in the community than in a large mental institution. So we were going to build 2,000 community mental health centers by the year 1980. And then, thereafter 1 per 100,000.

President Kennedy was very deeply interested in this. I have always thought, if some person with wonderful fast-forward vision was in the Oval Office at that moment and said, ''Mr. President, before you sign that bill could I tell you we are going to empty out our mental institutions. In 30 years time they will have about 7 percent of the population in this time. We are only going to build about 600 of these community mental health centers. Then we are going to forget we started that and go on to other things and leave it be.'' I think the President would have put that pen down. I think he would have put that pen down and said, ''What, do you want people sleeping on grates on Constitution Avenue? Sleeping in doorways? In cities around the country, schizophrenic persons with no medication, no location, simply cast onto the streets?'' He would have said, ''They will be called homeless or something?''

I think he would not have signed the bill. I wish he had not. And that is why I am so pleased to say that President Clinton will veto this bill. And then we can get back together, work together for the next stage in what has to be a national effort for an extraordinarily severe national problem.

Mr. President, I see my friend from North Carolina is on the floor but I yield the floor. I thank the Chair for his courtesy.

Mr. ROTH. Mr. President, I yield 10 minutes to my distinguished colleague from North Carolina.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. FAIRCLOTH. Mr. President, I have, many times over the course of this session's welfare reform debate stated that it is my strong belief that unless we address the root cause of welfare dependency—illegitimacy—we will not truly reform our welfare system. And my belief in this principle has become stronger and strengthened by the twists and turns of almost a year of debate.

It is with mixed feelings that I rise to discuss this conference report on welfare reform. I am pleased that many of the weak points of our first Senate bills have been strengthened. This conference report contains important provisions to require real work from welfare recipients, a concept known as ''pay-for-performance.'' This means that welfare recipients will only receive benefits as compensation for work done. While this commonsense principle is the undisputed standard in the private sector, can you believe it is a revolutionary thing for the Government to expect work for pay? ''Pay-for-performance'' requirements are the key to replacing welfare with workfare.

I am also glad to see that the welfare conference report contains what has come to be called the family cap. Middle-class American families who want to have children have to plan for, prepare, and save money, because they understand the serious responsibility involved in bringing children into the world. It is grossly unfair to ask these same people to send their hard-earned tax dollars to support the reckless and irresponsible behavior of a woman who has a child out of wedlock and continues to have them, expecting support from the American taxpayer. In fact, their sole support would be the American taxpayer.

The family cap sends an important message that higher standards of personal responsibility will be expected of welfare recipients. If this conference report becomes law, welfare recipients will no longer receive automatic increases in their benefits when they have additional children.

I am very disappointed that the conference was unable to follow through on the courage and fortitude shown by our colleagues in the House of Representatives, who passed a welfare reform bill which would have prohibited the use of block grant funds for cash payments to unwed mothers under 18. In place of this crucial provision we merely have a statement that options exist for the States. We need much more.

This is little more than a statement of current policy. And current policy has resulted in an out-of-wedlock birth rate which has quadrupled over the last 30 years. Today, more than one in every three American children is born out of wedlock. And in some communities, the illegitimacy rate approaches 80 percent.

Children born out of wedlock are three times more likely to be on welfare when they become adults—three times more likely. Furthermore, children raised in single-parent homes are six times more likely to be poor, and twice as likely to commit crime and end up in jail.

In fact, a young girl who is born out of wedlock, when she reaches early maturity is 164 percent more likely to herself have a child out of wedlock.

To truly reform welfare we must reverse current welfare policies which subsidize, and thus promote, self-destructive behavior and illegitimacy—policies which are destroying the American family. This legislation fails to take this crucial step.

It is also unfortunate that this conference report fails to make major changes in the way welfare is administered at the Federal level. Even though this legislation will block grant the AFDC program, and several other smaller programs, it still leaves in place a structure of too many bureaucrats running too many programs through too many different agencies. This bureaucratic structure will continue to stop and stifle substantial reform.

Mr. President, in spite of these deficiencies, the welfare reform conference report before us does mark a turning point in the attitude which prevails here in Washington, and is reflective of the attitude that prevails around the country and that is that it is past time that we do something.

Finally, we have legislation that recognizes what many of us on this side have known for so long. All of our problems cannot be solved by more Government programs and more spending. Government spending is no substitute for personal responsibility.

This legislation is also significant as a step in the right direction after 30 years of failed welfare policies—30 years of them. But, Mr. President, it is only a very small step in comparison to the enormity of the problem our current welfare system has produced. And our current welfare system has produced, with $5 trillion of our dollars, the situation we find ourselves in today.

Mr. President, if this legislation does pass, it should not be taken as an excuse to rest, or to rest on any laurels from it. This legislation should serve as a start, to push ahead on the vast remainder of unfinished welfare reform business. The real work of welfare reform is still to be done, but this is a start.

Mr. President, I yield the floor.

Mr. FORD. Mr. President, on behalf of the floor manager for the minority, I yield 15 minutes to the distinguished Senator from Illinois.

The PRESIDING OFFICER. The Senator from Illinois.

Ms. MOSELEY-BRAUN. Thank you very much, Mr. President.

Mr. President, it is with sadness that I rise today to discuss the conference report on H.R. 4.

It is 4 days before Christmas, the season usually characterized by giving and good will. But here we are in this Congress in the middle of a partial Government shutdown considering legislation that will dismantle the Federal safety net for poor families and, in the process, push over 1 million additional children into grinding poverty.

Mr. President, it seems to me that too many of our colleagues have forgotten the lesson that Dr. Seuss tried to teach us in ''The Grinch Who Stole Christmas.'' Not only are their hearts too small, but their vision is too narrow as well.

We are, Mr. President, a national community—as Americans —the conditions in which the poor live, especially the poor children, affect us all no matter our wealth or where we happen to live in this great country.

I have in my years in public life advocated making welfare work better. In fact, earlier this year I introduced a welfare bill that I believe addressed the critical problems entrenched in our current system; lack of incentives to move from welfare to work and lack of jobs in low-income communities to absorb those people who want to work.

Mr. President, that bill acknowledged that changes are needed, and it also incorporated lessons that the States have learned—particularly those States that have already instituted successful reform. Those States have shown us that you cannot reform welfare on the cheap.

This bill ignores that experience altogether. Welfare reform should center on eliminating the incentives for dependency on building strong, two-parent families and moving recipients into the economic mainstream.

The Senate bill, though better than the House effort, did not accomplish those objectives, and this conference report is even worse. Reform may be needed, but not shortsighted reform.

I support increased State flexibility, experimentation, and positive and constructive change. But this bill will lead to a complete abandonment of any national commitment to poor families. There is room for a shared Federal-State partnership, but this bill gives us no partnership at all but simply envisions the Federal Government as the check writer of last resort. There is no accountability for the money. There is no accountability for the rules nor for the money, and the bill encourages a race to the bottom among the States with the States doing the least, potentially hurting the poor the most. There is no recognition in this legislation that as a national community we must have a national safety net if poverty is not to become an accident of geography.

In addition to dismantling the Federal safety net, this bill is flawed in a number of other ways.

The plan makes a mockery of the goal to move welfare recipients into private sector jobs.

The Congressional Budget Office, which has gotten a lot of support around these quarters in recent times, in discussions on the budget, has reported time and time again that the funding levels in this bill are inadequate to meet the work requirements. In fact, the Congressional Budget Office assumes that most States will fail to meet those work requirements and, therefore, will incur substantial penalties under the terms of the legislation.

If only 10 to 15 States—which is the estimate of the number of States that might meet the work requirements—if only 10 meet those work requirements, what of the other 40? What will be the ramifications for them?

Several studies, including one by Northern Illinois University, have shown that, even if the States could meet the work requirements in this legislation, the private sector job market cannot, at the present time, absorb all of the new workers entering the system. Half of the adults receiving AFDC in Chicago right now have never graduated from high school. And one-third of them have never held a job.

This conference report will seal the doom of many of these people for whom it will be difficult, if not impossible, to employ without appropriate support services, education, job training, and assistance—that is nowhere provided for in this legislation.

The plan also cuts funding and block grants critical child welfare programs. Mr. President, this is the last place where we should be making cuts. Our child protection system is already overburdened and underfunded. I can think of no more vulnerable population than abused children, and there have been, frankly, far too many heart-wrenching, alarming stories this year about children who have been abused by their parents who should have been

protecting them. This conference report would increase the chances that these children would languish in unsafe environments of abuse, neglect, disease, and death. This Congress should not blithely go down the road that will visit that kind of harm on the most vulnerable population of Americans.

Finally, Mr. President, most frightening, the conference report will push 1.5 million children into poverty. This country already has a higher child poverty rate than any other industrialized nation. Why would this legislative body knowingly exacerbate that already shameful figure?

It is clear to me that this plan fails those who need a national safety net the most. Welfare should have, I think, two goals at least—protecting children and helping adult recipients to become self-sufficient.

During the floor deliberations, I noted repeatedly that the majority of people receiving assistance under welfare, as we know it, are children. Currently, these are the facts. These are hard facts. This is not somebody's idea or speculation.

Currently, there are 14 million individuals receiving cash assistance, and two-thirds of them, or 9 million of them, are children. While the welfare rolls overall have declined recently, the number of children receiving welfare assistance has remained constant. And that trend is likely to continue because, while 50 percent of the recipients who go on welfare leave it within a year, many of them have a tendency to cycle on and off the rolls due to low-paying, entry-level jobs that barely provide a livable wage for a family. So we are looking at, again, 9 million children being involved in this debate.

Mr. President, I am not arguing that anybody should get a free ride. I do not believe anybody in this body or in this legislature believes that adults should get a free ride. People who can work should work. The role of government is not to subsidize indefinitely those who are capable of working. But it is our role, and indeed our responsibility, to provide a national safety net for children. It is not their fault that they are poor. But it is our fault if this bill dooms them to stay that way.

This Congress, Mr. President, should not pave the way to so-called welfare reform at the expense of poor children. What amazes me about this whole debate is that many of my colleagues know this and yet continue to support this legislation. Some of my colleagues believe that poor children are expendable and that it is, therefore, OK to experiment with their lives. If they can scratch and survive, that is fine. If they do not, well, that is life, and it is just too bad. It is a cruel game of survival of the fittest. We actually heard testimony to that effect in the Senate Finance Committee, and it was stunning to me.

But, Mr. President, policy based on political rhetoric is wrong. This debate has focused on the stereotypes and it gets in the way of our understanding the facts. Senator MOYNIHAN was brilliant earlier in talking about the notion that the facts here are—facts that we really have not gotten yet to the point of fully being able to appreciate, much less to know how, if you push one button, you will get one kind of consequence.

So we are experimenting here based on stereotypes. We talked about the stereotype of the underdeserving, free-loading poor for so long that many of my colleagues, I think, are frankly determined not to let those misperceptions stand in the way of their policymaking.

Mr. President, the fact is that most of the people who will be affected by this legislation are children.

So my colleagues who support this legislation continue to talk about the parents so they will not have to face the consequences of the children.

It is very difficult, Mr. President, to survive and to compete, or to be self-sufficient if you are a child. So I want to go over again some additional facts that we must not let escape this debate.

Fact one, 22 percent of the children in this, the richest nation in the world, live in poverty. In fact, I have a chart here on child poverty rates. I just hope that this, again, does not get lost in this debate.

Child poverty rates among industrialized countries—here is the United States, 21.5. Here is Australia, Canada, Ireland, Israel, the U.K. can you imagine is here? Italy, Germany, France, the Netherlands, Austria, Norway, Luxembourg, Belgium, Switzerland, Denmark, Sweden, Finland—from 2.5 to 21.5 percent of the children in this country live in poverty.

Children living in poverty are more likely to have poor nutrition, to experience a greater incidence of illness, and to perform more poorly in school, to obtain low-paying jobs and then to live in poverty as adults themselves. And even more shocking, Mr. President, even more shocking, every day, every day in this country, 27 children die due to causes associated with their poverty.

I think these facts are or should be common knowledge for anyone who would presume to legislate in an area such as this. And yet, Mr. President, this body has so far rejected attempts to provide some subsistence to just the children. Assuming for a moment their parents are off the deep end and do not want to be self-sufficient or cannot find a job through no fault of their own, at least let us provide for some subsistence for the children. And this body has rejected those attempts. Quite frankly, if that is not mean-spirited, I do not know what is.

I am going to refer to this picture, which I am sure the Presiding Officer has seen. This is a picture that was taken at the turn of the century, and it was an article in the Chicago History magazine called ''Friendless Foundlings and Homeless Half Orphans.'' It talked about the social service and social welfare system for children before we had the national safety net that this legislation seeks to dismantle. In that article on friendless foundlings and homeless half orphans, it talked about the phenomenon of what happened to children, the friendless foundlings, the children that the mothers would take and put on the church steps or put on the doorway of someone who had money because they knew they could not feed them, or the homeless half orphans, the children whose mothers, when the winter came and there was no way to support them, would take them to the orphanage and drop them off to be cared for during the wintertime.

It talked about the fact that the various States had various ways of dealing with this issue. And, in fact, in some States there were trains that would take the babies that they found lying in the gutters and lying in the alleys and the streets and ship them out West so they could be raised by farm families who could possibly provide them subsistence.

Are we to go back to this? That is what this conference report would have us do, Mr. President, and it is absolutely sobering and it is absolutely unconscionable, in my mind. Need I remind you of this experiment and would it not make sense for us to be reminded of what happened then when we did not have a national safety net? Do we want to go back to a time of friendless foundlings, homeless half orphans and orphan trains? And do we want to go back to the whole idea of State flexibility? We have been there. As they say in the community, ''been there; done that; hated it.'' We did that in this country. We had 50 separate welfare systems in this United States and this is what it produced. This conference report will send us back to that.

Mr. President, every child in this country is precious, too precious to risk on a poorly designed, shortsighted experiment, and that is what this legislation is. It is an experiment. I say to my colleagues, if the system is broke, this bill does not fix it but, rather, breaks it up even more and then shatters the parts and ships them out to the States. I urge my colleagues to think long and hard before they support this conference report for that reason.

In closing, Mr. President, I would like to end with a quote in a December 14 editorial from the Journal Star, a Peoria newspaper, remember how we used to talk about ''how is it playing in Peoria?'' I think the Journal Star has it exactly right. After describing the gory details—and I told my colleague on the other side of the aisle I would not read this out loud but, rather, would just put it in the RECORD—and the numerous negative consequences of this conference report, the article concluded by saying, ''We're not opposed to welfare reform. We're just opposed

to welfare reform that makes no sense.''

Mr. President, this bill makes no sense. This bill makes no sense. It will do more harm than good. And I am just delighted that the President has sent a letter saying that he will veto this bill and that he will do so quickly so that we can come together and, based on the facts as we know them, we can address welfare as we know it and begin to come up with responses to this problem that will make us proud as Americans for having addressed the condition of those who have the least in our community.

With that, Mr. President, I yield the floor.

Mr. ROTH. Mr. President, I yield 5 minutes to the distinguished Senator from Michigan.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. I thank you very much, Mr. President.

Tonight I wish to talk about this bill from what I can see as a very different perspective. It is a perspective shared by a lot of people in my State and I think by people more broadly across America.

It may be that there are some in this Chamber who bought into the stereotype of people who are in the needy category in our country and view them only as freeloaders. I do not come from that perspective. We have people in my State—I know them well—who would like very much to not be dependent on the Government, people who would like to be earning their own income and people who would like to be on the first rung of the economic ladder. I know it from my own family's experience. My own father was at one time in a CCC camp, so I know a little bit about the experiences of people in hard times and the desire that I think exists within all of us to not be dependent on Government but, rather, dependent on ourselves.

What I think most people are saying in this country today is very simply this, that we have, over 20-plus years at a national level, attempted to fight a war on poverty with very little tangible success. Those who are below the poverty line today are approximately the same percentage of our country as the case when this program began. But in the meantime, and contrary I think to some of the things suggested here during the earlier debates and these, I think our States have changed their philosophy.

I know certainly that in Michigan the desire is not to have flexibility and liberation from Washington to put more people in poverty but, rather, to help the people who are below the poverty line to be able to take better care of themselves. Indeed, that is why I support this legislation, because I wish to really win the war on poverty, not just fight a battle that 20 years from now is at the same pace and point that we are today.

We have a broken system, and it should be fixed. I think the legislation before us moves us in the direction of fixing it. It establishes goals that are long overdue—foremost among them, the notion that intact families are a critical ingredient in addressing the poverty problem in America today; that the problem of illegitimacy, which many of our colleagues have spoken of and spoken more eloquently than I and understand in more detail than I can understand, the problem of illegitimacy I think has been lost over the years during this poverty debate where a check became a substitute often for a parent, a check from Washington.

So I think it is time, as this bill does, to change the goals and to put intact families and reducing the illegitimacy at the top of our national agenda, and also to put the goal of putting people to work rather than being part of a permanent welfare condition at the top of the agenda. And most importantly, to put hope and the inspiration needed to put people on the economic ladder at the top of the agenda. The current system has I think failed us in achieving those objectives.

What the bill does strategically is this. It gives States, the people on the front lines, the kind of flexibility they need to help people who are on welfare. It says, let us have less bureaucracy in Washington and let us give the people on the front line, the front-line caseworkers the chance to really work with people in our country who need help to get them on the economic ladder. That is what we need. In my State of Michigan, approximately two-thirds of the time of our front-line welfare caseworkers is spent basically filling out paperwork, most of it for the Federal Government, instead of helping the people these programs are intended to help.

A second objective is to give the States the flexibility to give better solutions to the problems, rather than the Washington-knows-best solutions that they have labored under for far too long. The States in fact, Mr. President, care a lot more about the people who live in them than anybody here inside the beltway. And Governors and legislators are just as concerned and compassionate as we are, and I happen to think are a lot more likely to be creative and inventive in dealing with the problems in their own States than we possibly can be trying to administer a 50–State program with one set of solutions. So State flexibility is a cornerstone of the program. So, too, is the consolidation of the programs.

Instead of having the massive numbers of programs that have grown up during the last 25 years, this program, this welfare bill, reduces, consolidates programs. It saves us money in terms of bureaucracy but it makes the programs comprehensible and workable, instead of far too complicated, and oftentimes in conflict with one another.

Third, it addresses, as I suggested earlier, the illegitimacy problem facing our Nation today in a variety of, I think, very effective ways. During the original debate on this bill I was on the floor promoting part of this legislation which I helped draft, the so-called bonus to States who reduce the rate of illegitimacy without simultaneously increasing the number of abortions.

The PRESIDING OFFICER. The Senator has used his 5 minutes.

Mr. ABRAHAM. Mr. President, I ask the manager if I might have an additional 2 minutes?

Mr. ROTH. I yield 2 additional minutes.

The PRESIDING OFFICER. The Senator may continue.

Mr. ABRAHAM. I thank the Chair and I thank the manager.

This approach addressing the illegitimacy problems will start finally to focus priorities at the State level where they ought to be, on keeping families intact, on reducing the number of out-of-wedlock births, and as a consequence addressing the problem at its core, the child poverty statistics we hear so often about.

The concern I think we all have for children born in poverty is in no small sense a result of the fact that too many children are born out of wedlock into families that are not economically strong enough to protect them.

Finally, the strategy in this legislation is to put strong, tough work requirements into place and to give States the incentives they need to try to get people to work rather than simply administering the massive transfer of payment program that does very little to give people the kind of dignity, incentive, and encouragement and help they need to get onto the economic ladder.

For those reasons, Mr. President, I think this bill is on target. I will support the conference report when we vote tomorrow. I hope that the President will reconsider his comments with respect to vetoing the legislation because I believe this truly will accomplish something that he and many of us have spoken about in the context of our campaigns, the notion that we truly would reform welfare and change welfare as we know it.

This legislation ends business as usual. This legislation will address the welfare problems effectively. Mr. President, I hope our colleagues will support it. I thank the Chair and I yield the floor.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER (Mr. BROWN). Who yields time?

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. BENNETT. Mr. President, I appreciate the willingness of the manager to yield me some time. I had the privilege of being in the chair and thereby being able to give my full attention to the statement of the Senator from New York, and following that the Senator from Illinois, two Senators for whom I have enormous respect and personal affection.

I am moved by the clear and unalloyed concern they have for the children in poverty in our country and for the failure of our present system to solve that problem. I can think of no two Senators who have better motives and more genuine urges to solve this problem than these two.

I am a supporter of the conference report. And I want to respond to the comments that were made so that my support for the conference report will not be misunderstood. I think the Senator from New York put it in the best context when he described the signing ceremony that took place in the Kennedy administration against a backdrop of great optimism and unfortunately complete ignorance as to what the future would actually be like.

I think the Senator's point is well taken. We are embarking once again on a leap of faith with considerable ignorance as to what the future would be like. I would be reluctant to take that leap of faith if I thought the present was working. But the present is not working. And I am willing to take a leap into the future in the hope that it will be better than the present and frankly a fear that things could not be much worse than we have in the present, that we are not risking that much by dismantling some of the present circumstance.

Let me share with you an experience from my home State of Utah that gives me more hope for the future than perhaps my friends have. In the State of Utah we set up—I say we, I had nothing to do with it—the Governor and the office of social services set up a program which required a whole series of waivers from Federal regulations in order to implement.

These waivers took a great deal of time and effort to put in place. Finally the Feds said, ''Well, we will grant you the waivers''—my memory tells me that it took 44 such waivers—''We will grant you the waivers from the Federal regulations because we think the program you will put in place will in fact improve the lot of the poor, who come under your program. However, we tell you that based on our analysis, the program will cost 20 percent more than is being expended right now. And we do not think you can afford it, but we will give you the opportunity to spend that extra money.''

We wanted to have—in response to the kinds of concerns the Senator from New York raised about ''understanding''—a proper kind of control of this circumstance, so even though some centers were set up for the pilot program, in the one center where the most people would come for the pilot program, they established a truly random control group; that is, one would come in and be put in the present Federal programs, the next person through the door would be put in the State pilot program, the next person through the door in the Federal program, the next person in the State pilot program, and so on, so that you had exactly the same kind of people, from exactly the same neighborhood, serviced by exactly the same social workers to see what happened.

Under the program devised by the State, which was completely flexible, the question asked was, ''What do you need? Tell us your circumstance. And what do you need?''

''Oh, all right, if this is what you need, I have control over all of the Federal programs, all of the money, and I can give you so much for food stamps, I can give you so much for this, I can give you so much for that. By the way, before you receive this, we have to have an understanding that this is temporary and you are looking for work.''

Under those that came in under the Federal program, the question was not ''What do you need?'' the question was, ''For what are you eligible?'' The whole focus was on eligibility. ''You may need this program, but you don't happen to be eligible, and, therefore, I'm not empowered to give it to you. So I will give you only what you're eligible for.''

And by the way, no one really brings up the issue of work. Very interesting results. First the financial results. The program managed by the State was not 20 percent more expensive, it was 5 percent cheaper. We saved money. That was not the purpose of the program. The purpose of the program was to do something better for the people who were poor, but the byproduct of doing it the way we did it is that we saved money. People who came in who had never had an experience with the welfare system before, when asked ''Are you willing to go to work?'' responded instantly, ''Of course. That's what I want. I am only here because I can't get work.''

''We'll help you find a job. That is part of the reason we're here for. We'll help you find employment.''

People who came in who had experience with the Federal welfare program before said, ''Wait a minute. Nobody ever asked me about work before. And I don't want to talk to you about that. I'm here to get that to which I am entitled. And I'm going to fight you if you say I have to do anything other than show up.'' Admittedly, those are people who had previous experience with the Federal welfare program.

The people who had not had the previous experience did not have that attitude. But among the new folk who were coming in for the first time—automatic—''We want to do something to get a job.''

These are the statistics, as I remember them. The folks under the State pilot program, 95 percent of them are ultimately employed. Admittedly, they may not be employed in the kinds of jobs you and I would like, Mr. President. There are many of them employed in what are sometimes derisively called leaf raking jobs, but there are things for them to do somewhere, someplace that the office involved with their lives helps them find. And 95 percent of them have some kind of income as a result of their work.

Mr. President, I cite this example as justification for my support of this conference report. The State devised this program, and it is better than the Federal program. The State devised this program, and it is cheaper than the Federal program. Then the final blow here, that says to me we must do what we can to get this out of the hands of the Federal control.

Donna Shalala came to Utah and saw this program, and she was entranced. She said, ''This is what we should be doing nationwide.'' That was 3 years ago, Mr. President, and nothing has happened at the Federal level.

The Federal bureaucracy is so cumbersome and so difficult that even the Secretary, with all of her good will and desire to solve these problems—and I grant her all of that—has been unable to move the bureaucracy under her control in the direction that she herself said it ought to go. Governors move more rapidly than that. Federal bureaucrats, if I may use an old cliche, and I know that it is not entirely fair, but it makes the point. When I entered the Federal bureaucracy, I was told, we think in 40-year periods because that's how long it takes us to get our pension.

Governors get reelected in 4-year periods, so perhaps they think 10 times as rapidly. But the Governor who put in place the program I have just described already knew at the time he was doing that that he was going to face the electorate 4 years later and he had to have a success and he had to have it quickly. The bureaucrats who are in the Civil Service who think in 40-year periods think perhaps some day we might.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MOYNIHAN. I yield 5 minutes to my friend from Utah. He makes great sense.

Mr. BENNETT. I thank the Senator for his courtesy. I had not intended to go on this long. But it is this experience that has said to me: we ought to try this. We ought to turn this over to the States and see what happens.

When people say to me, ''But you're playing with children's lives here''—and the Senator from Illinois was tremendously moving in her comments in that regard, and that is one of the reasons I take the floor, because I want to make it clear I am aware of the fact that we are playing with children's lives here, and I do not take that responsibility lightly—but I look at the results of the present system and I say, ''What are we risking if we try something else?'' I look at the disasters that have occurred under the present system and ultimately decide we are not risking that much.

Mr. President, I am not announcing for reelection at this point, but I expect to be in the Senate longer than my present term. I assure the Senator from New York and anyone else, if we

find out, as a result of the passing of this kind of torch from the Federal level to the State level, that we do, indeed, get a race to the bottom, we do, indeed, see greater disasters than what we have right now, I will be one of the first Senators to come here and say, ''Let us not let the future roll continue'' for however many years it has been since President Kennedy signed that bill that I think had a major, significant impact on the rise of homelessness. I will be one of the first Senators to be here and say, ''OK, we tried it, it is clearly not working, the race to the bottom is happening, let's stop it, let's stop it now.''

But I am not content to let the present circumstances go on without this kind of experimentation, because the human tragedy that the present circumstances created is so significant that we must do what we can.

I thank the Senator for his courtesy. That is my response to listening to the comments that were made. I appreciate the Senators letting me get it out while it is still fresh in my mind. I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I yield myself 5 minutes, briefly to respond to my distinguished friend from Utah to say that I believe every word he says is true for him. I do not think this will lead to a race to the bottom in Utah. It will in New York, I am sorry to say. The proportions are so much vaster.

In New York City, we have 1.1 million people on welfare at this moment. These are overwhelmed systems, and you do what is easiest: You send out checks. That is the cheapest, easiest, and most destructive thing to do. We are learning the kinds of things you describe in Utah. The Manpower Development Research Corp., which is the principal evaluator of studies like this, said of some study results in Atlanta, Riverside, CA, Grand Rapids, MI, that they had an effect on bringing down AFDC rolls to the point where they said this exceeds the savings achieved by experimentally evaluated programs in the last 15 years.

We are beginning to get a hold, maybe. I begin with the thought that things are so much worse than we know.

In the fine State of Utah in 1970, the illegitimacy ratio was 3.6 percent. It is now 15.5. That is half the national average, but the trend line is the same. This is something so deep in our society, we have not found an answer. I simply want to maintain a national commitment, but I am sure that Secretary Shalala said just what she did, and I am sure she tried to move the Department of Health and Human Services.

That is our dilemma. The easiest thing to do is what we now do and it is the most destructive, but it need not be that way. President Reagan thought it would change, and it is changing, because the Utah program proceeds under the Family Support Act.

I can say no more but thanks for the candor and the quality of the Senator's statement.

Mr. President, the Senator from New Jersey was to be next. I am sorry if I seem to be stammering here, but it is because I am stammering.

The Senator from New Jersey is here now, and I would like to yield him such time as he may desire for the purpose of speaking. The Senator was one of 11 Members on this side who voted against this bill when it first came forward.

Mr. LAUTENBERG. Thank you very much, Mr. President. I thank my friend and colleague from New York not only for allotting me some of the time to respond to this conference report, but also for his long-time work, scholarly review of the problems of families, welfare, and balance in our society. Few have paid as much attention to the issue as has the distinguished Senator from New York.

Oddly enough, however, whenever I am doing something with the Senator from New York, whether I sit on the Environment Committee or another committee, he always has more knowledge than anyone else. I am still trying to figure out how he does it, but he does it very well. This is just one example of many.

Mr. President, I rise in strong opposition to the conference report. I think it is a terrible Christmas present to give the children in our country. If this bill becomes law, many children in this Nation will wake up on Christmas day with no safety net and hardly any prospect of anything pleasant in the Christmas stocking.

This piece of legislation represents the worst, I think, of Speaker GINGRICH's agenda. It rips at the safety net, tears it to shreds. These poor children fend for themselves, and it violates the most basic values of our country.

Mr. President, all of us here constantly extoll the justified virtues of this Nation of ours, the greatest country on God's Earth. But what a paradox. Here we are, the wealthiest country in the world, no exceptions, and despite our prosperity, 9 million children are so poor that their families are on AFDC assistance.

Mr. President, there is no question that the current welfare system needs reform. I think there are many avenues of reform that are not fully explored. I think we want to encourage family structuring. I think we have to think in terms of letting someone who is on welfare—typically a woman with children—who perhaps meets someone that she would like to share her life with and provide her own family network, we immediately say to her, ''Well, you are off the welfare assistance, you are out of the health care program.''

What you do is you cut off your opportunities when you form this union, and you are in far worse shape than you otherwise would be. That does not encourage family togetherness. What it does do is it encourages a kind of deception and says, ''OK, you maintain your address; I maintain my address; and we will cohabitate, but we will not violate the rules.'' I think we ought to be looking at that kind of program. We ought to help welfare recipients find productive work. I am all for that. I do not think we ought to punish the poor kids who are on AFDC.

Mr. President, this bill is not a serious policy document. It is a budget document. It is a downpayment on the Republican tax break that targets the benefits for the millionaires and other wealthy Americans. We found out what the thinking is when I proposed an amendment one night that said, tell you what we will do, friends in the U.S. Senate. We will limit any tax break to those who earn under $1 million. Well, the outcome of the vote is in the RECORD. We did not get any Republican votes on that one. They said that even if you earn over $1 million, if a tax break comes along, you have to get your share. We know what we face.

I had the opportunity yesterday morning to be on one of the early-morning local shows with a freshman Republican Congressman from the other body, and we start our discussion and the first thing he says is, ''We are committed to providing that tax break.'' That overrides almost every other consideration. That is why we are here, wringing our hands, pleading the plight of those who face Christmas without an income, with a great deal of uncertainty, 280,000, roughly, Federal employees who give their all whenever they are asked, but now suddenly we have decided that they are good pawns to play in this chess game. Why? So they can force this reconciliation bill down the throat of the administration. It is a terrible game to play, I think.

The focus is on the tax break. Included in that will be those who are dependent on welfare who will suffer significantly if the program, as prescribed now, through the conference committee, goes through.

If you make $350,000 a year, the GOP reconciliation bill includes an $8,500 tax break. It is nice but certainly not necessary. I think it is painful because it comes from other people who do not have the means to get by on a day-to-day basis.

I want to talk for a moment about some of the facts with this legislation. The proponents talk about philosophy, giving States flexibility. It sounds good, but I found out there is kind of a catch-all situation here that says it is the bureaucracy—they do not say it is the bureaucracy, stupid; sometimes they say that—but it is the bureaucracy. That is the evil force that commands everything here. It may be a bureaucracy, but I do not know how you conduct a business or a structure of any kind without having people who work there—in this case, we are talking about people who are told to carry on policy in a particular fashion—and

perhaps they need more training, perhaps we have to alter the policy.

To conceal the fact that we are going to be shortchanging the recipients, the dependents on the welfare assistance, by calling it a block grant is, I believe, hypocrisy. The fact is that an HHS study shows this legislation—I was reminded about it in a letter I have included among my precious papers, a letter from the Senator from New York, just a short paragraph, talking about the children that will pay a price for the legislation that passed this body the first time with 11 Democrats and one Republican voting the other way.

Mr. President, 1.2 million to 2 million children will be facing hunger in roughly 7 years. That is hardly a way to design a program—punish the children, move 1 million to 2 million of them into poverty, into hunger. This is based on conservative assumptions. In all likelihood, the figure will be somewhat higher. I wish all Senators would fully appreciate what we are doing. Living below the poverty line is not a particularly pleasant experience. Having tried it myself as a child, I did not like it. My parents did not like it. The poverty level for a family of three, a woman and two children in this country, is $11,800 a year. How many people here believe that they could properly raise two children on $11,800 a year? It is not possible.

This bill also cuts food stamp funding by over $32 billion. These cuts, literally, as I said earlier, will take the food out of the mouths of our children.

Unfortunately, this bill is not the end of the pain for our Nation's children. The budget reconciliation is yet another assault on our children. The Republican budget bill ends the guarantee of health care for poor children. The bill's Medicaid cuts will mean that about 4 million kids—to use the expression—will be denied health care coverage. The cuts in the earned-income tax credit will mean that the parents of 14.5 million children, parents making under $30,000 a year, will get a tax increase on average of $332 a year.

Mr. President, $332 does not seem like a lot of money. But to a poor family it is an enormous sum. Working parents could use this money to buy the basic food, books, clothing, and pay for rent. I think it is unconscionable that our friends in the Republican majority are asking this of our children while providing a $8,500 tax break for people who make over $350,000 a year.

Republicans say they are making these deep cuts to help the children, the next generation. If I were the children I would say to them, ''Thanks; no thanks. Do not do us any favors. Just kind of keep us in balance now. Make sure we get the appropriate nutrition so we can learn and be productive citizens.''

The one thing I think that is really fallacious in what I hear going around here is that, somehow or other, those who are poor, those who are, perhaps, different, are another group. They do not belong to us.

One does not have to be a genius to know that we all have a stake in their well-being. It is our responsibility to protect them and help lift them out of poverty as if they were our own children, because we will pay the price—in many cases personally—for the lack of development that these children suffer.

I do not know how many have been to Brazil, to Rio de Janiero, one of the most beautiful cities in the world, where poverty fills every sight that you see, whether it is the mountains or the sea or what have you. Little kids, abandoned by their families, who will steal from open tables in the restaurant. I saw it happen. Because they are so hungry, they do not know any bounds, by virtue of appropriate conduct. Hunger, cunning takes over at all levels.

There was a shocking program the other night on ''Nightline'' about children who beg in the streets of Rio, who, when they get to be just a little more than 8 or 9 or 10 years old, they realize that their appeal for this baby face no longer has a salutary effect on the cups that they hold out for coins. Do you know what they do? They turn to prostitution at 9, 10, 11 years old. And they turn HIV positive in a hurry. And there is an epidemic of AIDS among little kids in Brazil, because they sell themselves. They do not know any other way to stay alive.

That is hardly a picture that we ought to aspire to and I am sure we do not. Those who are against this, I am not suggesting in any way, are for that kind of condition. But that is the reality when you cut off food and shelter and some caring concern. These little people find ways to exist, ways that we do not like, ways that we do not approve of, especially when they get a weapon in their hands, and especially when they gang up on someone who they think has the means to help them out.

That is why they are our responsibility, as well as some compassion in the hearts and souls of Americans. We have that as a people.

So, Mr. President, I hope we will reconsider. I hope my colleagues will reject this legislation. Once again, I commend our colleague from New York for his distinguished leadership in so many things, but particularly with this piece of legislation on welfare. I commend the President, also, for his veto statement, and I hope we will be able to sustain it.

Mr. President, this piece of legislation represents the worst of Speaker GINGRICH's radical agenda. It tears the safety net to threads. It leaves poor children to fend for themselves. It violates the most basic values of our Nation.

Mr. President, we live in the greatest nation on Earth. We are the wealthiest country in the world. But it is clear that some in our society do not share in this wealth. They are poor. They are jobless and in some cases homeless. And they must rely on public assistance to survive. In America, this is unacceptable. And we should be committed to improving their lives.

Mr. President, there in no question that the current welfare system needs reform. But the central goal for any welfare reform bill should be to move welfare recipients into productive work.

This will only happen if we provide welfare recipients with education and job training to prepare them for employment. It will only happen if we provide families with affordable child care. It will only happen if we can place them into jobs, preferably in the private sector or—as a last resort—in community service.

But this welfare bill is not designed to help welfare recipients get on their feet and go to work. It is only designed to cut programs—pure and simple.

It is designed to take money from the poor so that Republicans can provide huge tax cuts for the rich. That is what is really going on here.

Unfortunately, Mr. President, the radical experiment proposed in this legislation will inflict additional problems on our society while producing defenseless victims.

Those victims are not represented in the Senate offices. They are not here lobbying against this bill. They do not even know they are at risk.

The victims will be America's children. And there will be millions of them.

Mr. President, the AFDC Program provides a safety net for 9 million children. These young people are innocent. They did not ask to be born into poverty. And they don't deserve to be punished.

These children are African-American, Hispanic, Asian, and white. They live in urban areas and rural areas. But, most importantly, they are American children. And we as a nation have a responsibility to provide them with a safety net.

The children we are talking about are desperately poor, Mr. President. They are not living high off the hog. These kids live in very poor conditions.

Mr. President, it is hard for many of us to appreciate what life is like for the 9 million children who are poor and who benefit from AFDC.

I grew up to a working class family in Paterson, NJ, in the heart of the Depression. Times were tough. And I learned all too well what it meant to struggle economically.

But as bad as things were for my own family, they still were not as bad as for millions of today's children.

These are children who are not always sure whether they will get their next meal. Not always sure that they will have a roof over their heads. Not always sure they will get the health care they need.

Mr. President, these children are vulnerable. They are living on the edge of homelessness and hunger. And they did not do anything to deserve this fate.

Mr. President, if we are serious about reforming a program that keeps these children afloat, we will not adopt a radical proposal like this bill. We will not put millions of American children at risk. And we will not simply give a blank check to States and throw up our hands.

Mr. President, this Republican bill isn't a serious policy document. It is a budget document. It is a downpayment on a Republican tax break that targets huge benefits for millionaires and other wealthy Americans. For those who make $350,000 per year, the GOP reconciliation bill includes an $8,500 tax break.

Mr. President, if the Republicans were serious about improving opportunities for those on welfare, they would be talking about increasing our commitment to education and job training. In fact, only last year, the House Republican welfare reform bill, authored in part by Senator SANTORUM, would have increased spending on education and training by $10 billion.

This year, by contrast, this welfare bill actually cuts $82 billion, including huge reductions in education and training.

So what has changed? The answer is simple. This year, the Republicans need the money for their tax breaks for the rich.

Mr. President, shifting our welfare system to 50 State bureaucracies may give Congress more money to provide tax breaks. But it is not going to solve the serious problems facing our welfare system, or the people it serves.

To really reform welfare, Mr. President, we first must emphasize a very basic American value: the value of work.

We should expect recipients to work. In fact, we should demand that they work, if they can.

Of course, Mr. President, that kind of emphasis on work is important. But it is not enough. We also have to help people get the skills they need to get a job in the private sector. I am not talking about handouts.

I am talking about teaching people to read. Teaching people how to run a cash register or a computer. Teaching people what it takes to be self-sufficient in today's economy.

We also have to provide child care.

Mr. President, How is a woman with several young children supposed to find a job if she cannot find someone to take care of her kids? It is simply impossible. There is just no point in pretending otherwise.

Unfortunately, this bill does not address these kind of needs. It does not even try to promote work. It does not even try to give people job training. It does little to provide child care.

All it does is throw up its hands and ship the program to the States. That is it.

Mr. President, that is not real welfare reform. It is simply passing the buck to save a buck. And who is going to get the buck that is saved? The people the Republicans really care about: those who are well off.

Mr. President, I would like to take a moment now to talk about some of the facts about this legislation. The proponents of this legislation talk about philosophy and giving States flexibility, but I would like to talk about the facts.

The fact is that an HHS study showed that this legislation will force 1.2 to 2.1 million children into poverty.

And this is based on conservative assumptions. In all likelihood, the figure will be much higher.

Mr. President, I wish that all Senators would fully appreciate this. Living below the poverty rate is no fun. As I said, the poverty level for a family of three, a woman with two children, is $11,821 per year.

Mr. President, How many people here think that they could raise two children well on $11,821 per year?

Mr. President, not only does this analysis contain conservative assumptions, it also does not document what will happen to those children who already live in poverty. It is clear that they will also be harmed by this legislation because AFDC spending will be frozen at 1994 levels under this bill even though the cost of living for the poor will rise during the next 7 years.

This bill also includes a mandatory 5-year cap for the receipt of benefits. Once this time period is completed, there is nothing left for a poor family. No job, no education, no income support—nothing.

Mr. President, this seems like a benign provision but it will have harsh consequences for our children.

The cap will mean that 3.3 to 4.3 million children will get no help after 5 years. They will have no income support. They could be homeless.

Mr. President, I would like to point out that the 5-year cap is a maximum. It is an outer barrier. States can enact 1-, 2-, or 3-year caps and that will mean that even more children will have to go without assistance.

Mr. President, this bill also cuts Supplemental Security Income [SSI] benefits for disabled children. Under this conference report, 300,000 disabled children will be denied benefits in the year 2002.

Furthermore, approximately 500,000 children with disabilities, such as cerebral palsy, Down's syndrome, muscular dystrophy and cystic fibrosis, would have their benefits cut in the year 2002.

Mr. President, this bill also cuts food stamp funding by $36 billion. These cuts will literally take food right out of the mouths of our children.

Mr. President, the children of this country belong to all of us. We all have a stake in their well being. It is our responsibility to protect them, as if they were our own children.

And, Mr. President, I would point out that we don't take risks with our own children's well being. We do not say to them—you better shape up or we will put you out on the street without food.

We protect our own children. And we want to do more to help them. Parents across this country work hard to make sure that their children will have a better life. This is the same philosophy we should take towards reforming our welfare system. We must protect our children and we must help them become better off.

We can not do this by cutting millions of children off and forcing them into poverty. This will make them worse off—not better off.

Mr. President, I urge my colleagues to reject this legislation and I urge the President to issue an emphatic veto.

I yield the floor.

Mr. MOYNIHAN. Mr. President, I yield myself such time as I may require to thank my colleague and neighbor and friend from New Jersey for his statement, and particularly for raising a point, absolutely central to the legislation before us, which has not been raised until this moment in the debate, which is that this measure would repeal the eligibility of families who are now on Aid to Families with Dependent Children for Medicaid. This was not in the bill that passed the House. It was not in H.R. 4. It was not in the Senate bill. It is in the conference bill, which we have never seen. We never saw it. The conference never met.

I am sorry, we met once, October 24, for opening statements. And it never met again and the bill has come out. It was handed to us, the conference report was handed to us this afternoon. We found out what the Senator from New Jersey has said. That is the degree of the destructiveness of this measure.

I find it hard to comprehend, but I am not in the least surprised that every major religious group in the country, save one alone, pleads with us ''Don't do this.'' Catholic bishops, the Lutheran Conference, on and on, UJA: ''Don't do this to children.''

I am increasingly confident, Mr. President, that we will not.

I yield the floor.

The PRESIDING OFFICER. Who seeks recognition? The Senator from Delaware.

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from Iowa.

Mr. GRASSLEY. Thank you, Senator ROTH, and thank you for being a good chairman of this committee and shepherding through a very important piece of legislation.

I have to acknowledge that it is with mixed emotions that I speak tonight on this conference report before us. I am very pleased to join my colleagues in support of a sweeping welfare reform proposal, probably the most sweeping in recent history. But I am angry at the President for saying that he will veto this.

I suppose you would say I should not be surprised that the President would veto this. I suppose you would look at his complaining about the Government being shut down and understand that he vetoed four bills this week, that if

he had not vetoed them, Government would be functioning. Yet he wants to point the finger at us.

This is the President who, in 1992, said we are going to change, reform welfare as we know it. He said that as a candidate. He said that as President of the United States. And considering the fact that he is always for a balanced budget on television but never negotiating for a balanced budget when he sits down to do it, or his people sit down to do it, and you cannot even get numbers on a sheet of paper, we maybe should not be surprised that the President said he is for reforming welfare as we know it and all of a sudden does not want to reform welfare as we know it, because he has a record of changing his mind on the very most critical issues before our country. He kind of has a real problem with making up his mind.

Mr. President, I have made up my mind. I am supporting this conference agreement. The House passed this conference by a vote of 245 to 178. That is a bipartisan vote. We should pass this bill more overwhelmingly than the House did. Remember, this passed the Senate 88 to 11. As I have said many times on this floor, States have been very successful in their efforts to reform welfare under waivers that are begrudgingly given to them by some faceless bureaucrat from time to time down at HHS. My own State of Iowa has a very successful effort at moving people from welfare to work, saving the taxpayers money, moving people off of welfare completely and trying to change the atmosphere in welfare of dependence to one of independence, where there is a sense of pride and esteem once again. The way my State of Iowa is doing this is by having the highest percentage of any State in the Nation of welfare recipients who are on private-sector jobs.

We have raised that percentage in 3 years of our reform from 18 percent to 34 percent. This is the kind of success that we at the Federal level have failed to achieve. Even in our best attempts in the 1988 Family Support Act we failed. That bill passed 96 to 1. That vote means that it was the best of intent to reform welfare. But we have three and a quarter million more people on welfare now than we did then. And it is costing billions of dollars more, which means we have failed to reform welfare.

We have seen States in the meantime succeed at welfare reform. That is the premise of this legislation. Moving out of the Washington bureaucracy the responsibility for welfare, moving it to our State and local governments to accomplish what we could not accomplish—moving people from welfare to work, moving people from dependence to independence, and saving the taxpayers' money.

I am pleased that we are making this move. We are acknowledging that we in Congress do not have a lock on wisdom or compassion. We are saying that we trust Governors and State legislatures to take care of citizens in need, and to do it with a community-based approach and to reform welfare thus doing.

When we started this process 10 months ago now, I set four goals that I wanted to accomplish in welfare reform.

First, to provide a system that will meet the short-term needs of low-income Americans as they prepare for independence.

Second, to provide States a great deal of flexibility.

Third, to reduce the incidence of out-of-wedlock births.

And, finally to save the taxpayers some of their hard-earned money.

I am pleased that Senator ROTH has led a conference that has given us a report that substantially addresses each of these goals.

The conference report provides for a block grant of the AFDC program to the States so that the States can meet the needs of low-income Americans in the most community-oriented, cost-efficient manner. It accepts a fact of life—that you cannot pour one mold here in Washington, DC, and expect to spend the taxpayers' money wisely solving the problems the same in New York City as you do in Waterloo, IA. This will let New York do the best with the taxpayers' money they can to accomplish the goals that they know should be accomplished, and the people in Iowa will do it according to their best way.

In doing so, this gives the States the great flexibility they need to design their programs to meet the needs of their individual citizens. Iowa has demonstrated a great benefit of the program designed with its citizens in mind, its very own program. Over 2 years ago, the Iowa State Legislature passed a bill that totally overhauls our welfare system. State leaders came to us at the Congress at the Federal level for that waiver necessary to implement their ideas. The waiver was finally approved, and the State plan was implemented in October 1993.

As I mentioned before, in the last 2 years, we have moved from 18 percent to 34 percent the number of our welfare recipients in jobs. This dramatic increase shows the ingenuity of the Iowa State plan to move people from welfare to work. It also shows the importance of giving much greater flexibility to State leaders.

Another positive portion of the final report is that it protects States which are under waiver agreements like my State of Iowa.

When Iowa came to the Federal Government for their waiver, they were required to have a cost neutrality clause in their contract agreement with the Federal Government. If my State wanted to try new ideas, then they were told by the Federal Government that they would have to bear the burden of any additional cost incurred. Being sensitive to the Federal deficit, I understood the need for that agreement.

But since we are now changing the rules of the game midstream, it was critical that we not hold the States liable under those waiver agreements. Since we are going to change our end of the deal—we at the Federal level by this legislation—States should not be required to live up to their end of the deal. This issue was addressed in the conference agreement by allowing States to cancel their waiver agreements while addressing the up-front costs that States have invested in their welfare programs.

My next goal was to take steps to address the seemingly intractable problem of out-of-wedlock births. The conference report requires that teenage mothers live at home, or in a supervised setting. If there is anything that we should all be able to agree upon, it is that young teenage mothers should not be left alone in raising children. They need support.

Witness after witness who came before Senator ROTH's committee agreed that teenage moms should not be left to fend for themselves and their children.

The conference also keeps the family cap but allows States to opt out if they desire. This compromise between the original House and Senate language is reasonable because it keeps the States from ignoring the issue but leaves the final determination to each State legislature.

My last goal—to save the taxpayers some of their hard-earned money—is really more of a result of reform than a goal itself. If we take steps to move people from welfare to work, give greater flexibility to the States, and reduce illegitimacy, we will—in the long run—save some taxpayer money. This would be a positive result.

I urge my colleagues to recognize this conference agreement as a good compromise between the House and Senate bills. It accomplishes the President's goal to end welfare as we know it.

We should send the President this conference report in the hopes that he will reconsider his recent comments and sign this bill into law. I urge adoption of the conference agreement.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, as I understand it, we have been rotating back and forth. I know that Senator GRAMS has been here. I do not intend to take very long. But I would like to address the Senate on this issue.

I yield myself 12 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, there is a right way and a wrong way to reform welfare. Punishing children is the wrong way. Denying realistic job training and work opportunities is the wrong way. Leaving States holding the bag is the wrong way. While we all want to reform welfare, this conference report is simply the wrong way. It takes a bad Senate bill and makes it worse.

Mr. President, I know all of our Members are familiar with the excellent work that has been done by our friend, the Senator from New York, Senator MOYNIHAN, both in his presentations earlier this evening and his very considerable contribution to this debate over the years. I hope all of our Members will read carefully, prior to the time that we vote, the presentation of our good friend and colleague, Senator MOYNIHAN.

The Senate bill eliminated a 60-year old good faith national commitment to protect all needy children, and for that reason, in my opinion, it was fatally flawed. The Office of Management and Budget documented that the Senate bill would have pushed an additional 1.2 million children into poverty—hardly the goal of real reform. This conference report simply adds insult to injury. It will undoubtedly result in increased suffering for millions of American children and families. It continues to be legislative child abuse—and it should be defeated.

The Senate bill cut food stamps for 14 million children, SSI benefits for 225,000 disabled children, essential protections for 100,000 abused children, and minimal assistance for 4 million children left with no safety net after the time limit. This conference report slashes each of these survival programs even further—with nutrition services, disability benefits, and child protection efforts footing most of the bill.

If the conference report becomes law, children born to parents on welfare will be punished in every State. Victims of domestic violence will lose their special protections. Food stamps for the working poor and the unemployed will be further restricted. Women and children on AFDC will lose their Medicaid guarantee. Family preservation programs, child abuse programs, and child nutrition programs will be block granted. Family hardship exemptions and State investment requirements will be further reduced. All this pain is inflicted above and beyond the Senate bill.

And even the modest child care provisions added to the Republican Home Alone bill on the Senate floor have been rolled back. The Republican welfare agreement not only falls far short of providing essential child care funding but guts essential protections for children in child care.

During consideration of the Senate bill, the Congressional Budget Office said most States were likely to simply throw up their hands and ignore the new work requirements. Unfortunately, nothing on that front has changed for the better. CBO continues to believe that under this conference agreement, States will accept the sanctions for failing to comply, rather than try to reach the goals without the resources needed to make it possible.

This conference report more than doubles the child care short fall found in the final Senate bill. According to the Congressional Budget Office, the conference report is more than $6 billion short of providing States with enough child care funding to make the work requirements work. Once again, this is not welfare reform; it is welfare fraud.

What we know is that there are certain ingredients which are necessary to make any real welfare reform effort work. First of all, you have to provide some degree of job training and education for the individual. There has to be a job market out there so that the individual is able to gain employment and hopefully earn a decent wage. And there has to be health insurance coverage, particularly for small children, and there has to be child care.

Those are the effective ingredients and without these effective ingredients we are not going to have the kind of welfare reform which is so important and necessary. We will not be able to move people out of dependency into some degree of hope and opportunity for themselves and for their children.

What we have seen here is, even after the debate held on the floor of the Senate, even after the amendment of Senator DODD, myself and others was accepted, it goes to the conference and is rolled back from that position. Not only is the total amount of funds inadequate, but the protections for children in child care are gone.

Mr. SANTORUM. Will the Senator from Massachusetts yield for a question?

Mr. KENNEDY. If any Member of this Senate wants to see the best child care in this country, go to a military base. Go to any military camp across this country and you see child care programs at their very best. That is what has happened, Mr. President. Military child care represents the kind of high quality care that was fought for by our friend and colleague, Senator DODD, and also that was eventually worked out in a bipartisan way with Senator HATCH and Senator DODD and signed into law by President Bush—bipartisan support.

Now we read that these important child care protections have been stripped away in this conference report. It is absolutely untenable. And you and I know what is going to happen. With inadequate funding and protections for child care, we are going to hear in another 2 or 3 years about how child care is being bungled in the various States, and this is going to be used as an excuse to further reduce it. That is what is going to happen. And that I think is unfair, unjustified, and unwarranted.

Mr. SANTORUM. Will the Senator from Massachusetts yield for a question?

Mr. KENNEDY. I would like to just finish. I do not intend to speak for long. And then I will be glad to yield.

Mr. President, further, the conference agreement will undoubtedly ensure that those struggling to stay off welfare will lose their support to those seeking to get off welfare. But low-income working families need help, too. The average cost of a child in child care is almost $5,000 a year, yet the take-home pay from a minimum wage job is stuck at $8,500 a year. This is not manageable. It is not acceptable.

The conference agreement pulls the rug out from under these families just as they are getting on their feet. Such an approach is callous and counterproductive. In Massachusetts, of mothers who left welfare for work and then returned to welfare, 35 percent cited child care problems as the reason that they do not get enough of it. And the principal reason is we have three different child care programs that existed under the Finance Committee, all repealed. We also had a block grant program that was out there dealing with children of working parents. You had about 760,000 in one, about 650,000 in the other programs. And those programs have been combined and the entitlement status eliminated. At the same time, the need has been dramatically increased. In the Republican welfare conference, the total amount that is now being provided is even more inadequate than before. And even though we made some adjustment in this Chamber, that child care program has been very much emasculated.

The Republicans have cut by more than 50 percent the funds set aside to improve the quality of child care. This is true despite the fact that report after report documents the shockingly poor quality of child care in far too many child care centers and home-based child care settings. These Federal quality funds are making a measurable difference in the growth and development of low-income children.

The changes in this bill reduce child safety, parental choice, and parental opportunity. They do not promote work or protect children. This bill is not about moving American families from welfare to work. It is about taking assistance away from millions of poor, homeless and disabled children—and passing it out in tax breaks to the rich. It is about starving small children and feeding corporate fat cats. It is Robin Hood in reverse.

My Republican colleagues are correct when they say that this is a historic moment. If this bill passes, it will go down in history as the day the Congress turned its back on needy children, on poor mothers struggling to make ends meet, on millions of fellow citizens who need our help the most.

Some may wonder why the Republicans want to jam through a welfare conference report that they just managed to twist enough arms to get signed last night? The Republicans put a premium on speed. They hope that no one will find out exactly what their plan means until it is too late. They want to hide the harsh reality. When you strip away their rhetoric, their overall budget plan is to punish children and to protect corporate loopholes.

Republican priorities are clear. For millionaires, they will move mountains.

We passed in the Senate under the leadership of Senator MOYNIHAN and others by over 90 votes a repeal of the billionaire's tax cut. This is the provision that allows you to make $4, $5, $6 billion, trade in your citizenship, and get a tax break to take up residency in another country while the rest of Americans are working hard and paying their fair share. We voted overwhelmingly to eliminate it. Only four Members actually voted against it. But as soon as they went to conference and closed the door, they put it right back in here. While they are cutting child protection and child nutrition programs, they are protecting the billionaire's tax cut. And that is untenable, Mr. President.

Poor children, there is not a finger lifted for them.

Some of the Nation's corporate executives purchased full page ads in the Washington Post and the New York Times calling on Congress to produce a budget deal stating that every form of spending should be on the table. I couldn't agree more. It is high time that we had shared sacrifice.

We all want to balance the budget. But it cannot and should not be done on the backs of America's children. Enough is enough. Enough of backroom deal with high paid corporate lobbyists. Enough of dismantling commitments made to our children and families who need our help.

In the end, it is a battle for the heart and soul of this Nation. It is a simple question of priorities. Are we going to leave millions of American low-income children behind in order to give huge tax breaks to the rich? Are we going to put disabled children back in institutions in order to allow corporations to ship their profits overseas.

A ''survival of the richest'' plan is not what makes America America.

President Kennedy said in his Inaugural Address: ''If a free society cannot help the many who are poor, it cannot save the few who are rich.''

And in defense of the national safety net—President Reagan said in 1984: ''We can promote economic viability, while showing the disadvantaged genuine compassion.''

We have learned from experience that some cuts never heal—and I caution my colleagues that this conference report is full of them.

I am proud to join President Clinton and my Democratic colleagues in the House and the Senate vigorously opposing this conference report. Clearly, we can do better, and now is the time to start trying.

For the children who are too young to vote and who cannot speak for themselves—we must be their voice. I urge my colleagues to vote ''no'' on this conference report.

I will be glad to yield.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. KENNEDY. I yield myself 6 minutes to be able to respond, if the Senator from Pennsylvania had a question.

Mr. SANTORUM. I thank the Senator from Massachusetts. I just want to clear——

The PRESIDING OFFICER. The Senator from New York yields time?

Mr. MOYNIHAN. To the Senator from Massachusetts.

Mr. KENNEDY. The Senator from Pennsylvania had inquired earlier, and I indicated I wanted to complete my statement, and I have. And the Senator from New York has granted I think 2 more minutes—

Mr. MOYNIHAN. As much time as the Senator likes.

Mr. KENNEDY. To respond to the Senator who wanted to ask questions. Otherwise, I yield the floor.

Mr. SANTORUM. I would like to ask a question of the Senator from Massachusetts. The Senator from Massachusetts made the statement that child care funding under this bill is rolled back, has declined. I would just refer him to—he said we had a premium on speed, and I think in this case the premium on speed has been to our detriment because I am not sure the Senator has the most current figures on child care. Let me review for the Senator what is in the bill.

Like the Senate bill that passed, there is a $1 billion per year block grant to the States, identical to what we passed here. There is a difference in the mandatory child care category. We in the Senate-passed bill spent $10 billion over 7 years for child care. In the conference report it is $11 billion, $1 billion more than the Senate bill overall. And in addition, it is over $1.8 billion more than the current CBO baseline. So it is more than the Senate bill, and it is substantially more than what would be under current law.

Mr. KENNEDY. Well, Mr. President, just to respond, I understand that it provides $11 billion over 7 years for child care as opposed to $8 billion over 5 years in the Senate bill. I think I am correct on that. I see my friend from New York nodding his head. And CBO says that this amount is $6 billion short of the funding needed to make the work requirements work. In addition, the conference report caps the child care block grant for working poor families at $1 billion—is that correct? —rather than such sums as in the Senate bill. So I think I stand by the earlier statement. I see the Senator from New York——

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MOYNIHAN. The Senator can have as much time as remains to us, if he wishes.

Mr. SANTORUM. If I can say to the Senator from Massachusetts that the 5-year number is correct, $8 billion over 5 years in the Senate-passed bill, but $10 billion over 7 years in the conference report. The Senator is correct it is not $8 billion in 5 years; it is $7.8 billion. So you trade off in a sense $200 million in the first 5 years for an additional $1 billion in the final 2 years, which many would see as a pretty good trade-off and an increase in the overall allocation of $1 billion.

So I do not think it is fair to say that it is a decrease in chapter funding when you are spending $1 billion over a year covered by the bill.

Mr. KENNEDY. Well, I say to the Senator, I will put in the RECORD my understanding on the child care provisions, as I indicated earlier, the $11 billion over 7 years, still far short of what CBO says is needed, and also that the cap of the child care block grant. This bill also rejects the Senate provisions preserving the funding entitlement for all protective services, including essential foster care and adoption programs.

As the Senator from Pennsylvania knows, the conference agreement maintains the entitlement for room and board costs associated with foster care and adoption, but block grant the funds used to keep children safe by removing them from dangerous situations and finding and monitoring alternative placements.

That is one of the most important aspects of the program. I am extremely familiar with the excellent program that is taking place in Los Angeles, one of the most effective family preservation programs around. With outreach and support efforts, children are being kept safe and experiencing good care and attention.

The Senate bill emphasized prevention and family preservation. But by block granting these special efforts with crisis intervention programs, these particular provisions have been effectively eliminated. Independent living programs are also repealed. And at a time when the needs will increase in terms of the children protection, the report cuts essential services by $1.3 billion more than the Senate bill.

We have not even talked about the disabled children, what has happened to them. We have not talked about the food stamp programs that are going to affect children. We have not talked about child nutrition. You nearly double the size of the cuts in the Senate bill from $3.4 to $5 billion. There are 32 million needy children currently in this program. And the list goes on.

I know the Senator will want to address this. This is a listing of my understanding of it. I know the Senator from Pennsylvania will do likewise. But I welcome the opportunity to identify the impact of this legislation on children. And what exists at the present time, what was in the Senate bill, and what has come out of this conference. I think it should be listed, and attention should be drawn to it, hopefully prior to the time we vote. I know the Senator will put in his interpretation, as I do mine.

I thank the Senator from New York. I yield myself 30 more seconds to say how much all of us appreciate his leadership, not only this evening and the work on the conference report, but the

brilliance of his leadership during the consideration earlier in the debate and for all the good work that he has done over the years. In 1988, his true reform program provided the child care, provided jobs training and education, and provided for transitional support in terms of the health care.

That still is, when the final chapter is written, the way to go. All of us, all Americans are in his debt for the leadership that he has provided. I thank the Chair.

Mr. MOYNIHAN. Mr. President, may I yield myself 30 seconds to thank my friend from Massachusetts, who is, as ever, at the fore in these matters.

The President in his statement that he will veto this bill says that he looks forward to bipartisan efforts to pursue the directions we took in 1988 and on which we should continue. But it is not cheaper. Mr. President, the cheapest thing to do is what we do now, what we are going to do in this bill. And it is ruinous to children. We would look back at this as a day without precedent in the history of this body, an idea that a year ago would have been, I think, unthinkable.

I think now we will at long last, when we have come to our senses, as I said earlier, in a bipartisan effort accomplish what we need to as soon as this particular one is behind us. I thank the Chair.

The PRESIDING OFFICER. Who seeks recognition?

Mr. ROTH. I yield 5 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. GRAMS. I ask the manager of the bill if I could have up to 10 minutes?

Mr. ROTH. I am sorry, just 5.

Mr. GRAMS. Mr. President, I rise today in support of the conference report to H.R. 4, the Work Opportunity Act of 1995, and I commend the majority leader and my colleagues for the months of concentrated effort it took to bring us to this point. And I appreciate the opportunity to speak on this bill tonight.

Mr. President, since the beginning of the 104th Congress, we have been debating the state of this Nation's welfare system. Both sides of the aisle recognize that the system is broken.

It encourages illegitimacy.

It does not recognize the importance of marriage and family. It offers no hope or opportunity for those Americans who are trapped within its layers of bureaucracy.

And it was not supposed to be this way.

After signing the 1964 Welfare Act, President Lyndon Johnson proclaimed, ''We are not content to accept the endless growth of relief rolls or welfare rolls,'' and he promised the American people that ''the days of the dole in our country are numbered.''

The New York Times predicted the legislation would lead to ''the restoration of individual dignity and the long-run reduction of the need for government help.''

In 1964, America's taxpayers invested $947 million to support welfare recipients—an investment which President Johnson declared would eventually ''result in savings to the country and especially to the local taxpayers'' through reductions in welfare caseloads, health care costs, and the crime rate.

But yet, 30 years later, none of those predictions have materialized, and the failure of the welfare system continues to devastate millions of Americans every day—both the families who receive welfare benefits and the taxpayers who subsidize them.

Despite a $5.4 trillion investment in welfare programs since 1964, at an average annual cost that had risen to $3,357 per taxpaying household by 1993:

One in three children in the U.S. today is born out-of-wedlock;

One child in seven is being raised on welfare through the Aid to Families with Dependent Children program; and

Our crime rate has increased 280 percent.

Mr. President, those are the kinds of devastating statistics which until recently have been ignored by the bureaucratic establishment in Washington, but those are the statistics H.R. 4 will finally address.

By rewriting Federal policies and working in close partnership with the States, we can create a welfare system which will effectively respond to the needs of those who depend on it—at the same time to protect the taxpayers.

This bipartisan welfare conference report sets in place the framework for meeting those needs by offering individuals who are down on their luck some opportunity, self-respect and most importantly, the ability to take control of their own lives.

And yes, we will ask something of them in return.

The most significant change in our welfare system will be the requirement that able-bodied individuals put in 20 hours of work every week before they receive assistance from America's taxpayers.

Mr. President, my colleagues and I have come to the floor repeatedly this session to suggest that our present welfare system promotes dependency by discouraging recipients from working, but nothing sums up the problem more perfectly than a story which appeared just last month in the Baltimore Sun.

It seems that the Baltimore regional office of the Salvation Army is having trouble this year recruiting volunteer bell ringers to staff the red kettles that have become a symbol of the holiday season.

So they decided to pay for the help—$5 an hour, thinking it would give people on public assistance the opportunity to earn some money. Here is where the Baltimore Sun picks up the story:

The Frederick chapter ran a help-wanted ad for bell ringers in the local paper for a week but received only four applications. It then approached an agency that provides temporary workers.

The agency interviewed 25 people for the bell ringing job, but no one wanted to do it. One person accepted the job at a second temporary help agency.

''I'm beating my head against the wall,'' Captain Mallard said.

That is Butch Mallard, commander of the Salvation Army in Frederick, MD:

I don't know if people don't want to work outside, or that they just don't want to work for $5 an hour when they can stay home and get that much from the government.

Mr. President, the Salvation Army has found out what we have been saying all along: the government makes it so easy for a welfare recipient to skip the work and continue collecting a federal check that there is absolutely no incentive to ever get out of the house and find a job.

And if someone actually takes the initiative to take a job—perhaps as a bell ringer—they risk forfeiting their welfare benefits entirely.

During Senate consideration of the Work Opportunity Act, Senator SHELBY and I joined forces with the majority leader to ensure that welfare recipients receive benefits only after they work.

We believe welfare recipients should be held to the same standards, the same work ethic, to which America's taxpayers are held.

American taxpayers are putting in at least 40 hours on the job each week—and are sometimes forced to take on an additional job or work overtime hours just to make ends meet.

And all the while, they have been generously providing welfare recipients with cash and benefit assistance, while the only thing we ask of welfare recipients is to provide an address where we can mail their checks.

Under the Grams-Shelby pay-for-performance amendment which was adopted earlier this year, this practice will end. Welfare recipients will be required to work before they receive any cash assistance.

Simply put, our amendment stipulates that welfare recipients will receive financial assistance from the taxpayers only for the number of hours they are actually engaged in a work activity.

A work activity includes: a private sector job, on-the-job-training, a subsidized job, workfare, community service, job search limited to 4 weeks, and vocational education limited to 1 year.

A welfare recipient is required to required to work 20 hours a week—if they only put in 15 hours in a particular week, they will only receive cash assistance for those 15 hours of work.

Many of my colleagues have expressed their support for these tough work requirements and the need for the pay-for-performance amendment.

But some Members believe our original bill did not include adequate funding to provide child care while parents were working.

These concerns were raised despite the fact that the Senate bill dedicated $8 billion toward child care services.

But in order to address the concerns that $8 billion is still not enough, the conference report increases child care funding to $18 billion.

As it has in the past, safeguarding the well-being of children will continue to remain a primary concern of the refocused welfare system our bill will create.

I am proud that we have taken additional steps through this conference report to ensure our children's readiness, and ability, to learn.

Throughout the last year, I have been meeting with parents, educators, nutrition experts and pediatricians who are concerned about the future of Federal nutrition standards.

Many of them have pointed out that unless children receive and maintain a proper level of nutrition, they will perform significantly lower than their learning potential.

And so I have worked to ensure that medically devised Federal nutrition standards, established by the National Advisory Council on Maternal, Infant and Fetal Nutrition, are maintained under this legislation.

I am pleased that my colleagues have joined me in recognizing the need for these uniform standards by including them in this bill.

Mr. President, our bill also recognizes that officials elected locally—our state legislators and governors—are more capable than their representatives in far-away Washington to administer effective programs on the State and local level.

And so this welfare reform legislation will give States like Minnesota the flexibility they need to develop innovative programs to assist those who need help most.

States will no longer have to ask Washington for permission to establish successful programs like the Minnesota family investment plan. States will finally be able to save money and use it wisely, rather than being forced to spend it on the wasteful paperwork Washington requires them to fill out.

Mr. President, the bipartisan legislation before us today to overhaul our failed welfare system is the first positive step away from a system which has held nearly three generations hostage with little hope of escape.

Only be enacting this legislation can we offer these Americans a way out and a way up.

I challenge my colleagues on both sides of the aisle, and the President, and the American people themselves, to take this message to heart: Government cannot solve all our problems.

As Americans, we need to look within ourselves rather than continuing to look to Washington for solutions.

Does anybody really believe the Federal Government embodies compassion, that it has a heart?

Of course not—those are qualities found only outside Washington, in America's communities.

Mr. President, there is no one I can think of who better exemplifies heart and compassion than Corla Wilson-Hawkins, and I was so fortunate to have had the opportunity to meet her recently.

She was one of 21 recipients of the 1995 National Caring Awards for her outstanding volunteer service to her community.

Corla is known as ''Mama Hawk'' because, more than anything else, she has become a second mother to hundreds of schoolchildren in her west-side Chicago community, children who, without her guidance, might go without meals, or homes, or a loving hug.

Mama Hawk gives them all that and more, and she and the many, many other caring Americans just like her represent the good we can accomplish when ordinary folks look inward, not to the government—and follow their hearts, not the trail of tax dollars to Washington.

Mama Hawk tells a story that illustrates better than I ever could how the present welfare system has permeated our culture and become as ingrained as the very problems it was originally created to solve.

These are her words.

When I first started teaching, I asked my kids, what did they want to be when they grew up? What kind of job they wanted. Most of them said they wanted to be on public aid. I was a little stunned.

I said, ''Public aid—I didn't realize that was a form of employment.'' They said, ''Well, our mom's on public aid. They make a lot of money and, if you have a baby, they get a raise.''

Mr. President, that is the perception, maybe even the reality, we're fighting to change with our vote today on this historic conference report. While there is more work to accomplish, this bill is a good first step toward truly ending welfare as we know it.

I look forward to working with my colleagues in the future to finish the good work we have started today.

Ms. MIKULSKI. Mr. President, I oppose this conference report. We should reject this bill. We should return to the bargaining table to negotiate real welfare reform which moves people from welfare to work and provides a safety net for kids.

Nearly 3 months ago, I joined 34 of my Democratic colleagues in reaching across the aisle to pass a bipartisan welfare reform bill by a vote of 87–12.

We did so because our deliberations had produced a bill that began to move the welfare reform debate away from the harsh rhetoric of the House bill.

I had hoped that our initial success at compromise in the Senate could lead to true compromise with the House. Regrettably, it did not.

During Senate action last September, Senate Republicans and Democrats worked together to find common ground and the sensible center. In contrast, the House-Senate welfare conference was shaped by Republican back room deals. Democrats were shut out.

This Conference Report is punitive. It's tough on kids, and it does not give people the tools they need to get and keep a job.

This bill moves us in the wrong direction.

First, this bill is part of the Republican assault on needy families. This bill cuts $82 billion from child care, food stamps, child nutrition, child protection, welfare and other programs over 7 years—drastically more than the Senate welfare reform bill. These cuts are draconian.

They are coupled with other budget cuts critical to working families, such as the earned income tax credit. The EITC helps keep working families out of poverty. The Republicans welfare plan says go to work. The Republican budget says, once you get to work, we're going to make you pay more in taxes.

Second, the conference report snatches away the safety net for kids. It weakens the Senate effort to provide child care to working families by cutting $1.2 billion. These drastic cuts mean that parents will have to choose between taking care of their kids and going to work. Today, 34 percent of women on welfare say they are not working because they cannot find or afford child care.

Children will go hungry under this conference report. It jeopardizes the nutrition and health of millions of children, working families, and the elderly. It cuts food stamps and school lunches. And, if there is a recession, there is no guarantee those in need can get either. At least 14 million kids will suffer from this cut.

Third, neglected and abandoned children, and children in foster and adoptive care, will suffer further under this conference report. It slashes protective services to these kids by 23 percent or $4.6 billion over the next 7 years. The bill also cuts funding to investigate reports of abuse and neglect, to train potential foster and adoptive parents, to help place children in foster and adoptive homes and to monitor State child protection programs. These cuts come at a time when resources can't meet current needs to protect children from abuse and neglect.

Fourth, the conference agreement is punitive to disabled children. We all agree Supplemental Security Income needs to be reformed. But, this goes too far. It too narrowly defines who qualifies. So, only the most severely disabled children will get SSI, stranding many disabled kids and their families.

Fifth, the conference report allows States to cut back on their financial commitment to poor families. It weakens the State maintenance of effort provisions the Senate fought so hard for. Under this bill States could cut their contributions to poor families by 25 percent each year. The net effect—less child care, fewer tools to help get people to work, and more children falling into poverty.

And sixth, the bill fails to recognize that when there is an economic downturn, people lose their jobs and need a helping hand. There is not an adequate contingency fund for use during times

of natural disasters, changes in child poverty, and population shifts.

This bill fails to move people from welfare to work. And it is a bill that will force more than a million additional children into poverty.

The welfare package of the President's 7-year balanced budget plan is a good place to start. It takes a significant page from the Work First proposal that Senators DASCHLE, BREAUX, and I wrote earlier this year. It requires welfare recipients to go to work by providing them with the tools to get a job and keep it. It cuts $49 billion in welfare programs, but does so responsibly—not in the reckless and punitive fashion of this conference report.

The best social program in America is a job. Unfortunately, the Republicans welfare bill now before the Senate is a con job when it comes to Americans' desire to get welfare recipients back to work. Vote no on this conference report.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, we are truly at the end of our debate this evening, toward the end. I ask unanimous consent that statement by the presidents of the National League of Cities, the National Association of Counties, and the United States Conference of Mayors urging the defeat of this measure be printed in the RECORD.

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

NATIONAL LEAGUE OF CITIES, NATIONAL ASSOCIATION OF COUNTIES, THE UNITED STATES CONFERENCE OF MAYORS, DECEMBER 20, 1995.

DEAR SENATOR: On behalf of the nation's local elected officials, we are writing to urge you to oppose H.R. 4, the conference agreement on the Personal Responsibility Act. Although the conferees agreed to some changes in the areas of foster care consultation with local governments, we cannot support the Final conference agreement which fails to address many of the other significant concerns of local governments. In particular, we object to the following provisions:

The bill ends the entitlement of Aid to Families with Depend Children, thereby dismantling the critical safety net for children and their families.

The bill places foster care administration and training into a block grant. These funds provide basic services to our most vulnerable children. If administration and training do not remain an individual entitlement, our agencies will not have sufficient funds to provide the necessary child protective services, thereby placing more children at risk.

The eligibility restrictions for legal immigrants go too far and will shift substantial cost into local governments. The most objectionable provisions include denying Supplemental Security Income and Food Stamps, particularly to older immigrants. Local governments cannot and should not be the safety net for federal policy decisions regarding immigration.

The work participation requirements are unrealistic, and funding for child care and job training is not sufficient to meet these requirements, One example of the impracticality of these provisions is the removal of Senate language that would have allowed states to require lower hours of partition for parents with children under age six.

We remain very concerned with the possibility of any block granting of child nutrition programs. A strong federal role in child nutrition would continue to ensure an adequate level of nutrition assistance to children and their families. School lunch programs are necessary to ensure that children receive the nutrition they need to succeed in school. Children's educational success is essential to the economic well being of our nation's local communities.

The implementation dates and transition periods are inadequate to make the changes necessary to comply with the legislation. We suggest delaying them until the next fiscal year.

As the level of government closets to the people, local elected officials understand the importance of reforming the welfare system. However, the welfare reform conference agreement would shift costs and liabilities and create new unfunded mandates for local governments, as well as penalize low income families. Such a bill, in combination with federal cuts and increased demands for services, will leave local governments with two options: cut other essential services, such as law enforcement, or raise revenues. We, therefore, urge you to vote against the conference agreement on H.R. 4.

Sincerely,

GREGORY S. LASHUTKA,
*President, National League of Cities, Mayor, Columbus, Ohio.*

DOUGLAS R. BOVIN,
*President, National Association of Counties, Commissioner, Delta County, Michigan.*

NORMAN B. RICE,
*President, The United States Conference on Mayors, Mayor, Seattle, Washington.*

Mr. MOYNIHAN. Mr. President, they make a number of points, but the first one being:

The bill ends the entitlement of Aid to Families with Dependent Children, thereby dismantling the critical safety net for children and their families.

This is the central point. We do not have welfare reform before us, we have welfare repeal, a repeal of a commitment made in the 1930's in the middle of the Depression. To be abandoned now would be unthinkable, and I am increasingly confident it will not occur.

Also, I ask unanimous consent to print in the RECORD a joint statement by Catholic Charities USA, the Lutheran Social Ministry Organizations of the Evangelical Lutheran Church in America, the Salvation Army, and the Young Women's Christian Association on these and other matters.

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

JOINT STATEMENT OF LARGE NONPROFIT SOCIAL SERVICE PROVIDERS, OCTOBER 19, 1995

Catholic Charities USA, the Lutheran Social Ministry Organizations of the Evangelical Lutheran Church in America (ELCA), The Salvation Army, and the Young Women's Christian Association (YWCA) are the nonprofit organizations who together do more for low-income families and poor people in the United States than anyone else. We are greatly concerned about the consequences that deep cuts in programs that serve poor and low-income people will likely create. The very fabric of our society is at risk. We believe that such cuts will exacerbate the despair already felt among many and turn it into hopelessness. As we go about our business of serving both the physical and spiritual needs of people, we see the desperation in many of their eyes.

The chasm between the rich and poor in our country appears to be growing. While children born to families in the upper twenty percent of the income scale in the United States experience the highest standard of living in the industrialized world, the children born to families in the lowest twenty percent receive one of the lowest. We should be developing policy that narrows that gap rather than policy that widens it. The reduction in the support for programs serving low-income people such as Aid to Families with Dependent Children, food and nutrition, Medicaid, housing, the Legal Services Corporation, Supplemental Security Income, and the Earned Income Tax Credit, when combined, will have a devastating effect on families that have few options. Even if these families are able to work, that work is often at or near minimum wage with no benefits leaving families still living in terrible deprivation. Elderly people as well will experience increased poverty and all that it brings.

In addition to the hopelessness of spirit, we believe the proposed policy changes will increase hunger, homelessness, and abuse and neglect within families.

Historically, we have worked quite successfully in partnership with government to provide services to persons with special needs. On every front we have received commendation for the great work we have done. However, we do not have either the financial or physical capacity to serve the increased need we expect to occur because of these policy changes. In fact some of the changes may force us to terminate some programs and even close our doors in some ares. We are deeply concerned that the partnership between government and religious institutions, which has worked so well in the past, is now being broken.

We will do our part to alleviate as much suffering as possible by our acts of mercy. However, we believe that all have a responsibility for the needs of the people, the general welfare, the common good—church members and non-church members alike. Because not all seek what is just and good, dependence on charity for the basic needs of life is inadequate. Charity can supplement, but it will never be able to replace ''justice.'' It is not just the responsibility of faith group members who choose to give generously of both their time and resources to ensure that people's needs are met. Society as a whole must be committed to the well being of all. We believe that government, as a means by which Americans act corporately, has a major role in establishing justice, protecting and advancing human rights, and providing for the general welfare of all. This is not a time for government to deny their role and reduce their portion of the partnership.

We believe that Congress and the President should be cautious when making sweeping changes in policy and not reverse the present working relationship with nonprofit providers which has worked so well in the past.

Rev. CHARLES MILLER,
*Executive Director, Lutheran Social Ministry Organizations of the Evangelical Lutheran Church in America.*

Rev. FRED KAMMER, S.J.,
*President, Catholic Charities USA.*
Commissioner KENNETH L. HODDER,
*National Commander, The Salvation Army.*
PREME MATHAI-DAVIS,
*Executive Director, YWCA of the U.S.A.*

Mr. MOYNIHAN. I reserve the remainder of my time as I believe we are going to try to go to a concluding measure here.

Mr. ROTH. Mr. President, first, I yield 5 minutes to the distinguished Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mrs. HUTCHISON. Thank you, Mr. President. I thank the distinguished chairman of the committee for the wonderful job that he has done. It is never easy to make such changes as we are making in this bill. But it is one of the most important decisions that we will make, because it is one of the key elements to change the direction of this country as it relates to welfare and to allow us to balance the budget.

We have heard a lot of talk this afternoon and this evening about helping children. Mr. President, if we are going to help the children of this country, the most important thing we can do is balance the budget. We cannot balance the budget unless we put welfare on a budget. If we do not put welfare on a budget, we will not be able to do what is right for this country.

I am voting yes on this conference report for two reasons: We must take welfare off entitlement status and, Mr. President, we have talked all day and all night about the President saying he is going to veto this bill. There is one reason he is going to veto this bill. It is because we are taking welfare off entitlement status and putting it on a budget. That is the fundamental difference between the President and those of us who are going to support this bill.

This bill does not cut welfare spending. This bill slows the rate of growth of welfare spending from 5.8 percent to 4.02 percent, less than 2 percentage points of difference in the rate of growth. We are going to spend more on welfare. But the difference is we are going to put some parameters around it. We are going to give the States the right to have a welfare program that fits the needs of their States.

Mr. President, my Governor, George Bush, says, ''What are they talking about, hurting the children? Do they think I am going to have starving children in my home State?''

My Governor is a graduate of Yale. I mean, it is not the University of Texas, but it is OK. I think he is enlightened. I think he can handle the job, and I think every other Governor in the United States of America knows best what will fit their State's needs.

This is going to make some monumental changes in the priorities we have. We have heard tonight Senators saying, ''What are the priorities of this country?'' We are going to decide.

The priorities of this country are that we want to help people who need a transition for a temporary period, and that is what this bill does. Can people stay on welfare if they are able-bodied and do not have young children under 6? They cannot do it forever. No, they cannot. They cannot stay on it generation to generation. They have to work after 2 years and they have a lifetime limitation of 5 years.

What does that tell working people of this country, especially the working poor? It says there is an incentive for you to do what is right. No longer are you going to have to support people who can work but will not. If you can work and do, if you consider it a privilege to work and contribute to the economy of this country, you will not be subsidizing people who can work and do not.

We have talked about what is a block grant and what is not a block grant. We are going to put AFDC on a block grant with growth. There is a formula that allows for the growth States to have a fair allocation. But there still is a safety net, Mr. President. There is a safety net in food stamps, in child nutrition. Those will not be block granted. Those are going to be based on need. So food and nutrition programs are a safety net, and they are kept in the bill as a safety net.

Mr. President, we are going to set the priorities of our country with this bill. We are going to say to the working people of this country that it is worth something to work, it is a privilege in this country to have a job and to contribute to the economy and you are not going to be competing with someone who refuses to work even if they can. The working people of this country are going to know that we have a budget and that this is not going to be unlimited spending.

Mr. President, I know that my time is up, and I will just say that we are making decisions that will determine the priorities of our country and we are going to get this country back on track and we are going to bring back what made this country great.

It was the strong families, it was the spirit of entrepreneurship and the working relationships that have built this country. We are going to bring it back and make this country strong again.

Thank you, Mr. President. I yield the floor and thank the chairman.

Mr. ROTH. Mr. President, I yield the remainder of my time to the distinguished Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 18 minutes, 52 seconds.

Mr. SANTORUM. Mr. President, I want to thank the distinguished chairman of the committee who has done an absolutely superb job with this piece of legislation in shepherding it through the conference. It has been a pleasure to work with him in the time we have worked on the welfare bill since he has become chairman.

For the benefit of the staff here, I am going to do the wrap-up and then proceed with my remarks after the wrap-up.

## MORNING BUSINESS

Mr. SANTORUM. Mr. President, I ask unanimous consent that there now be a period for the transaction of morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

## THE BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, as of the close of business yesterday, December 20, the Federal debt stood at $4,988,966,775,602.69, a little more than $11 billion shy of the $5 trillion mark, which the Federal debt will exceed in a few weeks.

On a per capita basis, every man, woman, and child in America owes $18,938.20 as his or her share of that debt.

## HONORING JOHN C. STENNIS

Mr. WARNER. Mr. President, I rise today to pay tribute to Senator John C. Stennis, for whom our Nation's newest aircraft carrier is named. Further, I include in today's RECORD the excellent remarks given by the Secretary of Defense, William Perry, and Senator THAD COCHRAN, the two principal speakers at the commissioning of this great ship on December 9, 1995.

Built with the minds, hands, and sweat of thousands of workers at Newport News Shipbuilding, and manned by the men and women of the most powerful Navy in today's world, this ship serves as an symbol of peace, that will stand guard night and day on the seven seas deterring aggression. As a former sailor in World War II, Secretary of the Navy, and now a senior member of the Senate Armed Services Committee, I know well the awesome capabilities of these magnificent ships.

In my brief remarks to an impressive audience of over ten thousand people who braved a wintery day, I recalled how, as I worked by his side for over a decade, Senator Stennis would relate stories of how a succession of Presidents would say ''Whenever I was awakened in the middle of the night by a report of a crisis somewhere in the world, my first thoughts were always 'Where is the nearest U.S. aircraft carrier?' ''

Mr. President, it is fitting that this great ship bears the name of Senator Stennis. Senator Stennis was my friend and mentor, whose humble beginnings in a small working-class home and equally humble and proud manner in which he lived his entire life, stand in stark contrast to this magnificent ship that now bears his name. He was a true visionary and champion of our Nation's

Armed Forces. When Senator Stennis left the Senate, he gave me a plaque which was always on his desk. While the plaque itself may be simple and plain, the message ''Look ahead'' has deep meaning. Indeed, even today, our Nation is reaping the benefits of the forward thinking Senator who lived by these words.

Mr. President, during the commissioning ceremony of the USS *John C. Stennis*, attended by many Members of Congress including Senators STROM THURMOND, THAD COCHRAN, TRENT LOTT, CHUCK ROBB, SAM NUNN, and DIRK KEMPTHORNE, and Congressmen SONNY MONTGOMERY, OWEN PICKETT, HERB BATEMAN, BOBBY SCOTT, and GENE TAYLOR, I was honored to be able to present the ship with that plaque, as I am sure Senator Stennis would have wanted, in hopes that it would inspire the gnerations of men and women that will serve on her.

I ask unamious consent that Senator COCHRAN's and Secretary Perry's remarks be printed in the RECORD.

There being no objection, the remarks were order to be printed in the RECORD as follows:

REMARKS OF SENATOR THAD COCHRAN AT THE COMMISSIONING OF THE U.S.S. ''JOHN C. STENNIS'' (CVN–74)

Those of us from the State of Mississippi could not be more proud today. We are all honored by the career and life of John C. Stennis.

When he was elected to the United States Senate in 1947, an editor of one of our newspapers said our State would ''earn the plaudits of the Nation'' by choosing such ''a thoughtful, purposeful, and high-minded man.''

That turned out to be very true indeed. Integrity was not just a virtue with John Stennis, it was a way of life. For that he was greatly admired.

With all his good personal qualities, he had an enormous capacity for hard work and endurance. His personal toughness as well as his courage and determination was greatly tested when he was shot by robbers in 1973, and then later when serious health problems threatened his life.

He not only survived, he prevailed, as William Faulkner might say, and he did so without complaint or any noticeable ill humor.

John Stennis was always in good spirits, friendly with all his colleagues, the epitome of decorum and courtesy. In the ten years I was privileged to be his State colleague in the Senate, I never heard him say a critical or unkind word about anybody.

But he was tough minded, resolute, and firm, like he had been as a trial judge, insisting on order and respect for the Court, and later the Senate. The judicial temperament he exhibited included a strong respect for justice and fairness.

It is no wonder then that as a young Senator he was chosen to serve as the first chairman of the Committee on Standards and Conduct.

His effective work as chairman of the Subcommittee on Military Preparedness gave him his first opportunity to develop expertise in national defense matters. When he later chaired the Armed Services and Appropriations Committees, he helped authorize and fund what all now recognize as the mightiest military force in the world, distinguished from all others by our nuclear powered aircraft carriers.

As the officers and crew of this fine ship carry out their duties, I know that they will be challenged and strengthened by the example of this ship's namesake, John C. Stennis. It is the kind of ship that appropriately bears his name. It is robust, well made in all respects, and ready and able to meet every challenge. May it be God's will that it will do so safely.

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REMARKS OF SECRETARY WILLIAM PERRY AT THE COMMISSIONING OF THE USS JOHN C. STENNIS (CVN–74)

Admiral Boorda and Secretary Dalton have both rightly said that the United States Navy is the most powerful in the world. I want to tell you that that is not simply rhetoric, it is a statement of fact. And the ship we're commissioning today, U.S.S. *JOHN C. STENNIS*, will be the most powerful warship in the world.

Two hundred and twenty years ago, this very day, America learned its first lesson on why our Nation needs a powerful Navy. For on that day, only a few miles from here, the battle of Great Bridge began. It was the first military engagement of the Revolutionary War in the Virginia colony. American forces won this battle. But, afterwards, the defeated British forces proceeded to bombard the city of Norfolk, with their cannons, from the sea. The American forces were helpless to stop them because we had no Navy.

Throughout that year, 1775, some members of the Continental Congress had been opposed to trying to build a Navy. In fact, one member, Samuel Chase, remarked, ''Building an American navy is the maddest idea in the world.'' His views were countered by John Paul Jones, who said, ''Without a respectable navy, alas America.''

Incidents like the bombardment of Norfolk showed that not having an American navy was the maddest idea in the world. So, the views of John Paul Jones prevailed over the views of Samuel Chase and America did build a respectable Navy.

By the time of the Second World War, our respectable Navy had become a global naval power. And this naval power helped defeat the forces of totalitarianism on two sides of the globe. And all during the Cold War, our global naval power contained the forces of Soviet expansionism. Today, we are adding another great ship to our global naval power—a ship that will help project and defend America's interests for the next fifty years. The *John C. Stennis* is America's seventh Nimitz class carrier. Both of these names, Nimitz and Stennis, capture the glorious history of our Navy in this century.

Fifty years ago, Admiral Chester Nimitz commanded our Pacific force. It was that war that witnessed the emergence of the aircraft carrier as a powerful tool for the most powerful nation. Then, through 50 years of the Cold War, Senator John Stennis saw to it that America's Navy remained the most powerful in the world. He has been called the father of America's modern Navy, because, when John Stennis said, ''America needs this ship,'' Congress listened. Senator Warner has told you that one of Senator Stennis's favorite sayings was, ''Look ahead,'' and it is fitting that this saying has become the unofficial motto of U.S.S. *John C. Stennis*. Because at the end of the Cold War, there are some who ask why America still needs ships like *John C. Stennis*, and the answer to their question is, ''Look ahead.''

When you look ahead, you see that America will remain a global power with global interests, that America will continue to face threats to its interests, and that protecting these interests requires a powerful presence in many places around the world. A critical way of getting that presence is by having a strong Navy. And no Navy ship has more presence than a Nimitz class aircraft carrier.

Let me give you an example of what forward presence does for our security. The U.S.S. *Theodore Roosevelt*, affectionately called ''TR''—another Nimitz class carrier—recently led a battle group through a six month deployment. When it started out, last March, it first went to the Arabian Gulf to enforce the no-fly-zone over southern Iraq. Then, it sailed to the Mediterranean to conduct routine exercises with our allies and friends in the area—exercises that improve the ability of our forces and other nations to work together. At the same time, ''TR'' supported NATO's Deny Flight operations—enforcing the no-fly-zone over the former Yugoslavia. Then, in August, several members of Saddam Hussein's family defected to Jordan and the world worried that Saddam might lash out at his neighbors. To deter this potential aggressor, we moved ''TR'' to the eastern Med and repositioned an amphibious force in the Red Sea. These forward deployed forces with credible combat power sent Saddam a message, loud and clear. Soon after this crisis died down, ''TR'' rushed back to the Adriatic Sea to conduct NATO air strikes over Bosnia. And, as we all know, these air strikes played a critical role in bringing the parties to the bargaining table in Dayton.

So, on one deployment, for six months, ''TR'' improved our ability to operate with our allies; helped a friend in need; deterred Saddam Hussein; and helped create an opportunity for ending the deadliest fighting in Europe since World War II.

As we look ahead, it is clear that deployments like these will not be uncommon for our carriers. And, as we realize this, we must also recognize that this craft is not just a fast, powerful vessel with fast, powerful aircraft. Instead, it is four and a half acres of American turf, off the coast of any trouble spot in the world we send it to. In other words, it's not just a floating runway for airplanes, it is a mobile island of American power. An island we can rush to anywhere our interests are threatened and use to do anything needed to support our operations.

In addition to using it for large, powerful air strikes, we can use it to launch a team of Navy SEALs. We can use it as a joint command and control center to shape the battlefield in almost any theater. And, as Admiral Paul David Miller showed us last year, when we went into Haiti, we can even use it as a launching pad for the 10th Mountain Division troops and Army helicopters.

But, even with these tremendous capabilities, this carrier is still only as good as the men and women who will operate it. Admiral Nimitz himself said, ''There is simply no substitute for good seamanship.'' A ship like this carrier requires intelligent, dedicated, well trained people. People like Captain Robert Klosterman, who will very soon command this ship, and the officers and the crew who are handpicked to join him.

I have great confidence that the *John C. Stennis* is one of the most capable ships in the world. I have equally great confidence that this crew is one of the best groups of sailors in the world. Captain Klosterman and his crew will present some of the world's most sophisticated and deadly equipment. They not only have to operate this equipment, they also have to maintain it. There are no Maytag repairmen on the open seas. And that is why it is essential for our sailors to have the best training available. And once we train them, we need to keep them in the Navy. To do that, we need to treat them right and we must take care of their families as they weather the strain of having a parent or spouse away from home. And that is why the title that we invest in our sailors quality

of life. Caring about our people—giving them decent pay, housing, and medical care—is not just the right thing to do, it is also the smart thing to do, because it is vital to maintaining the quality and readiness of our forces.

Finally, let us remember, on this holiday season, that many of our servicemen and women are deployed in the Mediterranean, the Adriatic, and in Yugoslavia. Still more are on their way. They are all preparing to support the peace Implementation Force in Bosnia. It is a tough assignment for them. It is even tougher on their families. So as we celebrate this year, let us all pray for the safety of our soldiers, sailors, airmen, and Marines performing these difficult missions. And let us also pray for their comrades—some 150,000 of them—who will also spend their holidays away from their loved ones as they perform other missions for peace and freedom around the globe.

Next to my office in the Pentagon is a painting depicting a soldier, he's in a church praying with his family just before a deployment. Underneath this painting are the lines from the Bible, in which God says, ''Whom shall I send and who will go for us?'' And, Isaiah answers, ''Here am I. Send me.'' This Christmas, our Nation asks, ''Whom shall I send?'' And, 150,000 of our military personnel answered, ''Here am I. Send me.'' These military personnel are America's finest and they deserve the prayers and support of all Americans.

## PATRICK T. ALLEN: DEDICATED TO SOUTH CAROLINA

Mr. HOLLINGS. Mr. President, I rise today to remember and to thank Patrick R. Allen for his 25-year career as head of the Central Electric Power Cooperative in my home State. Pat is retiring in January and he'll be sorely missed.

Central Electric plays a critical role in the lives of thousands of South Carolinians. It is a wholesale supplier for 15 rural electric cooperatives in South Carolina, which in turn supply electricity to more than 345,000 residential, commercial and industrial customers in two-thirds of the State. Pat Allen's role in steering Central Electric has been critical.

Pat moved to South Carolina from his native Texas in 1970 to take a job as manager of engineering and construction with Central Electric. He became president and chief executive officer in 1975. The company has grown tremendously under his leadership and moved from a one-floor office in the Farm Bureau Building in Cayce to its present home in Columbia.

Pat introduced the first computers to Central and wrote the original programs. He installed an economic development department, which later became the nucleus of a successful new venture, Palmetto Economic Development Corp. Now, the spin-off company represents Central Electric and another public service company, Santee Cooper, in its economic development mission.

Pat introduced many marketing concepts to Central's member cooperative that have earned national recognition for their proactive and aggressive approaches.

Mr. President, I appreciate the opportunity to recognize the years of devotion and strong leadership that Pat has brought to Central Electric and its customers. I wish him and his wife JoAnne all the best during Pat's retirement and hope they have many more happy years to come.

## MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

## EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

## MESSAGES FROM THE HOUSE

At 9:33 a.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the House has passed the following bill and joint resolution, in which it requests the concurrence of the Senate.

H.R. 2704. An act to provide that the United States Post Office building that is to be located at 7436 South Exchange Avenue, Chicago, Illinois, shall be known and designated as the ''Charles A. Hayes Post Office Building''.

H.J. Res 134. Joint resolution making further continuing appropriations for the fiscal year 1996, and for other purposes.

The message also announced that the House has agreed to the following concurrent resolution, in which it requests the concurrence of the Senate:

H. Con. Res. 106. Concurrent Resolution permitting the use of the rotunda of the Capitol for ceremony as part of the commemoration of the days of remembrance of victims of the Holocaust.

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At 11:15 a.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House of Representatives having proceeded to reconsider the bill (H.R. 1058) to reform Federal securities litigation, and for other purposes, returned by the President of the United States with his objections, to the House of Representatives, in which it originated, it was passed, two-thirds of the House of Representatives agreeing to pass the same.

### ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

At 1:01 p.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the Speaker has signed the following enrolled bills and joint resolutions:

H.R. 965. An act to designate the Federal building located at 600 Martin Luther King, Jr. Place in Louisville, Kentucky, as the ''Romano L. Mazzoli Federal Building.''

H.R. 1253. An act to rename the San Francisco Bay National Wildlife Refuge as the Don Edwards San Francisco Bay National Wildlife Refuge.

H.R. 2481. An act to designate the Federal Triangle Project under construction at 14th Street and Pennsylvania Avenue, Northwest, in the District of Columbia, as the ''Ronald Reagan Building and International Trade Center.''

H.R. 2527. An act to amend the Federal Election Campaign Act of 1971 to improve the electoral process by permitting electronic filing and preservation of Federal Election Commission reports, and for other purposes.

H.R. 2547. An act to designate the United States courthouse located at 800 Market Street in Knoxville, Tennessee, as the ''Howard H. Baker, Jr. United States Courthouse.''

H.J. Res. 69. Joint resolution providing for the reappointment of Homer Alfred Neal as a citizen regent of the Board of Regents of the Smithsonian Institution.

H.J. Res. 110. Joint resolution providing for the appointment of Howard H. Baker, Jr. as a citizen regent of the Board of Regents of the Smithsonian Institution.

H.J. Res. 111. Joint resolution providing for the appointment of Anne D'Harnoncourt as a citizen regent of the Board of Regents of the Smithsonian Institution.

H.J. Res. 112. Joint resolution providing for the appointment of Louis Gerstner as a citizen regent of the Board of Regents of the Smithsonian Institution.

The message also announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1655) to authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes.

The enrolled bills and joint resolutions were signed subsequently by the President pro tempore (Mr. THURMOND).

The message further announced that pursuant to the provisions of Public Law 84–372, the Speaker appoints the following Members on the part of the House to the Franklin Delano Roosevelt Memorial Commission: Mr. ENGLISH of Pennsylvania and Mr. HINCHEY of New York.

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At 4:24 p.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence.

### ENROLLED BILL SIGNED

At 6:06 p.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the Speaker has signed the following enrolled bill:

H.R. 1530. An act to authorize appropriations for the fiscal year 1996 for military activities of the Department of Defense, for

military construction, and for defense activities for the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

## MEASURES REFERRED

The following bill, received previously from the House of Representatives for concurrence, was read twice, referred as indicated:

H.R. 632. An act to enhance fairness in compensating owners of patents used by the United States; to the Committee on the Judiciary.

The following bill was read the first and second times by unanimous consent and referred as indicated:

H.R. 2704. An act to provide that the United States Post Office building that is to be located at 7436 South Exchange Avenue, Chicago, Illinois, shall be known and designated as the ''Charles A. Hayes Post Office Building''; to the Committee on Governmental Affairs.

The following concurrent resolution was read and referred as indicated:

H. Con. Res. 106. Concurrent resolution permitting the use of the rotunda of the Capitol for a ceremony as part of the commemoration of the days of remembrance of victims of the Holocaust; to the Committee on Rules and Administration.

## MEASURE READ THE FIRST TIME

The following joint resolution was read the first time:

H.J. Res. 134. Joint resolution making further continuing appropriations for the fiscal year 1996, and for other purposes.

## REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MURKOWSKI, from the Committee on Energy and Natural Resources, without amendment:

H.R. 2437. A bill to provide for the exchange of certain lands in Gilpin County, Colorado (Rept. No. 104–196).

By Mr. HATCH, from the Committee on the Judiciary:

Report to accompany the bill (S. 956) to amend title 28, United States Code, to divide the ninth judicial circuit of the United States into two circuits, and for other purposes (Rept. No. 104–197).

## EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. HATCH, from the Committee on the Judiciary:

C. Lynwood Smith, of Alabama, to be United States District Judge for the Northern District of Alabama.

Barbara S. Jones, of New York, to be United States District Judge for the Southern District of New York.

Jed S. Rakoff, of New York, to be United States District Judge for the Southern District of New York.

Joan A. Lenard, of Florida, to be United States District Judge for the Southern District of Florida.

Bernice B. Donald, of Tennessee, to be United States District Judge for the Western District of Tennessee.

(The above nominations were reported with the recommendation that they be confirmed.)

## INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. AKAKA [for himself, Mr. GLENN, and Mr. INOUYE]:

S. 1492. A bill to amend the Robert T. Stafford Disaster Relief and Emergency Assistance Act to combat fraud and price-gouging committed in connection with the provision of consumer goods and services for the cleanup, repair, and recovery from the effects of a major disaster declared by the President, and for other purposes; to the Committee on Environment and Public Works.

By Mr. LAUTENBERG:

S. 1493. A bill to amend title 18, United States Code, to prohibit certain interstate conduct relating to exotic animals; to the Committee on the Judiciary.

By Mr. D'AMATO [for himself, Mr. MACK, Mr. BOND, Mr. DOMENICI, Mr. BENNETT, and Mr. SHELBY]:

S. 1494. A bill to provide an extension for fiscal year 1996 for certain programs administered by the Secretary of Housing and Urban Development and the Secretary of Agriculture, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. KYL [for himself, Mr. HATCH, and Mr. DEWINE]:

S. 1495. A bill to control crime, and for other purposes; to the Committee on the Judiciary.

By Mr. SIMON [for himself, Mr. HATCH, Mr. BOND, and Mr. ASHCROFT]:

S. 1496. A bill to grant certain patent rights for certain non-steroidal anti-inflammatory drugs for a two year period; to the Committee on the Judiciary.

By Mr. NICKLES [for himself, Mr. SMITH, Mr. PRYOR, Mr. BOND, Mr. BUMPERS, Mr. INHOFE, Mr. LOTT, Mr. BREAUX, Mr. JOHNSTON, Mr. ABRAHAM, Mr. KEMPTHORNE, Mr. LIEBERMAN, Mr. FAIRCLOTH, Mr. GLENN, and Mr. WARNER]:

S. 1497. A bill to amend the Solid Waste Disposal Act to make certain adjustments in the land disposal program to provide needed flexibility, and for other purposes; to the Committee on Environment and Public Works.

By Ms. SNOWE [for herself, Mr. KERRY, Mr. COHEN, and Mr. KENNEDY]:

S. 1498. A bill to authorize appropriations to carry out the Interjurisdictional Fisheries Act of 1986, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. HATFIELD:

S. 1499. A bill to amend the Interjurisdictional Fisheries Act of 1986 to provide for direct and indirect assistance for certain persons engaged in commercial fisheries, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. BROWN:

S. 1500. A bill to establish the Cache La Poudre River National Water Heritage Area in the State of Colorado, and for other purposes; read the first time.

## SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mr. SPECTER [for himself, Mr. KERREY, Mr. GLENN, Mr. BRYAN, Mr. ROBB, Mr. JOHNSTON, Mr. CHAFEE, Mr. BAUCUS, Mr. WARNER, Mr. KERRY, Mr. SHELBY, Mr. GRAHAM, Mr. KYL, Mr. LUGAR, Mr. INHOFE, Mr. BYRD, and Mr. DEWINE]:

S. Res. 201. A resolution commending the CIA's statutory Inspector General on his 5-year anniversary in office; considered and agreed to.

By Mr. EXON [for himself and Mr. WELLSTONE]:

S. Con. Res. 37. A concurrent resolution directing the Clerk of the House of Representatives to make technical changes in the enrollment of the bill (H.R. 2539) entitled ''An Act to abolish the Interstate Commerce Commission, to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation, and for other purposes; considered and agreed to.

## STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. LAUTENBERG:

S. 1493. A bill to amend title 18, United States Code, to prohibit certain interstate conduct relating to exotic animals; to the Committee on the Judiciary.

THE CAPTIVE EXOTIC ANIMAL PROTECTION ACT OF 1995

Mr. LAUTENBERG. Mr. President, today I am introducing the Capitive Exotic Animal Protection Act of 1995, a bill to stop what are known as canned hunts—the cruel and inhumane business in which a customer pays to shoot a tame, captive exotic animal in a fenced-in enclosure for entertainment, or to collect a trophy.

Mr. President, canned hunts do not involve hunting, tracking, or shooting skills. In such an operation, the client merely hands over a check, walks to within yards of his prize, aims carefully to avoid the head, and shoots, killing the unsuspecting exotic animal. This is not sport—it is easy slaughter for a price. Sportsmen do not support this, and neither should we.

Mr. President, imagine this: A black leopard, raised in captivity, is released from a crate in the presence of a paying hunter and is immediately surrounded by a pack of hounds. The cat, virtually defenseless because it has been declared and is greatly outnumbered by the hounds, tries to escape by running under a truck. The hounds follow the leopard who then darts from under the truck slightly ahead of the pack. The customer gets his shot—and his trophy.

Mr. President, in the United States today, there are estimated to be more than 1,000 private hunting ranches where exotic mammals are shot for a fee. Many of these hunting ranches have a land area of 1,000 acres or less—some are less than 100 acres. The animals are tame targets for hunters and the proprietors of these operations

offer a guaranteed kill opportunity for their clients. It is called no kill, no pay. The animals are shot at point blank range—with bow or firearm—and have no chance of eluding a hunter.

These hunting operations provide a laundry list of potential trophies for hunters. For a fee, a hunter can kill whatever animal he or she wishes. Gazelles typically sell for $800 to $3,500; Cape buffaloes, $5,000; angora goats, $325; Corsican sheep, $500; red deer, $1,500 to $6,000. The rarer the animal—lions and tigers, for instance, the higher the price.

I want to emphasize, Mr. President, that most sportsmen decry these despicable practices as unsporting. They say that canned hunts make a mockery of hunting. The Boone and Crockett Club, a hunting organization founded by former President Teddy Roosevelt that maintains records of North America's big game, takes the position that ''hunting game confined in artificial barriers, including escape-proof fenced enclosures or hunting game transplanted solely for the purpose of commercial shooting'' is ''unfair chase and unsportsmanlike.'' In 1994, in the publication Outdoor America, the magazine of the pro-hunting Izaak Walton League, Maitland Sharpe, the organization's executive director at the time, stated that this practice ''tarnishes all hunting, all hunting. . . .''

The American Zoo and Aquarium Association [AZA] forbids its membership organizations from selling, trading, or transfering zoo animals to hunting ranches, though the prohibition too often is ignored. The AZA opposes canned hunts, and has written to Members of Congress that it ''(a) deplores and is opposed to canned hunts of exotic animals and (b) supports the prohibition of interstate practices which allow exotic animals to be killed in such hunts.''

Mr. President, exotic hunting ranches threaten native wildlife populations with the spread of disease. If these ranch animals escape, they can transmit diseases to native wildlife. John Talbott, acting director of the Wyoming Department of Fish and Game, stated in January of this year, ''Tuberculosis and other diseases documented among game ranch animals in surrounding states'' pose ''an extremely serious threat to Wyoming's native big game.'' This is one reason why Wyoming bans canned hunts. Other States also ban these hunts, including California, Connecticut, New Jersey, North Carolina, and Wisconsin. However, States that permit these operations import exotic mammals from other States—including those that prohibit canned hunts—and victimize these animals in unsporting canned hunts. Federal legislation is needed to ban the interstate trade in exotic mammals for the purpose of shooting them for a fee to collect a trophy.

Federal legislation is also needed because exotic mammals are not carefully regulated by the States. Exotic mammals often fall outside the traditional range of responsibility for State fish and game agencies. They fall outside the purview of State agriculture departments. Exotic mammals—not being native wildlife or livestock—are in a sense, caught in regulatory limbo. This lack of oversight by State agencies allows canned hunt operators to exploit these animals for profit.

My legislation is identical to a similar bill that has been introduced in the House, H.R. 1202. The bill would ban only those operations of 1,000 acres or less in which tame animals are shot for a fee for the purposes of collecting a trophy. Larger hunting ranches, where the animals are provided with some room to maneuver, are exempt. The hunting of native wildlife would not be affected in any way. The House bill has attracted strong bipartisan support, with over 100 cosponsors to date.

Mr. President, this legislation is needed to put a stop to this amoral, cruel business. I urge my colleagues to support me in this effort, and ask unanimous consent that a copy 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. 1493

*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 ''Captive Exotic Animal Protection Act of 1995''.

**SEC. 2. TRANSPORTATION OR POSSESSION OF EXOTIC ANIMALS FOR PURPOSES OF KILLING OR INJURING THEM.**

(A) IN GENERAL.—Chapter 3 of title 18, United States Code, is amended by adding at the end the following:

**''§ 48. Exotic animals**

''(a) Whoever, in or affecting interstate or foreign commerce, knowingly transfers, transports, or possesses a confined exotic animal, for the purposes of allowing the killing or injuring of that animal for entertainment or the collection of a trophy, shall be fined under this title or imprisoned not more than one year, or both.

''(b) As used in this section—

''(1) the term 'confined exotic animal' means a mammal of a species not historically indigenous to the United States that in fact has been held in captivity for the shorter of—

''(A) the greater part of the animal's life; or

''(B) a period of one year; whether or not the defendant knew the length of the captivity; and

''(2) the term 'captivity' does not include any period during which the animal—

''(A) lives as it would in the wild, surviving primarily by foraging for naturally occurring food, roaming at will over an open area of at least 1,000 acres; and

''(B) has the opportunity to avoid hunters.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 3 of title 18, United States Code, is amended by adding at the beginning the following new item:

''48. Exotic animals.''.

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By Mr. D'AMATO (for himself, Mr. MACK, Mr. BOND, Mr. DOMENICI, Mr. BENNETT, and Mr. SHELBY):

S. 1494. A bill to provide an extension for fiscal year 1996 for certain programs administered by the Secretary of Housing and Urban Development and the Secretary of Agriculture, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

THE HOUSING OPPORTUNITY PROGRAM EXTENSION ACT OF 1995

Mr. D'AMATO. Mr. President, I rise to introduce the Housing Opportunity Program Extension Act of 1995. I wish to thank Senators MACK, BOND, SHELBY, BENNETT, and DOMENICI for their cosponsorship of this much needed legislation.

This important measure would provide short-term extensions of housing programs which have expired. This bill does not create new housing policy, but is a stopgap measure which would allow existing programs to continue until October 1, 1996. Next year, the Banking Committee and its Housing Subcommittees will continue its evaluation of proposals for reorganization and elimination of the Department of Housing and Urban Development. Omnibus housing legislation will be introduced in the Spring of 1996 which will reorganize, transfer or eliminate housing and community development programs. Some of the programs extended in this legislation will be reformed at that time. Modifications of these programs will be reserved until the Banking Committee has the opportunity for hearings and debate next year.

The majority of the housing program extensions contained in this bill were passed by the Senate and House in the fiscal year 1996 Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies appropriations bill (H.R. 2099). If it were not for the recent veto of H.R. 2099, this legislation would not be necessary. However, the President's veto has placed our Nation's housing delivery system in serious jeopardy. It is imperative that we act to extend housing programs which would otherwise be suspended for an indefinite time period.

This legislation would extend the following: Section 8 contract renewals; the Community Development Block Grant homeownership program; the Section 515 rural multifamily loan program; the Home Equity Conversion Mortgage program; and the Multifamily Housing Risk-Sharing programs.

I look forward to working with all Members of the Senate on a bipartisan basis to ensure the swift passage of this much needed legislation. I urge my colleagues to protect the needy recipients of these effective housing programs by supporting the Housing Opportunity Program Extension Act of 1995. Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 1494

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

**SECTION 1. SHORT TITLE; DEFINITION.**

(a) SHORT TITLE.—This Act may be cited as the ''Housing Opportunity Program Extension Act of 1995''.

(b) DEFINITION.—For purposes of this Act, the term ''Secretary'' means the Secretary of Housing and Urban Development.

**SEC. 2. SECTION 8 CONTRACT RENEWALS.**

(a) IN GENERAL.—During fiscal year 1996, with respect to any project that is determined by the Secretary to meet housing quality standards under the United States Housing Act of 1937 and to be otherwise in compliance with that Act, at the request of the owner of the project, the Secretary shall renew, for a period of 1 year, any contract for assistance under section 8 of the United States Housing Act of 1937 that expires or terminates during fiscal year 1996, at current rent levels under the expiring of terminating contract.

(b) AMENDMENTS TO THE NATIONAL HOUSING ACT.—Section 236(f) of the National Housing Act (12 U.S.C. 1715z–1(f)) is amended—

(1) in paragraph (1), by striking the second sentence and inserting the following: ''The rental charge for each dwelling unit shall be at the basic rental charge, or such greater amount, not to exceed the lesser of (i) the fair market rental charge determined pursuant to this paragraph, or (ii) the fair market rental established under section 8(c) of the United States Housing Act of 1937 for existing housing in the market area in which the housing is located, as represents 30 percent of the tenant's adjusted income.''; and

(2) by striking paragraph (6).

**SEC. 3. COMMUNITY DEVELOPMENT BLOCK GRANT ELIGIBLE ACTIVITIES.**

Notwithstanding the amendments made by section 907(b)(2) of the Cranston-Gonzalez National Affordable Housing Act, section 105(a)(25) of the Housing and Community Development Act of 1974, as in existence on September 30, 1995, shall apply to the use of assistance made available under title I of the Housing and Community Development Act of 1974 during fiscal year 1996.

**SEC. 4. EXTENSION OF RURAL HOUSING PROGRAMS.**

(a) UNDERSERVED AREAS SET-ASIDE.—Section 509(f)(4)(A) of the Housing Act of 1949 (42 U.S.C. 1479(f)(4)(A)) is amended—

(1) in the first sentence, by striking ''fiscal years 1993 and 1994'' and inserting ''fiscal year 1996''; and

(2) in the second sentence, by striking ''each''.

(b) RURAL MULTIFAMILY RENTAL HOUSING.—Section 515(b)(4) of the Housing Act of 1949 (42 U.S.C. 1485(b)(4)) is amended by striking ''September 30, 1994'' and inserting ''September 30, 1996''.

(c) RURAL RENTAL HOUSING FUND FOR NONPROFIT ENTITIES.—The first of section 515(w)(1) of the Housing Act of 1949 (42 U.S.C. 1485(w)(1)) is amended by striking ''fiscal years 1993 and 1994'' and inserting ''fiscal year 1996''.

**SEC. 5. EXTENSION OF FHA MORTGAGE INSURANCE PROGRAM FOR HOME EQUITY CONVERSION MORTGAGES.**

(a) EXTENSION OF PROGRAM.—The first sentence of section 255(g) of the National Housing Act (12 U.S.C. 1715z–20(g)) is amended by striking ''September 30, 1995'' and inserting ''September 30, 1996''.

(b) LIMITATION ON NUMBER OF MORTGAGES.—The second sentence of section 255(g) of the National Housing Act (12 U.S.C. 1715z–20(g)) is amended by striking ''25,000'' and inserting ''30,000''.

**SEC. 6. EXTENSION OF MULTIFAMILY HOUSING FINANCE PROGRAMS.**

(a) RISK-SHARING PILOT PROGRAM.—The first sentence of section 542(b)(5) of the Housing and Community Development Act of 1992 (12 U.S.C. 1707 note) is amended by striking ''on not more than 15,000 units over fiscal years 1993 and 1994'' and inserting ''on not more than 7,500 units during fiscal year 1996''.

(b) HOUSING FINANCE AGENCY PILOT PROGRAM.—The first sentence of section 542(c)(4) of the Housing and Community Development Act of 1992 (12 U.S.C. 1707 note) is amended by striking ''on not to exceed 30,000 units over fiscal years 1993, 1994, and 1995'' and inserting ''on not more than 10,000 units during fiscal year 1996''.

**SEC. 7. APPLICABILITY.**

This Act and the amendments made by this Act shall be construed to have become effective on October 1, 1995.

Mr. BOND. Mr. President, I am introducing with Senators D'AMATO and MACK the Housing Opportunity Program Extenders Act of 1995. This legislation is designed to provide HUD and the Rural Housing and Community Development Service—commonly known as FmHA—with authority to continue certain housing programs which are strongly supported by the American public and which will generally be suspended if the administration continues to ignore responsible dialogue on housing issues and vetoes S. 2099, the VA/HUD fiscal year 1996 appropriations bill.

I emphasize the importance of this bill and urge my colleagues to support this legislation. Most importantly, similar to the VA/HUD fiscal year 1996 appropriations bill, this bill would require HUD to renew expiring section 8 project-based contracts for fiscal year 1996 for 1 year at current rents. There are some 900,000 FHA-insured units with section 8 project-based assistance contracts that are expiring over the next 10 years. Many of these section 8 contracts are currently subsidized at above market rents and fiscal responsibility requires that Congress contain the spiraling costs associated with this inventory. Moreover, under a recent HUD legal opinion, HUD may renew these expiring section 8 project-based contracts at no more than 120 percent of fair market rents; this means that these section 8 projects could begin to default and face foreclosure by HUD during fiscal year 1996.

I believe it is critical that Congress reform and adjust the costs, including section 8 costs, of these assisted housing programs. However, in doing so, we must balance the cost of the expiring section 8 contracts with the cost of foreclosure of these projects to the HUD insurance fund, as well as the significant social policy of the possible displacement of low-income housing residents and the disinvestment by project owners in these projects which could result in significant deterioration of this housing stock. Like the VA/HUD fiscal year 1996 appropriations bill, renewing these section 8 contracts for 1 year will provide the Banking Committee with an opportunity to address these concerns through comprehensive legislation that will preserve this valuable housing resource as low-income housing at a reasonable cost to the Federal Government.

Second, the legislation would extend the Home Equity Conversion Mortgage Program through fiscal year 1996, increasing the maximum number of units eligible for insurance from 25,000 to 30,000. This program is designed to allow the elderly to tap the accumulated equity in their homes for needed expenses without the risk of losing the housing as a principal residence. This is a successful program that is growing in popularity among the elderly population as an option to assist in providing continuing independence, both financially and through the continuing use of their homes as a principal resident.

Third, the legislation would extend the homeownership program under the CDBG program as a continuing eligible activity through fiscal year 1996. This program is widely supported by a number of communities throughout the Nation which use the program as an additional resource to expand homeownership opportunities.

Fourth, the bill would extend the FHA multifamily risk-sharing programs for fiscal year 1996. These programs authorize HUD to enter into mortgage insurance agreements and partnerships with Fannie Mae and Freddie Mac and with State housing finance agencies for the creation of affordable multifamily housing. These are important programs which help to guarantee the availability of affordable rental housing in the Nation.

Finally, the bill would extend the Rural Housing and Community Development Service's section 515 rural multifamily housing program for fiscal year 1996. Currently, fiscal year 1996 appropriations generally have limited the available funding for fiscal year 1996 to rehabilitation. However, there is a significant need for additional rural housing which is affordable. Moreover, section 515 projects are, in many cases, the only available and affordable low-income housing in rural areas. While there has been substantial criticism leveled at abuses in the section 515 program, the Rural Housing and Community Development Service has addressed a number of the failings in the program and the Banking Committee has pledged to review closely the section 515 program and address any concerns as part of a major housing and community development overhaul and reform bill.

Mr. President, this legislation is bipartisan, simple, straightforward and necessary. I strongly urge my colleagues to support this legislation.

Mr. MACK. Mr. President, I am pleased to join with Senator D'AMATO as a cosponsor of this bill to extend for 1 year a number of housing activities under the jurisdiction of the Banking Committee. The fiscal year 1996 VA-HUD-Independent agencies appropriation bill extended the authority for a

number of expired HUD programs and activities for 1 year to give the authorizing committee time to consider needed reforms in those programs and deal with them more permanently.

Unfortunately, the President vetoed the appropriation bill, and these programs are in immediate jeopardy. This legislation is necessary to continue authorizations for activities that have broad support. I stress to my colleagues that this is emergency legislation that contains no programmatic reforms.

First, and foremost, this bill would allow HUD to renew expiring section 8 rental assistance contracts at current rents for 1 year. HUD has taken the position that it currently has no authority for fiscal year 1996 to renew expiring section 8 contracts at above fair market rent [FMR]. Without language to allow contract renewals at above FMR, a large number of FHA-insured multifamily housing projects could face default this year. This extension will give the authorizing committee time to develop an orderly ''mark-to-market'' strategy to restructure the debt on these projects, end payments of excessive rental subsidies, and help bring HUD's budget under control.

This bill also extends the Federal Housing Administration's mortgage insurance program Home Equity Conversion Mortgages. This popular demonstration program has allowed more than 14,000 elderly homeowners to tap into the equity in their homes, but mortgage authority for the program expired at the end of fiscal 1995. This extension will give us the time needed to pass legislation extending the program for another 5 years and to enact reforms that will make the program more effective.

The legislation extends the FHA section 515 rural rental housing loan program. This is the only program extension included that is not under the jurisdiction of the VA-HUD-Independent Agencies appropriations subcommittee. However, this is an important housing development program under the Banking Committee's jurisdiction, and there is currently a significant backlog of preapproved applications for section 515 loans.

I am, however, concerned by reports issued by the General Accounting Office and others indicating that structural and financial management problems exist in the section 515 program. As chairman of the Housing Opportunity and Community Development Subcommittee, I intend to hold hearings on this and other rural housing programs early next year and to propose program reforms where needed. No further extensions of the section 515 program should be approved until the program has been thoroughly reviewed by the Banking Committee.

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By Mr. KYL (for himself, Mr. HATCH, and Mr. DEWINE):

S. 1495. A bill to control crime, and for other purposes; to the Committee on the Judiciary.

THE CRIME PREVENTION ACT OF 1995

Mr. KYL. Mr. President, I rise to introduce the Crime Prevention Act. One of the most important responsibilities for the 104th Congress is to pass a tough comprehensive crime measure that will restore law and order to America's streets.

Reported crime may have decreased slightly over the past few years, but the streets are still too dangerous. Too many Americans are afraid to go out for fear of being robbed, assaulted, or murdered.

In fact, according to the Bureau of Justice Statistics report ''Highlights from 20 Years of Surveying Crime Victims,'' approximately 2 million people are injured a year as a result of violent crime. Of those who are injured, more than half require some level of medical treatment and nearly a quarter receive treatment in a hospital emergency room or require hospitalization.

THE CRIME CLOCK IS TICKING

The picture painted by crime statistics is frightening. According to the Uniform Crime Reports released by the Department of Justice, in 1994 there was: a violent crime every 17 seconds; a murder every 23 minutes; a forcible rape every 5 minutes; a robbery every 51 seconds; an aggravated assault every 28 seconds; a property crime every 3 seconds; a burglary every 12 seconds; and a motor vehicle theft every 20 seconds.

In short, a crime index offense occurred every 2 seconds. And this is just reported crime.

STATISTICS

Again, according to the Uniform Crime Reports in 1994, there were 1,864,168 violent crimes reported to law enforcement, a rate of 716 violent crimes per 100,000 inhabitants. The 1994 total was 2 percent above the 1990 level and 40 percent above that of 1985.

Further, juvenile crime is skyrocketing. According to statistics compiled by the FBI, from 1985 to 1993 the number of homicides committed by males aged 18 to 24 increased 65 percent, and by males aged 14 to 17 increased 165 percent. In addition, according to statistics recently released by the Department of Justice, during 1993, the youngest age group surveyed—those 12 to 15 years old—had the greatest risk of being the victims of violent crimes.

Crime in my State, Arizona, is very much on the rise. In 1994, Phoenix suffered a record 244 homicides. An article in the December 12th Arizona Republic, stated that 235 people have been slain this year, 9 short of last year's record. Statewide crime was up in Mesa, Chandler, Glendale, Scottsdale, and Tempe. By August, the number of murders in Tucson this year eclipsed last year's total.

THE HEAVY COST OF CRIME

Aside from the vicious personal toll exacted, crime also has a devastating effect on the economy of our country. Business Week estimated in 1993 that crime costs Americans $425 million annually. To fight crime, the United States spends about $90 billion a year on the entire criminal justice system. Crime is especially devastating to our cities, which often have crime rates several times higher than suburbs.

The Washington Post ran an October 8 article detailing the work of professors Mark Levitt and Mark Cohen in estimating the real cost of crime to society. According to the article, ''[i]nstead of merely toting up the haul in armed robberies or burglaries, Cohen tallied all of the costs associated with various kinds of crime, from loss of income sustained by a murder victim's family to the cost of counseling a rape victim to the diminished value of houses in high-burglary neighborhoods.'' These quality of life costs raise the cost of crime considerably. Cohen and Levitt calculated that one murder costs society on average $2.7 million. A robbery nets the robber an average of $2,900 in actual cash, but it produces $14,900 in quality of life expenses. And while the actual monetary loss caused by an assault is $1,800, it produces $10,200 in quality of life expenses.

LEGISLATION

Fighting crime must be one of our top priorities. Few would dispute this. In fact, according to an article in the July 19th *Tucson Citizen*, about 500 business, education, and government leaders in Tucson ranked crime as the No. 1 issue in a survey commissioned by the Greater Tucson Economic Council.

The House has done its part. It has delivered on the Contract With America by passing a series of strong crime bills in February.

The Senate has not acted with comparable vigor. Given the magnitude of the problem of crime in our society, I believe that it is important to consider a comprehensive crime package. My bill has solid reforms that should blunt the forecasted explosion in crime.

I would like to take this opportunity to given an outline of the major provisions included in the Crime Prevention Act of 1995.

PRISON LITIGATION REFORM

Although numbers are not available for all of the States, 33 states have estimated that inmate civil rights suits cost them at least $54.5 million annually. Thus, extrapolating this figure to all 50 states, the estimate cost for inmate civil rights suits is $81.3 million per year. Not all of these cases are frivolous, but according to the National Association of Attorneys General, more than 95 percent of inmate civil rights suits are dismissed without the inmate receiving anything.

Title I of this bill will deter frivolous inmate lawsuits by:

Removing the ability of prisoners to file free lawsuits, instead making them pay full filing fees and court costs.

Requiring judges to dismiss frivolous cases before they bog down the court system.

Prohibiting inmate lawsuits for mental and emotional distress.

Retracting good-time credit earned by inmates if they file lawsuits deemed frivolous.

These provisions are based on similar provisions that were enacted in Arizona. Arizona's recent reforms have already reduced state prisoner cases by 50 percent. Now is the time to reproduce these common sense reforms in Federal law. If we achieve a 50-percent reduction in bogus Federal prisoner claims, we will free up judicial resources for claims with merit by both prisoners and nonprisoners.

SPECIAL MASTERS

This bill requires the Federal judiciary to pay for special masters in prison litigation cases. Currently, Federal court judges can, and do, force States to pay the costs for special masters. This is an unfunded judicial mandate. The special masters appointed in prison litigation cases have cost Arizona taxpayers more than $370,000 since 1992. Arizona taxpayers have paid special masters up to $175 an hour. In one case, taxpayers funds were used to hire a chauffeur for a special master.

VICTIM RIGHTS AND DOMESTIC VIOLENCE

Women are the victims of more than 4.5 million violent crimes a year, including half a million rapes or other sexual assaults, according to the Department of Justice. The National Victims Center calculates that a woman is battered every 15 seconds.

Last year's crime bill, which is now law, did much to help victims of domestic violence—making it easier for evidence of intrafamilial sexual abuse to be introduced, for example. It will now be much easier for prosecutors in Federal cases to introduce evidence that the accused committed a similar crime in the past. The crime act also provides Federal funding for battered women's shelters and training for law-enforcement officers and prosecutors.

But more needs to be done. A message must be sent to abusers that their behavior is not a family matter. Society should treat domestic violence as seriously as it does violence between strangers. My bill will strengthen the rights of domestic violence victims in Federal court and, hopefully, set a standard for the individual States to emulate.

First, my bill authorizes the death penalty for cases in which a woman is murdered by her husband or boyfriend.

My bill also provides that if a defendant presents negative character evidence concerning the victim, the Government's rebuttal can include negative character evidence concerning the defendant.

We must establish a higher standard of professional conduct for lawyers. My legislation prohibits harassing or dilatory tactics, knowingly presenting false evidence or discrediting truthful evidence, willful ignorance of matters that could be learned from the client, and concealment of information necessary to prevent sexual abuse or other violent crimes.

Violence in our society leaves law-abiding citizens feeling defenseless. It is time to level the playing field. Federal law currently gives the defense more chances than the prosecution to reject a potential juror. My bill protects the right of victims to an impartial jury by giving both sides the same number of peremptory challenges.

FIREARMS

Almost 30 percent of all violent crimes are committed through the use of a firearm, either to intimidate the victim into submission or to injure the victim, according to the Bureau of Justice Statistics. And 70 percent of all murders committed were accomplished through the use of a firearm. To help stop this violence the bill increases the mandatory minimum sentences for criminals who use firearms in the commission of crimes. It imposes the following minimum penalties: 10 years for using or carrying a firearm during the commission of a Federal crime of violence or drug trafficking crime; 20 years if the firearm is discharged; incarceration for life or punishment by death if death of a person results.

THE EXCLUSIONARY RULE

To ensure that relevant evidence is not kept from juries, the bill extends the good faith exception to the exclusionary rule to nonwarrant cases, where the court determines that the circumstances justified an objectively reasonable belief by officers that their conduct was lawful.

THE DEATH PENALTY

The vast majority of the American public supports the option of the death penalty. An ABC News/Washington Post poll conducted in January 1995 found that 74 percent of Americans favor the death penalty for persons convicted of murder. Similarly, a Market Opinion Research poll conducted in December 1994 found that nearly three-quarters of Americans support capital punishment.

To deter crime and to make a clear statement that the most vicious, evil behavior will not be tolerated in our society, the bill strengthens the death penalty standards.

Additionally, the bill adds murder of a witness as an aggravating factor that permits a jury to consider the death penalty; provides effective safeguards against delay in the execution of Federal capital sentences resulting from protracted collateral litigation, including time limits on filing and strict limitations on successive motions; and provides for capital punishment for murders committed in the District of Columbia.

HABEAS CORPUS

To eliminate the abuse, delay, and repetitive litigation in the lower Federal courts, title VIII of this bill provides that the decision of State courts will not be subject to review in the lower Federal courts, so long as they are adequate and effective remedies in the State courts for testing the legality of a person's detention. This provision limits the needless duplicative review in the lower Federal courts, and helps put a stop to the endless appeals of convicted criminals. Judge Robert Bork has written a letter in support of this provision.

COMPUTER CRIME

I am pleased to include, in this bill, my National Information Infrastructure Protection Act which will strengthen current public law on computer crime and protect the national information infrastructure. My fear is that our national infrastructure—the information that bonds all Americans—is not adequately protected. I offer this legislation as a protection to one of America's greatest commodities—information.

Although there has never been an accurate nationwide reporting system for computer crime, specific reports suggest that computer crime is rising. For example, the Computer Emergency and Response Team [CERT] at Carnegie-Mellon University reports that computer intrusions have increased from 132 in 1989 to 2,341 last year. A June 14 Wall Street Journal article stated that a Rand Corp. study reported 1,172 hacking incidents occurred during the first 6 months of last year. A report commissioned last year by the Department of Defense and the CIA stated that ''[a]ttacks against information systems are becoming more aggressive, not only seeking access to confidential information, but also stealing and degrading service and destroying data.'' Clearly there is a need to reform the current criminal statutes covering computers.

ADMINISTRATIVE SUBPOENA

This bill allows high-ranking Secret Service agents to issue an administrative subpoena for information in cases in which a person's life is in danger. The Department of Agriculture, the Resolution Trust Corporation, and the Food and Drug Administration already have administrative subpoena power. The Secret Service should have it to protect the lives of American citizens.

INTERNET GAMBLING

There is a new underworld of gambling evolving. Gambling on the Internet is on the rise. Many ''virtual'' casinos have emerged on this vast network that accept real money at the click of a mouse or the punch of a key. It is estimated that Internet gambling could, before too long, become a $50 billion business. That is why I have included a section which will make it illegal, if it is illegal to gamble in your State, to gamble on the Internet. Current statutes make it illegal only if you are in the business of gambling on the Internet. I have also included a provision that would require the Department of Justice to analyze all problems associated with enforcing the current gambling statute.

CONCLUSION

The Kyl crime bill is an important effort in the fight against crime. We can win this fight, if we have the conviction, and keep the pressure on Congress to pass tough crime-control measures. It is time to stop kowtowing to prisoners, apologists for criminals, and the

defense lawyers, and pass a strong crime bill.

Mr. President, I ask unanimous consent that additional material be printed in the RECORD.

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

THE CRIME PREVENTION ACT OF 1995

TITLE I—PRISON LITIGATION REFORM

*Section 101: Amendments to Civil Rights of Institutionalized Persons Act*

Amends the Civil Rights of Institutionalized Persons Act to require that administrative remedies be exhausted prior to any prison conditions action being brought under any federal law by an inmate in federal court.

*Section 102: Proceedings in forma pauperis*

Provides that whenever a federal, state, or local prisoner seeks to commence an action or proceeding in federal court as an indigent, the prisoner will be liable for the full amount of a filing fee, and will initially be assessed a partial filing fee of 20 percent of the larger of the average monthly balance in, or the average monthly deposits to, his inmate account. The fee may not exceed the full statutory fee, and an inmate will not be barred from suing if he is actually unable to pay. This section also imposes the same payment system for court costs as it does for filing fees. This provision, like the filing fee provision, will ensure that inmates evaluate the merits of their claims.

*Section 103: Judicial screening*

Requires judicial screening of a complaint in a civil action in which a prisoner seeks redress from a governmental entity or officer or employee of a governmental entity. The court must dismiss a complaint if the complaint fails to state a claim on which relief may be granted. Also, the court must dismiss claims for monetary relief from a defendant who is immune from such relief.

*Section 104: Federal tort claims and civil rights claims*

Prohibits lawsuits by inmates for mental or emotional injury suffered while in custody unless the inmates can show physical injury.

*Section 105: Payment of damage award in satisfaction of pending restitution orders*

Provides that restitution payments must be taken from any award won by a prisoner.

*Section 106: Notice to crime victims of pending damage award*

Mandates that restitution payments must be taken from any award won by the prisoner and requires victims to be notified whenever a prisoner receives a monetary award from the state.

*Section 107: Earned release credit or good time credit*

Deters frivolous inmate lawsuits by revoking good-time credits when a frivolous suit is filed. Specifically, in a civil action brought by an adult convicted of a crime and confined in a federal correctional facility, the court may order the revocation of earned good-time credit if the court finds that (1) the claim was filed for a malicious purpose, (2) the claim was filed solely to harass the party against which it was filed, or (3) the claimant testifies falsely or otherwise knowingly presents false evidence or information to the court.

TITLE II—PRISONS

*Section 201: Special masters*

Requires the federal judiciary to pay for special masters in prison litigation cases. Each party shall submit a list of five recommended special masters and can strike three names from the opposing party's list. The court shall select the master from the remaining names. Each party shall have the right to an interlocutory appeal, on the grounds that the master is not impartial or will not give due deference to the public safety. The court shall review the appointment of the special master every six months to determine whether the services of the special master are still required. Imposes new requirements on special masters. The special master must make findings on the record as a whole, is prohibited from making findings or communications ex parte, and shall be terminated upon the termination of relief.

TITLE III—EQUAL PROTECTION FOR VICTIMS

*Section 301: Right of the victim to impartial jury*

Protects the right of victims to an impartial jury by equalizing the number of peremptory challenges afforded to the defense and the prosecution in jury selection.

*Section 302: Rebuttal of attacks on the victim's character*

Provides that if a defendant presents negative character evidence concerning the victim, the government's rebuttal can include negative character evidence concerning the defendant.

*Section 303: Victim's right of allocution in sentencing*

Extends the right of victims to address the court concerning the sentence to all criminal cases. Current law provides such a right for victims only in violent crime and sexual abuse cases, though the offender has the right to make an allocutive statement in all cases.

**SECTION 304: RIGHT OF THE VICTIM TO FAIR TREATMENT IN LEGAL PROCEEDINGS**

Establishes higher standards of professional conduct for lawyers in federal cases to protect victims and other witnesses from abuse, and to promote the effective search for truth. Specific measures include prohibition of harassing or dilatory tactics, knowingly presenting false evidence or discrediting truthful evidence, willful ignorance of matters that could be learned from the client, and concealment of information necessary to prevent violent or sexual abuse crimes.

**SECTION 305: USE OF NOTICE CONCERNING RELEASE OF THE OFFENDER**

Repeals the provision that notices to state and local law enforcement concerning the release of federal violent and drug trafficking offenders can only be used for law enforcement purposes. This removes an impediment to other legitimate uses of such information, such as advising victims or potential victims that the offender has returned to the area.

**SECTION 306: BALANCE IN THE COMPOSITION OF RULES COMMITTEES**

Provides for equal representation of prosecutors with defense lawyers on committees in the judiciary that make recommendations concerning the rules affecting criminal cases.

TITLE IV—DOMESTIC VIOLENCE

**SECTION 401: DEATH PENALTY FOR FATAL DOMESTIC VIOLENCE OFFENSES**

Authorizes capital punishment, under the federal interstate domestic violence offenses, for cases in which the offender murders the victim.

**SECTION 402: EVIDENCE OF DEFENDANT'S DISPOSITION TOWARD VICTIM IN DOMESTIC VIOLENCE**

Clarifies that evidence of a defendant's disposition toward a particular individual—such as the violent disposition of a domestic violence defendant toward the victim—is not subject to exclusion as impermissible evidence of character.

**SECTION 403: BATTERED WOMEN'S SYNDROME EVIDENCE**

Clarifies that battered women's syndrome evidence is admissible, under the federal expert testimony rule, to help courts and juries understand the behavior of victims in domestic violence cases and other cases.

**SECTION 404: HIV TESTING OF DEFENDANTS IN SEXUAL ASSAULT CASES**

Provides effective procedures for HIV testing of defendants in sexual assault cases, with disclosure of test results to the victim.

TITLE V—FIREARMS

**SECTION 501: MANDATORY MINIMUM SENTENCES FOR CRIMINALS USING FIREARMS**

Imposes the following minimum penalties: 10 years for using or carrying a firearm during the commission of a federal crime of violence or drug trafficking crime; 20 years if the firearm is discharged; incarceration for life or punishment by death if death of a person results.

**SECTION 502: FIREARMS POSSESSION BY VIOLENT FELONS AND SERIOUS DRUG OFFENDERS**

Provides mandatory penalties (5 years and 10 years respectively) for firearms possession by persons with one or two convictions for violent felonies or serious drug crimes.

**SECTION 503: USE OF FIREARMS IN CONNECTION WITH COUNTERFEITING OR FORGERY**

Adds counterfeiting and forgery to offenses making applicable mandatory penalties under 18 U.S.C. 924(c) when firearms are used to facilitate their commission.

**SECTION 504: POSSESSION OF AN EXPLOSIVE DURING THE COMMISSION OF A FELONY**

Strengthens mandatory penalty provision for cases of felonies involving explosives.

**SECTION 505: SECOND OFFENSE OF USING AN EXPLOSIVE TO COMMIT A FELONY**

Increases to 20 years the mandatory penalty for a second conviction for using or possessing an explosive during the commission of a felony.

TITLE VI—EXCLUSIONARY RULE

*Section 601: Admissibility of certain evidence*

Extends the ''good faith'' exception to the exclusionary rule to non-warrant cases, where the court determines that the circumstances justified an objectively reasonable belief by officers that their conduct was lawful.

TITLE VII—FEDERAL DEALTH PENALTY

*Section 701: Strengthening of Federal death penalty standards and procedures*

Strengthens federal death penalty standards and procedures. Requires defendant to give notice of mitigating factors that will be relied on in capital sentencing hearing (just as the government is now required to give notice of aggravating factors), adds use of a firearm in committing a killing as an aggravating factor that permits a jury to consider the death penalty, directs the jury to impose a capital sentence if aggravating factors outweight mitigating factors, and authorizes uniform federal procedures for carrying out federal capital sentences.

*Section 702: Murder of witness as aggravating factor*

Adds murder of a witness as an aggravating factor that permits a jury to consider the death penalty.

*Section 703: Safeguards against delay in the execution of capital sentences in Federal cases*

Provides effective safeguards against delay in the execution of federal capital sentences resulting from protracted collateral litigation, including time limits on filing and strict limitations on successive motions

*Section 704: Death penalty for murders committed with firearms*

Creates federal jurisdiction and authorizes capital punishment for murders committed

with a firearm where the firearm has crossed state lines.

*Section 705: Death penalty for murders committed in the District of Columbia*

Provides for capital punishment for murders committed in the District of Columbia.

TITLE VIII—HABEAS CORPUS

*Section 801: Stopping abuse of Federal collateral remedies*

Provides that an application for a writ of habeas corpus in behalf of a person in custody pursuant to a judgment or order of a state court shall not be entertained by a judge or a court of the United States unless the remedies in the courts of the state are inadequate or ineffective to test the legality of the person's detention.

TITLE IX—IMMIGRATION

*Section 901: Additional expansion of definition of aggravated felony*

Aliens who commit aggravated felonies can be deported from the country. The section adds to that definition crimes involving the transportation of persons for the purposes of prostitution; serious bribery, counterfeiting, or forgery offenses; serious offenses involving trafficking in stolen vehicles; offenses involving trafficking in counterfeit immigration documents; obstruction of justice, perjury, and bribery of a witness; and an offense relating to the failure to appear to answer for a criminal offense for which a sentence of two or more years my be imposed.

*Section 902: Deportation procedures for certain criminal aliens who are not permanent residents*

Modifies the INA to make it clear that the existing expedited deportation procedures which apply to non-resident criminal aliens apply also to aliens admitted for permanent residence on a conditional basis. The section also prohibits the Attorney General from using discretionary power under the INA to grant relief from deportation to any non-resident alien who has been convicted of committing an aggravated felony.

*Section 903: Restricting the defense to exclusion based on seven years permanent residence for certain criminal aliens*

Modifies that portion of the INA which determines who may be denied entrance to the United States and who may be deported from the country. Under present law, legal permanent residents who have lived in the country for seven years may leave temporarily and return but not be subject to many of the INA provisions that determine who may legally enter the United States. However, if these persons have been convicted of an aggravated felony and served five years in prison, the government may exclude them from the country notwithstanding their seven years of residence. The change made by this section strengthens this exception to allow the government to exclude these persons if they were sentenced to five or more years in prison for one or more aggravated felonies. The change is being made so that the government may begin deportation proceedings when the criminal alien is incarcerated rather than having to wait for five years to pass.

*Section 904: Limitation on collateral attacks on underlying deportation order*

This section applies to cases where an alien is charged with attempting to re-enter the United States after having been deported. The penalties for illegally re-entering the United States after having been deported were enhanced by the 1994 Crime Act. This section makes it clear that an alien charged with illegally re-entering may only challenge the validity of the original deportation order when the alien can show that he or she has exhausted all administrative remedies, that the deportation order improperly deprived the alien of the opportunity for judicial review, and that the deportation order was fundamentally unfair.

*Section 905: Criminal alien identification system*

Modifies that part of the 1994 Crime Act which created a ''Criminal Alien Tracking Center.'' The 1994 act failed to state the purpose of the center. This section specifies that the center is to be used to assist federal, state, and local law enforcement agencies in identifying and locating aliens who may be deportable because they have committed aggravated felonies. The bill also changes the name of the center to ''Criminal Alien Identification System'' in order to more accurately reflect its function.

*Section 906: Wiretap authority for alien smuggling investigations*

Adds certain immigration-related offenses to the list of crimes to which the Racketeer Influenced Corrupt Organizations (''RICO'') law applies. The RICO statute is among the principal tools that federal law enforcement officials use to combat organized crime. The amendment made by this section expands the definition of ''predicate acts'' to enable them to use that statute to combat alien smuggling organizations. The bill also gives federal law enforcement officials the authority to utilize wiretaps to investigate certain immigration-related crimes.

*Section 907: Expansion of criteria for deportation for crimes of moral turpitude*

This section amends the INA to deport aliens who have been in the country for less than five years (and legal permanent resident aliens who have resided in the country for less than ten years) and who are convicted of a felony crime involving moral turpitude. Under current law, persons convicted of crimes of moral turpitude can only be deported if they have been sentenced to, or serve, at least one year in prison.

*Section 908: Study of prisoner transfer treaty with Mexico*

Requires the Secretary of State and the Attorney General to submit a study to the Congress concerning the uses and effectiveness of the prisoner transfer treaty with Mexico. That treaty provides for the deportation of aliens who have been convicted of a crime while they are in the United States.

*Section 909: Justice Department assistance in bringing to justice aliens who flee prosecution for crimes in the United States*

Requires the Attorney General, in cooperation with the INS Commissioner and the Secretary of State, to establish an office within the Justice Department to provide technical and prosecutorial assistance to states and political subdivisions in connection with their efforts to obtain extradition of aliens who commit crimes in the United States and then flee the country. This section also requires a report within one year assessing the nature and extent of the problem of bringing to justice aliens who flee prosecution in the United States.

*Section 910: Prison transfer treaties*

Advises the President that Congress desires him to negotiate prison transfer treaties with other countries within 90 days of the bill's enactment

*Section 911: Interior repatriation program*

Requires the Attorney General and the INS Commissioner to develop programs under which aliens who illegally enter the United States from Mexico or Canada on three or more occasions would be deported at least 500 kilometers within the country. The intent of this section is to make it more difficult for aliens who have a history of illegal entry to re-enter the country after they have been deported. The program is to be implemented within 180 days of enactment of the bill.

*Section 912: Deportation of nonviolent offenders prior to completion of sentence of imprisonment*

Gives the Attorney General the discretion to deport certain aliens held in federal prison before they complete their sentences. Only those criminal aliens who have committed a non-violent aggravated felony may be deported, and the Attorney General must first determine that early deportation is in the best interest of the United States. The Attorney General may also deport non-violent criminal aliens held in state prisons if the governor of the state submits a written request to the Attorney General that aliens be deported before they have served their sentence. In both cases, should an alien illegally re-enter the United States, the Attorney General is required to incarcerate the alien for the remainder of the prison term.

TITLE X—GANGS, JUVENILES, AND DRUGS

*Section 1001: Criminal street gang offenses*

Contains provisions, passed by the Senate in the 103rd Congress Senate crime bill, which create new offenses and authorize severe penalties for criminal street gangs activities.

*Section 1002: Serious juvenile drug offenses as Armed Career Criminal Act predicates*

Contains a provision, passed by the Senate in the 103rd Congress Senate crime bill, which adds serious juvenile drug offenses as predicate offenses for purposes of the Armed Career Criminal Act.

*Section 1003: Adult prosecution of serious juvenile offenders*

Permits adult prosecution down to the age of 13 of junvenile offenders who commit serious violent felonies, and creates a presumption in favor of adult prosecution for such juvenile offenders who are 15 or older.

*Section 1004: Increased penalties for recidivists committing drug crimes involving minors*

Increases to three years the mandatory minimum penalties for a second offense of distributing drugs to a minor or using a minor in trafficking.

*Section 1005: Amendments concerning records of crimes committed by juveniles*

Incorporates the amendments of section 618 of the 103rd Congress Senate-passed crime bill which broaden the retention and availability of records for federally prosecuted juvenile offenders.

*Section 1006: Drive-by shootings*

Incorporates the broad drive-by shooting offense that was passed by the House of Representatives in section 2335 of H.R. 3371 of the 102nd Congress.

*Section 1007: Steroids offense*

Incorporates the offense, passed by the Senate in section 1504 of the 103rd Congress Senate crime bill, which prohibits coaches and trainers from attempting to get others to use steroids.

*Section 1008: Drug testing of Federal offenders*

Adds hair analysis to the permissible forms of drug testing.

TITLE XI—PUBLIC CORRUPTION

*Section 1101: Strengthening of Federal anti-corruption statutes generally*

Strengthens federal public corruption laws. Specific improvements include more adequate coverage of election fraud, more uniform jurisdiction over corruption offenses, increased penalties for such offenses, and protection for whistle blowers.

*Section 1102: Interstate commerce*

Extends wire fraud statute, which is often used to prosecute public corruption offenses,

including strengthening of jurisdictional provision.

*Section 1103: Narcotics-related public corruption*

Adopts special provisions for drug-related public corruption, including severe penalties.

TITLE XII—ADMINISTRATIVE SUBPONEA

*Section 1201: Administrative summons authority of United States Secret Service*

Allows high-ranking Secret Service agents to issue an administrative subponea for information in cases in which the President or other federal protectees are in danger. The Department of Agriculture, the Resolution Trust Corporation, and the Food and Drug Administration already have administrative subponea power.

TITLE XIII—COMPUTER CRIMES

*Section 1301: Protection of classified government information*

Penalizes individuals who deliberately break into a computer, or attempt to do so, without authority and, thereby, obtain and disseminate classified information.

*Section 1302: Protection of financial, government, and other computer information*

Makes interstate or foreign theft of information by computer a crime. This provision is necessary in light of *United States* v. *Brown*, 925 F.2d 1301, 1308 (10th Cir. 1991), where the court held that purely intangible intellectual property, such as computer programs, cannot constitute goods, wares, merchandise, securities, or monies which have been stolen, converted, or taken within the meaning of 18 U.S.C. §2314.

*Section 1303: Protection of government computer systems*

Makes two changes to §1030(a)(3), which currently prohibits intentionally accessing, without authorization, computers used by, or for, any department or agency of the United States and thereby ''adversely'' affecting ''the use of the Government's operation of such computer.'' First, it deletes the word ''adversely'' since this term suggest, inappropriately, that trespassing in a government computer may be benign. Second, the bill replaces the phrase ''the use of the Government's operation of such computer'' with the term ''that use.'' When a computer is used for the government, the government is not necessarily the operator, and the old phrase may lead to confusion. The bill makes a similar change to the definition of ''protected computer'' in §1030(e)(2)(A).

*Section 1304: Increased penalties for significant unauthorized use of a computer system*

Amends 18 U.S.C. §1030(a)(4) to insure that felony level sanctions apply when unauthorized use or use in excess of authorization is significant.

*Section 1305: Protection from damage to computer systems*

Amends 18 U.S.C. §1030(a)(5) to further protect computer systems covered by the statute from damage by anyone who intentionally damages a computer, regardless of whether they were authorized to access the computer.

*Section 1306: Protection from threats directed against computer systems*

Adds a new section to 18 U.S.C. §1030(a) to provide penalties for the interstate transmission of threats directed against computers and computer networks. The new section covers any interstate or international transmission of threats against computers, computer networks, and their data and programs, whether the threat is received by mail, telephone, electronic mail, or through a computerized messaging service.

*Section 1307: Increased penalties for recidivist and other sentencing changes*

Amends 18 U.S.C. 1030(c) to increase penalties for those who have previously violated any subsection of §1030. This section provides that anyone who is convicted twice of committing a computer offense under §1030 would be subject to enhanced penalties.

*Section 1308: Civil actions*

Limits damage to economic damages, where the violation caused a loss of $1,000 or more during any one-year period. No limit on damages would be imposed for violations that modified or impaired the medical examination, diagnosis or treatment of a person; caused physical injury to any person; or threatened the public health or safety.

*Section 1309: Mandatory reporting*

The current reporting requirement under §1030(a)(5) is eliminated. By ensuring that most high technology crimes can be prosecuted, there is less need for reporting requirements. Convictions will provide more information on computer crime. To create a mandatory reporting requirement is unnecessary because private sector groups, such as the Forum of Incident Response and Security Teams (FIRST), are leading the effort to monitor computer crimes statistically.

*Section 1310: Sentencing for fraud and related activity in connection with computers.*

Requires the United States Sentencing Commission to review existing sentencing guidelines as they apply to sections 1030 (a)(2), (a)(3), (a)(4), (a)(5), and (a)(6) of Title 18 of the United States Code (The Computer Fraud and Abuse Act). The Commission must also establish guidelines to ensure that criminals convicted under these sections receive mandatory minimum sentences for not less than 1 year. Currently, judges are given great discretion in sentencing under the Computer Fraud and Abuse Act. In many cases, the sentences don't match the crimes; and criminals receive light sentences for serious crimes. Mandatory minimum sentences will deter computer ''hacking'' crimes, and protect the infrastructure of computer systems.

*Section 1311: Asset forfeiture for fraud and related activity in connection with computers*

Amends 18 U.S.C. §1030(a)(2), (a)(3), and (a)(4) to insure that individuals who commit crimes under the aforementioned sections will forfeit the property used in connection with those crimes. For example, computers and ''hacking'' software used in crimes would be subject to forfeiture.

TITLE XIV—COMPUTER SOFTWARE PIRACY

*Section 1401: Amendment of title 17*

Amends 17 U.S.C. §506(a) to extend criminal infringement of copyright to include any person—not just those who acted for purposes of commercial advantage or private financial gain—who willfully infringes a copyright. Corrects the problem highlighted by the *United States* v. *LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994), that a person could pirate software maliciously, so long as they received no financial gain.

*Section 1402: Amendment of title 18*

Amends 18 U.S.C. 2319 to allow the court, in imposing a sentence on a person convicted of software piracy, to order that the person forfeit any property used or intended to be used to commit or promote the commission of such offense.

TITLE XV—INTERNET GAMBLING

*Section 1501: Amendment of title 18*

Amends 18 U.S.C. §1084 to insure that individuals who gamble or wager via wire or electronic communication are penalized—not just those who are in the business of gambling. Current statutes make it illegal only if you are in the business of sports gambling on the INTERNET. This section would make it illegal to gamble on ''virtual casinos'' as well as electronic sports books.

*Section 1502: Sentencing guidelines*

Requires the United States Sentencing Commission to review the deterrent effect of existing sentencing guidelines as they apply to sections 1084 of Title 18 and promulgate guidelines to ensure that criminals convicted under section 1084 receive mandatory minimum sentences for not less than one year.

*Section 1503: Reporting requirements*

Requires the Attorney General to report to Congress on (1) the problems associated with enforcing INTERNET gambling, (2) recommendations for the best use of resources of the Department of Justice to enforce section 1084 of Title 18, (3) recommendations for the best use of the resources of FCC to enforce section 1084 of title 18, and (4) an estimate on the amount of gambling activity on the INTERNET. It is not clear how effective law enforcement can police the INTERNET. A report may answer that question.

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By Mr. SIMON (for himself, Mr. HATCH, Ms. MOSELEY-BRAUN, Mr. BOND, and Mr. ASHCROFT):

S. 1496. A bill to grant certain patent right for certain non-steroidal anti-inflammatory drugs for a 2-year period; to the Committee on the Judiciary.

PROPERTY RIGHT PROTECTION LEGISLATION

Mr. SIMON. Mr. President, today, I introduce legislation to grant for a 2-year period additional property right protection for oxaprozin, an important drug in treating arthritis. Oxaprozin is a non-steroidal, anti-inflammatory drug [NSAID]. It is produced and marketed as Daypro by the G.D. Searle & Co., headquartered in Skokie, IL. I am introducing this legislation as a matter of simple fairness and equity because of a protracted review by the Food and Drug Administration [FDA] that consumed the entire patent life of Daypro.

The Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Act, was designed in part to address the unfairness caused by unduly long FDA reviews. Unfortunately, the two major protections created by Hatch-Waxman did not remedy Daypro's situation. First, Hatch-Waxman provides patent extensions in cases of regulatory delay. Ironically, since the FDA review consumed Daypro's entire patent life, the delay rendered Daypro ineligible for a patent extension; Hatch-Waxman simply did not contemplate that an FDA review would consume the entire patent life of a drug prior to its approval. Second, Hatch-Waxman allows up to 10 years of market exclusivity to brand name drug manufacturers following protracted FDA review. If the FDA had promptly approved Daypro, Daypro would have been protected for 10 years; however, as a result of the delay, Daypro only received 5 years of marketing exclusivity protection.

The legislation I am introducing today would provide Daypro 2 years of property right protection beyond the 5 years provided in the Hatch-Waxman Act. This additional property right protection is being sought because the

delay in obtaining FDA approval of Daypro was so excessive that the provisions of the Hatch-Waxman Act are inadequate to compensate for the complete loss of patent protection for Daypro due to the FDA review.

I seek this remedy for a drug that was a victim of even more extreme regulatory delays than those that were instrumental in causing Congress to recognize that the Hatch-Waxman Act was necessary in the first place. The Investigational New Drug Application [IND] for Daypro was filed in 1972, and the New Drug Application [NDA] for Daypro was filed 10 years later in August 1982. FDA approval of Daypro was not finally granted until October 29, 1992. During the 20 years it took FDA to approve Daypro, its patent expired. Thus, the practical patent life for Daypro was zero.

A number of reports have been published by the U.S. General Accounting Office and congressional committees in both Houses on the regulatory problems that the class of NSAIDs faced in the 1980's. These reports and studies make it clear that at least some of the problems encountered at FDA were generic—the unprecedented delay in NSAID approvals was due to FDA inaction on all NDAIDs after serious problems were encountered with previously approved NSAIDs. During this time, the FDA effectively imposed a moratorium on the approval of all NSAIDs. It is important to note that the purpose of this moratorium was not to allow the FDA to collect further data on Daypro or because there were concerns about health and safety findings related to Daypro. The FDA ultimately approved Daypro in 1992 as safe and efficacious based upon the same studies originally submitted to the FDA in the NDA. it took the FDA longer to approve Daypro than any other NSAID.

This legislation does not grant full recovery of the time lost while Daypro was under review; it does not grant even half of that time. The additional property right protection that would be granted by this bill represents only some of the time lost after the drug applications had been under FDA review. This legislation provides 2 years of added protection as partial compensation for the value lost when Daypro's patents expired while the drug application was pending at the FDA. I believe the figure of 2 years is a fair and equitable resolution of this matter.

Daypro confronted an inordinate and inequitable delay in obtaining FDA approval. No other pharmaceutical that I am aware of has had its entire patent life consumed by an FDA review. I urge that the relief embodied in this legislation be anacted.

Mr. HATCH. Mr. President, today, I rise to cosponsor with Senators SIMON, MOSELEY-BRAUN, BOND, and ASHCROFT, S. 1496, a bill to extend for 2 additional years the exclusive marketing period for the drug oxaprozin.

I am supportive of Senator SIMON'S effort, because unusual, and perhaps unprecedented, administrative delays in review of this pharmaceutical have denied the manufacturer any patent protection. The Food and Drug Administration [FDA] review of oxaprozin consumed the entire 17-year patent term plus another 4 years.

Some history on this issue may be useful at this point.

Oxaprozin is a nonsteroidal, anti-inflammatory drug, or NSAID. It is used to treat arthritis and other ailments. Oxaprozin was first patented by G.D. Searle in 1971. Shortly thereafter, an investigational new drug [IND] application was submitted to FDA.

In August 1982, a new drug application [NDA] was filed, but FDA did not approve the drug until October 29, 1992. In total, over 21 years expired after submission of the IND application and over 10 years elapsed from the filing of the NDA.

As a result of this unusually long, and perhaps unprecedented, FDA regulatory review period, the patent for oxaprozin expired before oxaprozin could be brought to market.

In the 1980s, Congress became concerned that the lengthy FDA pre-marketing regulatory approval system was depriving many companies of a substantial amount of the potential economic value of new drug patents, and thereby decreasing the incentives that lead to new breakthrough medications.

In 1984, Representative Henry Waxman and I worked to secure enactment of the Drug Price Competition and Patent Term Restoration Act, a law that, in part, attempted to add patent term or an exclusive marketing period to partially restore time lost through FDA regulatory review.

Under this 1984 law—sometimes referred to as the ''Hatch-Waxman Act'' or ''Waxman-Hatch'' an administrative procedure was provided to extend certain drug patents or prevent generic copies from entering the marketplace in order to provide compensation for at least some of the time lost as a result of FDA regulatory review.

This legislation, however, did not contemplate extreme outliers such as oxaprozin.

In some respects, oxaprozin presents a classic Catch-22 situation: Administrative patent extensions under Hatch-Waxman were not available until FDA approval was granted, but these administrative extensions could only be granted if the term of the patent had not expired. If a drug was not approved until after the expiration of the patent, no Hatch-Waxman patent extension could be granted, even though such cases represent the most egregious example of the problem Congress was trying to redress in the first place.

In addition to patent extensions, the Hatch-Waxman Act contained marketing exclusivity provisions to address cases such as oxaprozin in which no patent protection remains. The Hatch-Waxman law provided 10 years of marketing exclusivity for pioneer drugs that were approved for marketing between January 1, 1982 and September 23, 1984.

One result of oxaprozin's unduly long FDA review was that it could not qualify for extended patent life under the Hatch-Waxman transition rule. Instead, oxaprozin received only the more limited 5-year period of marketing exclusivity even though its review period at the FDA exceeded all of those drugs that received a 10-year extension.

From 1974 until 1982, the FDA took, on average, only about 2 years to review and approve NSAID product applications. From about 1982, however, there existed a de facto moratorium on the approval of new NSAIDs.

The Congress has examined the reasons behind this moratorium. In 1992, both the Senate and House Judiciary Committees, and House Energy and Commerce Committee, conducted hearings into the FDA delays in the approval of NSAIDs. In addition, the Judiciary Committees requested the GAO to investigate this delay.

These examinations revealed that FDA faced an unusual set of circumstances from 1982 through 1987. As a result of the controversy surrounding four previously approved NSAIDs that raised serious post-marketing safety concerns, the average time taken to approve NSAID NDAs nearly doubled. By concentrating its resources to investigate the causes behind the reported NSAID adverse effects, the FDA directed its manpower away from approval of the pending NSAID NDAs.

Mr. President, 2-weeks ago, the Senate was engaged in a debate that involved the sufficiency of the patent laws to help attract private sector investment into biomedical research. This issue has important ramifications for the public health.

Over the next few months the Senate Judiciary Committee, on which I serve as Chairman, will be examining pharmaceutical patent issues. It will be important for the committee to examine fully the complex interrelationship between the patent laws and the FDA product review system for drugs.

Oxaprozin serves as an important case study of a flawed system in which FDA regulatory delay materially undermines the value of intellectual property. A regulatory review period of 21 years is simply too long. I hope we can all agree that the FDA review period should not exhaust the entire patent term of a drug product.

In light of the general disruption that occurred within the FDA NSAID review division and the particular facts relating to the 21 year FDA review of oxaprozin, the partial relief granted by S. 1496 is justified. I urge my colleagues to support this bill.

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By Mr. NICKLES (for himself, Mr. SMITH, Mr. PRYOR, Mr. BOND, Mr. BUMPERS, Mr. INHOFE, Mr. LOTT, Mr. BREAUX, Mr. JOHNSTON, Mr. ABRAHAM, Mr. KEMPTHORNE, Mr. LIEBERMAN, Mr. FAIRCLOTH, Mr. GLENN, and Mr. WARNER):

S. 1497. A bill to amend the Solid Waste Disposal Act to make certain adjustments in the land disposal program to provide needed flexibility, and for other purposes; to the Committee on Environment and Public Works.

THE LAND DISPOSAL PROGRAM FLEXIBILITY ACT OF 1995

Mr. NICKLES. Mr. President, today I am joined by my colleagues Senators SMITH, PRYOR, BOND, BUMPERS, INHOFE, BREAUX, LOTT, JOHNSTON, ABRAHAM, KEMPTHORNE, LIEBERMAN, FAIRCLOTH, GLENN, and WARNER to introduce, the Land Disposal Program Flexibility Act of 1995. This bill represents the culmination of a bipartisan process involving the cooperation of The White House, EPA, and the regulated community. It is proof that the desire for regulatory reform is real, and needed in this country. It is also proof that we can work together to make greater sense out of the regulatory morass when we set our minds to it.

For too long neither Congress which makes the laws, nor EPA which implements them, have really been in charge of environmental protection in this country. The most significant driver in the field of environmental policy has been the courts. In a recent address before the Environmental Law Institute, former EPA Administrator William Ruckleshaus lamented that most of the important environmental decisions of the last quarter century have devolved to the courts.

The situation that has led to the introduction of this bill is a classic case of how the courts, have dominated the making of environmental policy. In 1990, EPA implemented RCRA regulations relating to the treatment of hazardous waste before it can be disposed of on the land. These land disposal restrictions were intended to prevent the placement of untreated waste on the ground—an appropriate concern given the legacy of such practices prior to the enactment of RCRA. EPA also made every effort to implement this regulation taking care to coordinate RCRA with the Clean Water Act and the Safe Drinking Water Act. That, too was as Congress intended.

Along came the courts and they chose to interpret the RCRA statute in such a way as to extend the reach of costly hazardous waste requirements to nonhazardous wastes. This interpretation also ignored the benefits of treatment and disposal systems such as surface impoundments and underground injection wells permitted under the Clean Water and Safe Drinking Water Acts respectively.

As a result, EPA has been forced to propose expensive new regulations that even the Agency believes will provide minimal environmental benefit. Let me quote from EPA's very own preamble to the new proposed rule:

The risks addressed by this rule, particularly UIC wells, are very small relative to the risks presented by other environmental conditions or situations. In a time of limited resources, common sense dictates that we deal with higher risk activities first, a principle on which EPA, members of the regulated community, and the public can all agree.

Nevertheless, the agency is required to set treatment standards for these relatively low risk wastes and disposal practices during the next two years, although there are other actions and projects with which the Agency could provide greater protection of human health and the environment.

Mr. President, this Senate has been wrestling with the larger question of comprehensive regulatory reform for some months now. The debate on both sides of the aisle has been contentious over the means by which such reforms are achieved. But a common theme throughout that debate has been the nearly universal recognition that the current command and control regulatory system is obsolete, and in need of reform. This bill allows us to turn that theme into reality. Not by amending the underlying RCRA statute in any way, although we agree with the President that further statutory reform is needed, but by merely restoring EPA's original regulatory determination: that a waste that is no longer hazardous need not be regulated as if it was hazardous.

Mr. President, that is why I have joined with Senators SMITH, PRYOR, BOND, BUMPERS, INHOFE, BREAUX, LOTT, JOHNSTON, ABRAHAM, KEMPTHORNE, LIEBERMAN, FAIRCLOTH, GLENN, and WARNER to introduce this bill. I also submit for inclusion in the record a letter from the administration supporting this legislation. The price of not acting soon will mean that industry will incur, by EPA's own estimate, $800 million dollars per year in compliance costs—again for minimal environmental benefit. Mr. President, we have an opportunity here, to provide true regulatory relief, while assuring that effective standards of environmental protection are maintained. We have worked in a bipartisan way to bring this reform forward. I hope that the spirit of cooperation demonstrated on all sides will carry through as we tackle this and other much needed regulatory reforms.

Mr. SMITH. Mr. President, I join my colleague, Senator NICKLES, in introducing the Land Disposal Program Flexibility Act of 1995, and I would like to thank the senior Senator from Oklahoma for the time and effort that he and his staff have been spending on this issue. In addition to a bipartisan coalition of Senators who are cosponsoring this legislation, this bill is also supported by the White House and the Environmental Protection Agency [EPA].

This legislation represents a very simple, yet important modification to the Solid Waste Disposal Act that has the potential to save our society as much as $800 million in annual compliance costs—an expense that the EPA agrees will provide no environmental benefit. As the chairman of the Superfund, Waste Control and Risk Assessment Subcommittee, which has jurisdiction over this legislation, I believe that this bill is a good example of a cooperative, bipartisan effort to correct expensive and needless environmental overregulation.

Under the current land disposal restrictions [LDR's], individuals are generally prohibited from the land disposal of hazardous wastes unless these wastes have first been treated to meet EPA standards. As a result of a 1993 decision by the D.C. Circuit Court, these LDR's would also be extended to nonhazardous wastes managed in wastewater systems that are already regulated under the Clean Water Act or the underground injection control [UIC] program of the Safe Drinking Water Act. The court adopted this position despite the fact that the EPA had previously adopted a rule authorizing the appropriate treatment and disposal of these materials, and despite the fact that the Agency believed that such strict standards are inappropriate.

Simply stated, this legislation would counteract the court decision, and would restore the EPA's original regulatory determination allowing these materials to be safely treated and disposed of in permitted treatment units and injection wells.

One of the issues confronting those who support this legislation is timing. Due to the court decision, the EPA will be forced to impose these needless and expensive requirements if Congress does not act very soon. As the chairman of the subcommittee of jurisdiction, I will work closely with the other interested parties to ensure that this legislation will be addressed in a prompt fashion.

Again, I thank Senator NICKLES for working with me on this issue, and I commend him for his involvement.

Mr. PRYOR. Mr. President, I rise today to join my colleagues, Senators BOND, BUMPERS, INHOFE, and NICKLES, to introduce the Land Disposal Program Flexibility Act of 1995. This bill represents months of work by the EPA, the White House, both Houses of Congress, as well as the regulated community, to come together in a bipartisan manner to implement real regulatory reform.

This legislation makes small adjustments in the current Land Disposal Regulations [LDR] Program under the Resource Conservation Recovery Act [RCRA], to provide more flexibility for the treatment of nonhazardous waste. More importantly, it helps alleviate the type of over-regulation that has been the source of so much controversy among the general public. Our legislation achieves this goal by denying the implementation of a court ordered rule that requires the EPA to treat nonhazardous waste as though it were hazardous waste.

Mr. President, when Congress passed the Resource Conservation and Recovery Act [RCRA] in 1976, it was intended to work as a campanion to other existing environmental laws. However, the court decision previously mentioned,

would create just the opposite of what was intended. It would require the EPA to write a rule that would overlay RCRA requirements on top of existing Clean Water Act treatment standards. The cost of this additional treatment, according to EPA estimates, would be approximately $800 million per year—all to achieve what EPA says is almost no environmental improvement.

What we are doing today with the introduction of the Land Disposal Program Flexibility Act, is correcting this court decision by amending a very narrow portion of the RCRA law. Simply put, we are asking Congress to clarify that the LDR Program does not apply to wastes that are no longer hazardous when managed in Clean Water and Safe Drinking Water Act systems.

I am proud to be an original cosponsor of this bill and I hope my colleagues will support this legislation as it moves through committee to the Senate floor for a vote.

By Ms. SNOWE (for herself, Mr. KERRY, Mr. COHEN, and Mr. KENNEDY):

S. 1498. A bill to authorize appropriations to carry out the Interjurisdictional Fisheries Act of 1986, and for other purposes; to the Committee on Commerce, Science, and Transportation.

THE INTERJURISDICTIONAL FISHERIES AMENDMENTS ACT OF 1995

Ms. SNOWE. Mr. President, today I, along with my colleague on the Commerce Committee, Senator KERRY, am introducing the Interjurisdictional Fisheries Amendments Act of 1995. I am pleased to also have Senators COHEN and KENNEDY joining us as cosponsors in this effort.

Congress passed the Interjurisdictional Fisheries Act in 1986 to promote the management of interjurisdictional fisheries resources throughout their range, and to encourage and promote active State participation in the management of these important resources. The act provides modest funding to the States and interstate marine fishery commissions to assist with research and management activities, with the underlying objective being the development and maintenance of healthy, robust fish stocks. The act also authorizes aid to commercial fishermen who have suffered losses as a result of fishery resource disasters.

The bill that we are introducing today extends the act's authorization through 1998. It reduces the authorized appropriations level for apportionment to the States, maintains the current overall authorization level for the Commerce Department, and provides a small increase in the authorization level for assistance to the interstate fishery management commissions.

This bill also amends section 308(d) of the act, which deals with disaster assistance to commercial fishermen. Earlier this year, the Secretary of Commerce declared fishery resource disasters impacting commercial fishermen in the Northeast, Pacific Northwest, and the Gulf of Mexico, and he committed $53 million in already-appropriated funds to help mitigate the impacts of these disasters. In order to effectively operate these disaster relief programs, however, certain changes must be made in the act's grant-making authority.

The current provision, for example, limits the kind of assistance available under section 308(d) to direct grants to individual fishermen or fishing corporations. But recent analysis of disaster relief strategies has revealed that, in some cases, aid to fishermen could be more efficiently and effectively provided if it is provided indirectly, through States, local governments, or nonprofit organizations, who in turn would operate programs to help fishermen. This bill amends the statute to allow for the provision of both direct and indirect forms of assistance.

The bill also lifts the current $100,000 cap on aid to individual fishermen. This cap makes the operation of a fishing vessel buy-back program, like the one currently planned for the New England groundfish fishery, impossible. The purchase price for many vessels bought out under the program will exceed $100,000, and without a lifting of the cap, few fishermen will participate. Given the ongoing crisis in the New England groundfish industry, we need to move forward with an effective, comprehensive buy-back quickly, and passage of this amendment to section 308(d) is essential for us to do so.

Mr. President, this bill will contribute to the improvement of conditions in interjurisdictional fisheries around the country, and it will assist fishing communities that are suffering the effects of fishery resource disasters. This is a bipartisan bill, and it will not require significant new federal expenditures. I hope that my colleagues will support the bill when the Senate considers it in the next session.

Mr. KERRY. Mr. President, today I join Senators SNOWE, KENNEDY, and COHEN in introducing the Interjurisdictional Fisheries Amendments Act of 1995. This legislation authorizes appropriations for State grants and Department of Commerce programs designed to manage interjurisdictional fisheries, and amends the Interjurisdictional Fisheries Act of 1986 to facilitate the use of available fisheries disaster relief funds.

In 1986, we passed the Interjurisdictional Fisheries Act to support State activities related to the management of fisheries occurring in waters under the jurisdiction of one or more States and the exclusive economic zone [EEZ], and to promote management of these fisheries throughout their range. This model establishes a mechanism for all who have a major interest in managing a fishery extending over several jurisdictions to work together to make key management decisions. It clearly works successfully. We must continue to support such cooperative partnerships.

The bill introduced today also contains important provisions which will clear the way for dispersing previously appropriated economic assistance for fishing disaster relief in New England, the Gulf, and in the Pacific Northwest.

In New England, this assistance will be used to alleviate the economic hardships caused by the collapse of the traditional groundfish fishery. The New England Fishery Management Council has closed significant areas of prime fishing grounds on Georges Bank and is now considering the adoption of stricter fishing restrictions to rebuild the groundfish stocks. Many New England fishermen can no longer draw a living from the sea as they have for years before. They, their families, and their communities face a severe economic crisis. I have supported, and will continue to support, a comprehensive approach to addressing this fishery disaster. The New England Fishery Management Council has a tough job ahead in designing a rebuilding program. While the Council continues to struggle with this issue, I have focused my efforts on providing economic assistance to the fishermen and the fishing communities during this crisis and rebuilding period.

In March 1995, NOAA announced a $2.0 million pilot program to buy groundfish vessels and begin to address the problem of too many fishermen chasing too few fish. The program began in June of 1995, and on October 11, 1995, NOAA announced that it would be able to buy back 13 vessels. Although the $2 million falls far short of the total amount needed for a full-scale buyout in New England, the pilot program answered many questions about the design, implementation, and potential success of an expanded vessel buyout program.

The pilot program has demonstrated that fishing vessel owners are willing to participate in such a program—114 vessel owners applied to participate in the pilot program. If funding was available to accept all 114 offers received—totalling $52 million—groundfish fishing capacity could be decreased by more than 31 percent. This illustrates that such a program could be a successful way to reduce the overcapitalization in the groundfish fleet and may help ease the economic impact of the collapsed groundfish fishery and the strict conservation measures anticipated.

The legislation we are introducing today amends the existing Interjurisdictional Fisheries Act of 1986 to facilitate the development of an expanded buyout program in New England. This would allow some fishermen to voluntarily leave the fishery, thereby reducing excess fishing capacity. As a condition of the program, the bill would require that adequate conservation and management measures be in place to restore the stocks and ensure no new boats enter the New England groundfish fishery. It would also expedite fishery disaster relief programs designed for the Gulf and the Pacific Northwest.

I urge my colleagues to move quickly to pass the Interjurisdictional Fisheries Amendment Act of 1995.

By Mr. HATFIELD:

S. 1499. A bill to amend the Interjurisdictional Fisheries Act of 1986 to provide for direct and indirect assistance for certain persons engaged in commercial fisheries, and for other purposes; to the Committee on Commerce, Science, and Transportation.

THE FISHING FAMILIES RELIEF ACT OF 1995

Mr. HATFIELD. Mr. President, the Pacific Northwest has been presented with a number of significant challenges in the last decade. Most recently, heavy rains and winds in excess of 100 miles per hour ravaged the Oregon coast and the Willamette Valley. Additionally, the timber and fishing industries, which once constituted a substantial portion of Oregon's economy, have been severely restricted in recent years. Many individuals involved in those industries have been forced to find alternative sources of employment.

In 1994, the National Oceanic and Atmospheric Administration [NOAA] and the Pacific Northwest States initiated three programs to mitigate the financial hardship caused by the total closure of the coastal salmon fishing season. These programs were designed to assist the fishers impacted by the closing and include: a permit buyback program—Washington State only; a habitat restoration jobs program; and a data collection and at sea research jobs program. Both jobs programs employed over 100 dislocated fishers while contributing to the improvement of fishery habitat. NOAA has approved the request of the Governors of Oregon and Washington for an additional $13 million to continue these programs for a second year.

The changes in the Interjurisdicitonal Fisheries Act made by the legislation I am introducing today would allow these three programs to continue working for dislocated fishers who are severely limited in their ability to earn a living through commercial fishing. The current language restricts the number of dislocated fishers who have been eligible to participate in these programs. Additionally, fishers may lose the eligibility to participate in the programs due to the uninsured loss determination and the cap on assistance.

Mr. President, this legislation does not seek additional Federal funds for these important assistance programs. However, it does attempt to find ways to spend Federal dollars in a more effective and flexible manner, with broader participation from those the funds are intended to serve. This legislation will also be beneficial for the fishing industries in the Northeast and the Gulf Coast areas. I urge my colleagues to give their full consideration to this attempt to restore economic stability to the fisherman of Oregon and the Pacific Northwest.

## ADDITIONAL COSPONSORS

S. 281

At the request of Mr. D'AMATO, the name of the Senator from Connecticut [Mr. LIEBERMAN] was added as a cosponsor of S. 281, a bill to amend title 38, United States Code, to change the date for the beginning of the Vietnam era for the purpose of veterans benefits from August 5, 1964, to December 22, 1961.

S. 1228

At the request of Mr. FEINGOLD, his name was added as a cosponsor of S. 1228, a bill to impose sanctions on foreign persons exporting petroleum products, natural gas, or related technology to Iran.

S. 1266

At the request of Mr. MACK, the name of the Senator from Indiana [Mr. LUGAR] was added as a cosponsor of S. 1266, a bill to require the Board of Governors of the Federal Reserve System to focus on price stability in establishing monetary policy to ensure the stable, long-term purchasing power of the currency, to repeal the Full Employment and Balanced Growth Act of 1978, and for other purposes.

S. 1354

At the request of Mr. BREAUX, the name of the Senator from Alaska [Mr. MURKOWSKI] was added as a cosponsor of S. 1354, a bill to approve and implement the OECD Shipbuilding Trade Agreement.

S. 1426

At the request of Mr. SIMPSON, his name was added as a cosponsor of S. 1426, a bill to eliminate the requirement for unanimous verdicts in Federal court.

S. 1470

At the request of Mr. MCCAIN, the name of the Senator from Pennsylvania [Mr. SANTORUM] was added as a cosponsor of S. 1470, a bill to amend title II of the Social Security Act to provide for increases in the amounts of allowable earnings under the Social Security earnings limit for individuals who have attained retirement age, and for other purposes.

## SENATE CONCURRENT RESOLUTION 37—TO MAKE TECHNICAL CHANGES IN THE ENROLLMENT OF H.R. 2539

Mr. EXON submitted the following resolution; which was considered and agreed to:

S. CON. RES. 37

*Resolved by the Senate (the House of Representatives concurring),* That the Clerk of the House of Representatives, in the enrollment of the bill (H.R. 2539) to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation, and for other purposes, shall make the following corrections:

In section 11326(b) proposed to be inserted in title 49, United States Code, by section 102, strike ''unless the applicant elects to provide the alternative arrangement specified in this subsection. Such alternative'' and insert ''except that such'';

In section 13902(b)(5) proposed to be inserted in title 49, United States Code, by section 103, strike ''Any'' and insert ''Subject to section 14501(a), any''.

## SENATE RESOLUTION 201—COMMENDING THE CIA'S STATUTORY INSPECTOR GENERAL

Mr. SPECTER (for himself, Mr. KERREY, Mr. GLENN, Mr. BRYAN, Mr. ROBB, Mr. JOHNSTON, Mr. CHAFEE, Mr. BAUCUS, Mr. WARNER, Mr. KERRY, Mr. SHELBY, Mr. GRAHAM, Mr. KYL, Mr. LUGAR, Mr. INHOFE, Mr. BYRD, and Mr. DEWINE) submitted the following resolution; which was considered and agreed to:

S. RES. 201

Whereas, because of its concern with the need for objectivity, authority and independence on the part of the Central Intelligence Agency's Office of Inspector General, the Senate in 1989 included in the Intelligence Authorization Act of Fiscal Year 1990—subsequently enacted into law—a provision establishing an independent, Presidentially-appointed statutory Inspector General at the CIA;

Whereas in November, 1990, The Honorable Frederick P. Hitz was formally sworn in as the CIA's first statutory Inspector General;

Whereas the CIA's statutory Office of Inspector General, under the capable leadership of Frederick P. Hitz, has demonstrated its independence, tenacity, effectiveness and integrity; and

Whereas the work of the CIA Office of Inspector General under Mr. Hitz's leadership has contributed notably to the greater efficiency, effectiveness, integrity and accountability of the Central Intelligence Agency: Now, therefore, be it

*Resolved,* That the Senate expresses its congratulations to Frederick P. Hitz on his 5-year anniversary as the first statutory CIA Inspector General and expresses its support for the Office of the CIA Inspector General.

SEC. 2. The Secretary of the Senate shall transmit a copy of this resolution to Frederick P. Hitz.

## AMENDMENTS SUBMITTED

## BUDGET NEGOTIATIONS JOINT RESOLUTION

### DASCHLE AMENDMENT NO. 3108

Mr. DASCHLE proposed an amendment to the joint resolution (H.J. Res. 132) affirming that budget negotiations shall be based on the most recent technical and economic assumptions of the Congressional Budget Office and shall achieve a balanced budget by fiscal year 2002 based on those assumptions; as follows:

On page 2, line 2, strike office''; and insert the following: ''Office, and the President and the Congress agree that the balance budget must protect future generations, ensure medicare solvency, reform welfare, and provide adequate funding for Medicaid, Education, Agriculture, National Defense, Veterans, and the Environment. Further, the balanced budget shall adopt tax policies to help working families and to stimulate future economic growth.''

## THE FARM CREDIT SYSTEM REGULATORY RELIEF ACT OF 1995

### LUGAR (AND LEAHY) AMENDMENT No. 3109

Mr. SANTORUM (for Mr. LUGAR, for himself and Mr. LEAHY) proposed and amendment to the bill (H.R. 2029) to amend the Farm Credit Act of 1971 to provide regulatory relief; as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

(a) SHORT TITLE.—This Act may be cited as the ''Farm Credit System Reform Act of 1996''.

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



## TITLE I—AGRICULTURAL MORTGAGE SECONDARY MARKET

**SEC. 101. DEFINITION OF REAL ESTATE.**

Section 8.0(1)(B)(ii) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(1)(B)(ii)) is amended by striking ''with a purchase price'' and inserting '', excluding the land to which the dwelling is affixed, with a value''.

**SEC. 102. DEFINITION OF CERTIFIED FACILITY.**

Section 8.0(3) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(3)) is amended—

(1) in subparagraph (A), by striking ''a secondary marketing agricultural loan'' and inserting ''an agricultural mortgage marketing''; and

(2) in subparagraph (B), by striking '', but only'' and all that follows through ''(9)(B)''.

**SEC. 103. DUTIES OF FEDERAL AGRICULTURAL MORTGAGE CORPORATION.**

Section 8.1(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–1(b)) is amended—

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

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

(3) by adding at the end the following:

''(4) purchase qualified loans and issue securities representing interests in, or obligations backed by, the qualified loans, guaranteed for the timely repayment of principal and interest.''.

**SEC. 104. POWERS OF THE CORPORATION.**

Section 8.3(c) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–3(c)) is amended—

(1) by redesignating paragraphs (13) and (14) as paragraphs (14) and (15), respectively; and

(2) by inserting after paragraph (12) the following:

''(13) To purchase, hold, sell, or assign a qualified loan, to issue a guaranteed security, representing an interest in, or an obligation backed by, the qualified loan, and to perform all the functions and responsibilities of an agricultural mortgage marketing facility operating as a certified facility under this title.''.

**SEC. 105. FEDERAL RESERVE BANKS AS DEPOSITARIES AND FISCAL AGENTS.**

Section 8.3 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–3) is amended—

(1) in subsection (d), by striking ''may act as depositories for, or'' and inserting ''shall act as depositories for, and''; and

(2) in subsection (e), by striking ''Secretary of the Treasury may authorize the Corporation to use'' and inserting ''Corporation shall have access to''.

**SEC. 106. CERTIFICATION OF AGRICULTURAL MORTGAGE MARKETING FACILITIES.**

Section 8.5 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–5) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by inserting ''(other than the Corporation)'' after ''agricultural mortgage marketing facilities''; and

(B) in paragraph (2), by inserting ''(other than the Corporation)'' after ''agricultural mortgage marketing facility''; and

(2) in subsection (e)(1), by striking ''(other than the Corporation)''.

**SEC. 107. GUARANTEE OF QUALIFIED LOANS.**

Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–6) is amended—

(1) in subsection (a)(1)—

(A) by striking ''Corporation shall guarantee'' and inserting the following: ''Corporation

''(A) shall guarantee'';

(B) by striking the period at the end and inserting ''; and''; and

(C) by adding at the end the following:

''(B) may issue a security, guaranteed as to the timely payment of principal and interest, that represents an interest solely in, or an obligation fully backed by, a pool consisting of qualified loans that—

''(i) meet the standards established under section 8.8; and

''(ii) have been purchased and held by the Corporation.'';

(2) in subsection (d)—

(A) by striking paragraph (4); and

(B) by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively; and

(3) in subsection (g)(2), by striking ''section 8.0(9)(B))'' and inserting ''section 8.0(9))''.

**SEC. 108. MANDATORY RESERVES AND SUBORDINATED PARTICIPATION INTERESTS ELIMINATED.**

(a) GUARANTEE OF QUALIFIED LOANS.—Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–6) is amended by striking subsection (b).

(b) RESERVES AND SUBORDINATED PARTICIPATION INTERESTS.—Section 8.7 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–7) is repealed.

(c) CONFORMING AMENDMENTS.—

(1) Section 8.0(9)(B)(i) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by striking ''8.7, 8.8,'' and inserting ''8.8''.

(2) Section 8.6(a)(2) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–6(a)(2)) is amended by striking ''subject to the provisions of subsection (b)''.

**SEC. 109. STANDARDS REQUIRING DIVERSIFIED POOLS.**

(a) IN GENERAL.—Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–6) (as amended by section 108) is amended—

(1) by striking subsection (c); and

(2) by redesignating subsections (d) through (g) as subsections (b) through (e), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Section 8.0(9)(B)(i) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by striking ''(f)'' and inserting ''(d)''.

(2) Section 8.13(a) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–13(a)) is amended by striking ''sections 8.6(b) and'' in each place it appears and inserting ''section''.

(3) Section 8.32(b)(1)(C) of the Farm Credit Act of 1971 (12 U.S.C. 2279bb–1(b)(1)(C)) is amended by striking ''under section 8.6(b)(2)''.

(4) Section 8.6(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–6(b)) (as redesignated by subsection (a)(2)) is amended—

(A) by striking paragraph (4) (as redesignated by section 107(2)(B)); and

(B) by redesignating paragraphs (5) and (6) (as redesignated by section 107(2)(B)) as paragraphs (4) and (5), respectively.

**SEC. 110. SMALL FARMS.**

Section 8.8(e) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–8(e)) is amended by adding at the end the following: ''The Board shall promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market.''.

**SEC. 111. DEFINITION OF AN AFFILIATE.**

Section 8.11(e) of the Farm Credit Act of 1971 (21 U.S.C. 2279aa–11(e)) is amended—

(1) by striking ''a certified facility or''; and

(2) by striking ''paragraphs (3) and (7), respectively, of section 8.0'' and inserting ''section 8.0(7)''.

**SEC. 112. STATE USURY LAWS SUPERSEDED.**

Section 8.12 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–12) is amended by striking subsection (d) and inserting the following:

''(d) STATE USURY LAWS SUPERSEDED.—A provision of the Constitution or law of any State shall not apply to an agricultural loan made by an originator or a certified facility in accordance with this title for sale to the Corporation or to a certified facility for inclusion in a pool for which the Corporation has provided, or has committed to provide, a guarantee, if the loan, not later than 180 days after the date the loan was made, is sold to the Corporation or included in a pool for which the Corporation has provided a guarantee, if the provision—

''(1) limits the rate or amount of interest, discount points, finance charges, or other charges that may be charged, taken, received, or reserved by an agricultural lender or a certified facility; or

''(2) limits or prohibits a prepayment penalty (either fixed or declining), yield maintenance, or make-whole payment that may be charged, taken, or received by an agricultural lender or a certified facility in connection with the full or partial payment of the principal amount due on a loan by a borrower in advance of the scheduled date for the payment under the terms of the loan, otherwise known as a prepayment of the loan principal.''.

**SEC. 113. EXTENSION OF CAPITAL TRANSITION PERIOD.**

Section 8.32 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb–1) is amended—

(1) in the first sentence of subsection (a), by striking ''Not later than the expiration of the 2-year period beginning on December 13, 1991,'' and inserting ''Not sooner than the expiration of the 3-year period beginning on the date of enactment of the Farm Credit System Reform Act of 1996,'';

(2) in the first sentence of subsection (b)(2), by striking ''5-year'' and inserting ''8-year''; and

(3) in subsection (d)—

(A) in the first sentence—

(i) by striking ''The regulations establishing'' and inserting the following:

''(1) IN GENERAL.—The regulations establishing''; and

(ii) by striking ''shall contain'' and inserting the following: ''shall—

''(A) be issued by the Director for public comment in the form of a notice of proposed rulemaking, to be first published after the expiration of the period referred to in subsection (a); and

''(B) contain''; and

(B) in the second sentence, by striking ''The regulations shall'' and inserting the following:

''(2) SPECIFICITY.—The regulations referred to in paragraph (1) shall''.

**SEC. 114. MINIMUM CAPITAL LEVEL.**

Section 8.33 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb–2) is amended to read as follows:

**''SEC. 8.33. MINIMUM CAPITAL LEVEL.**

''(a) IN GENERAL.—Except as provided in subsection (b), for purposes of this subtitle, the minimum capital level for the Corporation shall be an amount of core capital equal to the sum of—

''(1) 2.75 percent of the aggregate on-balance sheet assets of the Corporation, as determined in accordance with generally accepted accounting principles; and

''(2) 0.75 percent of the aggregate off-balance sheet obligations of the Corporation, which, for the purposes of this subtitle, shall include—

''(A) the unpaid principal balance of outstanding securities that are guaranteed by the Corporation and backed by pools of qualified loans;

''(B) instruments that are issued or guaranteed by the Corporation and are substantially equivalent to instruments described in subparagraph (A); and

''(C) other off-balance sheet obligations of the Corporation.

''(b) TRANSITION PERIOD.—

''(1) IN GENERAL.—For purposes of this subtitle, the minimum capital level for the Corporation—

''(A) prior to January 1, 1997, shall be the amount of core capital equal to the sum of—

''(i) 0.45 percent of aggregate off-balance sheet obligations of the Corporation;

''(ii) 0.45 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

''(iii) 2.50 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2);

''(B) during the 1-year period ending December 31, 1997, shall be the amount of core capital equal to the sum of—

''(i) 0.55 percent of aggregate off-balance sheet obligations of the Corporation;

''(ii) 1.20 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

''(iii) 2.55 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2);

''(C) during the 1-year period ending December 31, 1998, shall be the amount of core capital equal to—

''(i) if the Corporation's core capital is not less than $25,000,000 on January 1, 1998, the sum of—

''(I) 0.65 percent of aggregate off-balance sheet obligations of the Corporation;

''(II) 1.95 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

''(III) 2.65 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2); or

''(ii) if the Corporation's core capital is less than $25,000,000 on January 1, 1998, the amount determined under subsection (a); and

''(D) on and after January 1, 1999, shall be the amount determined under subsection (a).

''(2) DESIGNATED ON-BALANCE SHEET ASSETS.—For purposes of this subsection, the designated on-balance sheet assets of the Corporation shall be—

''(A) the aggregate on-balance sheet assets of the Corporation acquired under section 8.6(e); and

''(B) the aggregate amount of qualified loans purchased and held by the Corporation under section 8.3(c)(13).''.

**SEC. 115. CRITICAL CAPITAL LEVEL.**

Section 8.34 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb–3) is amended to read as follows:

**''SEC. 8.34. CRITICAL CAPITAL LEVEL.**

''For purposes of this subtitle, the critical capital level for the Corporation shall be an amount of core capital equal to 50 percent of the total minimum capital amount determined under section 8.33.''.

**SEC. 116. ENFORCEMENT LEVELS.**

Section 8.35(e) of the Farm Credit Act of 1971 (12 U.S.C. 2279bb–4(e)) is amended by striking ''during the 30-month period beginning on the date of enactment of this section,'' and inserting ''during the period beginning on December 13, 1991, and ending on the effective date of the risk based capital regulation issued by the Director under section 8.32,''.

**SEC. 117. RECAPITALIZATION OF THE CORPORATION.**

Title VIII of the Farm Credit Act of 1971 (12 U.S.C. 2279aa et seq.) is amended by adding at the end the following:

**''SEC. 8.38. RECAPITALIZATION OF THE CORPORATION.**

''(a) MANDATORY RECAPITALIZATION.—The Corporation shall increase the core capital of the Corporation to an amount equal to or greater than $25,000,000, not later than the earlier of—

''(1) the date that is 2 years after the date of enactment of this section; or

''(2) the date that is 180 days after the end of the first calendar quarter that the aggregate on-balance sheet assets of the Corporation, plus the outstanding principal of the off-balance sheet obligations of the Corporation, equal or exceed $2,000,000,000.

''(b) RAISING CORE CAPITAL.—In carrying out this section, the Corporation may issue stock under section 8.4 and otherwise employ any recognized and legitimate means of raising core capital in the power of the Corporation under section 8.3.

''(c) LIMITATION ON GROWTH OF TOTAL ASSETS.—During the 2-year period beginning on the date of enactment of this section, the aggregate on-balance sheet assets of the Corporation plus the outstanding principal of the off-balance sheet obligations of the Corporation may not exceed $3,000,000,000 if the core capital of the Corporation is less than $25,000,000.

''(d) ENFORCEMENT.—If the Corporation fails to carry out subsection (a) by the date required under paragraph (1) or (2) of subsection (a), the Corporation may not purchase a new qualified loan or issue or guarantee a new loan-backed security until the core capital of the Corporation is increased to an amount equal to or greater than $25,000,000.''.

**SEC. 118. LIQUIDATION OF THE FEDERAL AGRICULTURAL MORTGAGE CORPORATION.**

Title VIII of the Farm Credit Act of 1971 (12 U.S.C. 2279aa et seq.) (as amended by section 117) is amended by adding at the end the following:

**''Subtitle C—Receivership, Conservatorship, and Liquidation of the Federal Agricultural Mortgage Corporation**

**''SEC. 8.41. CONSERVATORSHIP; LIQUIDATION; RECEIVERSHIP.**

''(a) VOLUNTARY LIQUIDATION.—The Corporation may voluntarily liquidate only with the consent of, and in accordance with a plan of liquidation approved by, the Farm Credit Administration Board.

''(b) INVOLUNTARY LIQUIDATION.—

''(1) IN GENERAL.—The Farm Credit Administration Board may appoint a conservator or receiver for the Corporation under the circumstances specified in section 4.12(b).

''(2) APPLICATION.—In applying section 4.12(b) to the Corporation under paragraph (1)—

''(A) the Corporation shall also be considered insolvent if the Corporation is unable to pay its debts as they fall due in the ordinary course of business;

''(B) a conservator may also be appointed for the Corporation if the authority of the Corporation to purchase qualified loans or issue or guarantee loan-backed securities is suspended; and

''(C) a receiver may also be appointed for the Corporation if—

''(i)(I) the authority of the Corporation to purchase qualified loans or issue or guarantee loan-backed securities is suspended; or

''(II) the Corporation is classified under section 8.35 as within level III or IV and the alternative actions available under subtitle B are not satisfactory; and

''(ii) the Farm Credit Administration determines that the appointment of a conservator would not be appropriate.

''(3) NO EFFECT ON SUPERVISORY ACTIONS.—The grounds for appointment of a conservator for the Corporation under this subsection shall be in addition to those in section 8.37.

''(c) APPOINTMENT OF CONSERVATOR OR RECEIVER.—

''(1) QUALIFICATIONS.—Notwithstanding section 4.12(b), if a conservator or receiver is appointed for the Corporation, the conservator or receiver shall be—

''(A) the Farm Credit Administration or any other governmental entity or employee, including the Farm Credit System Insurance Corporation; or

''(B) any person that—

''(i) has no claim against, or financial interest in, the Corporation or other basis for a conflict of interest as the conservator or receiver; and

''(ii) has the financial and management expertise necessary to direct the operations and affairs of the Corporation and, if necessary, to liquidate the Corporation.

''(2) COMPENSATION.—

''(A) IN GENERAL.—A conservator or receiver for the Corporation and professional personnel (other than a Federal employee) employed to represent or assist the conservator or receiver may be compensated for activities conducted as, or for, a conservator or receiver.

''(B) LIMIT ON COMPENSATION.—Compensation may not be provided in amounts greater than the compensation paid to employees of the Federal Government for similar services, except that the Farm Credit Administration may provide for compensation at higher rates that are not in excess of rates prevailing in the private sector if the Farm Credit Administration determines that compensation at higher rates is necessary in order to recruit and retain competent personnel.

''(C) CONTRACTUAL ARRANGEMENTS.—The conservator or receiver may contract with any governmental entity, including the Farm Credit System Insurance Corporation, to make personnel, services, and facilities of the entity available to the conservator or receiver on such terms and compensation arrangements as shall be mutually agreed, and each entity may provide the same to the conservator or receiver.

''(3) EXPENSES.—A valid claim for expenses of the conservatorship or receivership (including compensation under paragraph (2)) and a valid claim with respect to a loan made under subsection (f) shall—

''(A) be paid by the conservator or receiver from funds of the Corporation before any other valid claim against the Corporation; and

''(B) may be secured by a lien, on such property of the Corporation as the conservator or receiver may determine, that shall have priority over any other lien.

''(4) LIABILITY.—If the conservator or receiver for the Corporation is not a Federal entity, or an officer or employee of the Federal Government, the conservator or receiver shall not be personally liable for damages in tort or otherwise for an act or omission performed pursuant to and in the course of the conservatorship or receivership, unless the act or omission constitutes gross negligence or any form of intentional tortious conduct or criminal conduct.

''(5) INDEMNIFICATION.—The Farm Credit Administration may allow indemnification of the conservator or receiver from the assets of the conservatorship or receivership on such terms as the Farm Credit Administration considers appropriate.

''(d) JUDICIAL REVIEW OF APPOINTMENT.—

''(1) IN GENERAL.—Notwithstanding subsection (i)(1), not later than 30 days after a conservator or receiver is appointed under subsection (b), the Corporation may bring an action in the United States District Court for the District of Columbia for an order requiring the Farm Credit Administration Board to remove the conservator or receiver. The court shall, on the merits, dismiss the action or direct the Farm Credit Administration Board to remove the conservator or receiver.

''(2) STAY OF OTHER ACTIONS.—On the commencement of an action under paragraph (1), any court having jurisdiction of any other action or enforcement proceeding authorized under this subtitle to which the Corporation is a party shall stay the action or proceeding during the pendency of the action for removal of the conservator or receiver.

''(e) GENERAL POWERS OF CONSERVATOR OR RECEIVER.—The conservator or receiver for the Corporation shall have powers comparable to the powers available to a conservator or receiver appointed pursuant to section 4.12(b).

''(f) BORROWINGS FOR WORKING CAPITAL.—

''(1) IN GENERAL.—If the conservator or receiver of the Corporation determines that it is likely that there will be insufficient funds to pay the ongoing administrative expenses of the conservatorship or receivership or that there will be insufficient liquidity to fund maturing obligations of the conservatorship or receivership, the conservator or receiver may borrow funds in such amounts, from such sources, and at such rates of interest as the conservator or receiver considers necessary or appropriate to meet the administrative expenses or liquidity needs of the conservatorship or receivership.

''(2) WORKING CAPITAL FROM FARM CREDIT BANKS.—A Farm Credit bank may loan funds to the conservator or receiver for a loan authorized under paragraph (1) or, in the event of receivership, a Farm Credit bank may purchase assets of the Corporation.

''(g) AGREEMENTS AGAINST INTERESTS OF CONSERVATOR OR RECEIVER.—No agreement that tends to diminish or defeat the right, title, or interest of the conservator or receiver for the Corporation in any asset acquired by the conservator or receiver as conservator or receiver for the Corporation shall be valid against the conservator or receiver unless the agreement—

''(1) is in writing;

''(2) is executed by the Corporation and any person claiming an adverse interest under the agreement, including the obligor, contemporaneously with the acquisition of the asset by the Corporation;

''(3) is approved by the Board or an appropriate committee of the Board, which approval shall be reflected in the minutes of the Board or committee; and

''(4) has been, continuously, from the time of the agreement's execution, an official record of the Corporation.

''(h) REPORT TO THE CONGRESS.—On a determination by the receiver for the Corporation that there are insufficient assets of the receivership to pay all valid claims against the receivership, the receiver shall submit to the Secretary of the Treasury, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the financial condition of the receivership.

''(i) TERMINATION OF AUTHORITIES.—

''(1) CORPORATION.—The charter of the Corporation shall be canceled, and the authority provided to the Corporation by this title shall terminate, on such date as the Farm Credit Administration Board determines is appropriate following the placement of the Corporation in receivership, but not later than the conclusion of the receivership and discharge of the receiver.

''(2) OVERSIGHT.—The Office of Secondary Market Oversight established under section 8.11 shall be abolished, and section 8.11(a) and subtitle B shall have no force or effect, on such date as the Farm Credit Administration Board determines is appropriate following the placement of the Corporation in receivership, but not later than the conclusion of the receivership and discharge of the receiver.''.

## TITLE II—REGULATORY RELIEF

### SEC. 201. COMPENSATION OF ASSOCIATION PERSONNEL.

Section 1.5(13) of the Farm Credit Act of 1971 (12 U.S.C. 2013(13)) is amended by striking '', and the appointment and compensation of the chief executive officer thereof,''.

### SEC. 202. USE OF PRIVATE MORTGAGE INSURANCE.

(a) IN GENERAL.—Section 1.10(a)(1) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)(1)) is amended by adding at the end the following:

''(D) PRIVATE MORTGAGE INSURANCE.—A loan on which private mortgage insurance is obtained may exceed 85 percent of the appraised value of the real estate security to the extent that the loan amount in excess of 85 percent is covered by the insurance.''.

(b) CONFORMING AMENDMENT.—Section 1.10(a)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)(1)(A)) is amended by striking ''paragraphs (2) and (3)'' and inserting ''subparagraphs (B), (C), and (D)''.

### SEC. 203. REMOVAL OF CERTAIN BORROWER REPORTING REQUIREMENT.

Section 1.10(a) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)) is amended by striking paragraph (5).

### SEC. 204. REFORM OF REGULATORY LIMITATIONS ON DIVIDEND, MEMBER BUSINESS, AND VOTING PRACTICES OF ELIGIBLE FARMER-OWNED COOPERATIVES.

(a) IN GENERAL.—Section 3.8(a) of the Farm Credit Act of 1971 (12 U.S.C. 2129(a)) is amended by adding at the end the following: ''Any such association that has received a loan from a bank for cooperatives shall, without regard to the requirements of paragraphs (1) through (4), continue to be eligible for so long as more than 50 percent (or such higher percentage as is established by the bank board) of the voting control of the association is held by farmers, producers or harvesters of aquatic products, or eligible cooperative associations.''.

(b) CONFORMING AMENDMENT.—Section 3.8(b)(1)(D) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)(D)) is amended by striking ''and (4) of subsection (a)'' and inserting ''and (4), or under the last sentence, of subsection (a)''.

### SEC. 205. REMOVAL OF FEDERAL GOVERNMENT CERTIFICATION REQUIREMENT FOR CERTAIN PRIVATE SECTOR FINANCINGS.

Section 3.8(b)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)(A)) is amended—

(1) by striking ''have been certified by the Administrator of the Rural Electrification Administration to be eligible for such'' and inserting ''are eligible under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) for''; and

(2) by striking ''loan guarantee, and'' and inserting ''loan guarantee from the Administration or the Bank (or a successor of the Administration or the Bank), and''.

### SEC. 206. BORROWER STOCK.

Section 4.3A of the Farm Credit Act of 1971 (12 U.S.C. 2154a) is amended—

(1) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively; and

(2) by inserting after subsection (e) the following:

''(f) LOANS DESIGNATED FOR SALE OR SOLD INTO THE SECONDARY MARKET.—

''(1) IN GENERAL.—Subject to paragraph (2) and notwithstanding any other provision of this section, the bylaws adopted by a bank or association under subsection (b) may provide—

''(A) in the case of a loan made on or after the date of enactment of this paragraph that is designated, at the time the loan is made, for sale into a secondary market, that no voting stock or participation certificate purchase requirement shall apply to the borrower for the loan; and

''(B) in the case of a loan made before the date of enactment of this paragraph that is sold into a secondary market, that all outstanding voting stock or participation certificates held by the borrower with respect to the loan shall, subject to subsection (d)(1), be retired.

''(2) APPLICABILITY.—Notwithstanding any other provision of this section, in the case of a loan sold to a secondary market under title VIII, paragraph (1) shall apply regardless of whether the bank or association retains a subordinated participation interest in a loan or pool of loans or contributes to a cash reserve.

''(3) EXCEPTION.—

''(A) IN GENERAL.—Subject to subparagraph (B) and notwithstanding any other provision of this section, if a loan designated for sale under paragraph (1)(A) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the voting stock or participation certificate purchase requirement that would otherwise apply to the loan in the absence of a bylaw provision described in paragraph (1)(A) shall be effective.

''(B) RETIREMENT.—The bylaws adopted by a bank or association under subsection (b) may provide that if a loan described in subparagraph (A) is sold into a secondary market after the end of the 180-day period described in the subparagraph, all outstanding voting stock or participation certificates held by the borrower with respect to the loan shall, subject to subsection (d)(1), be retired.''.

**SEC. 207. DISCLOSURE RELATING TO ADJUSTABLE RATE LOANS.**

Section 4.13(a)(4) of the Farm Credit Act of 1971 (12 U.S.C. 2199(a)(4)) is amended by inserting before the semicolon at the end the following: '', and notice to the borrower of a change in the interest rate applicable to the loan of the borrower may be made within a reasonable time after the effective date of an increase or decrease in the interest rate''.

**SEC. 208. BORROWERS' RIGHTS.**

(a) DEFINITION OF LOAN.—Section 4.14A(a)(5) of the Farm Credit Act of 1971 (12 U.S.C. 2202a(a)(5)) is amended—

(1) by striking ''(5) LOAN.—The'' and inserting the following:

''(5) LOAN.—

''(A) IN GENERAL.—Subject to subparagraph (B), the''; and

(2) by adding at the end the following:

''(B) EXCLUSION FOR LOANS DESIGNATED FOR SALE INTO SECONDARY MARKET.—

''(i) IN GENERAL.—Except as provided in clause (ii), the term 'loan' does not include a loan made on or after the date of enactment of this subparagraph that is designated, at the time the loan is made, for sale into a secondary market.

''(ii) UNSOLD LOANS.—

''(I) IN GENERAL.—Except as provided in subclause (II), if a loan designated for sale under clause (i) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the provisions of this section and sections 4.14, 4.14B, 4.14C, 4.14D, and 4.36 that would otherwise apply to the loan in the absence of the exclusion described in clause (i) shall become effective with respect to the loan.

''(II) LATER SALE.—If a loan described in subclause (I) is sold into a secondary market after the end of the 180-day period described in subclause (I), subclause (I) shall not apply with respect to the loan beginning on the date of the sale.''.

(b) BORROWERS' RIGHTS FOR POOLED LOANS.—The first sentence of section 8.9(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa–9(b)) is amended by inserting ''(as defined in section 4.14A(a)(5))'' after ''application for a loan''.

**SEC. 209. FORMATION OF ADMINISTRATIVE SERVICE ENTITIES.**

Part E of title IV of the Farm Credit Act of 1971 is amended by inserting after section 4.28 (12 U.S.C. 2214) the following:

**''SEC. 4.28A. DEFINITION OF BANK.**

''In this part, the term 'bank' includes each association operating under title II.''.

**SEC. 210. JOINT MANAGEMENT AGREEMENTS.**

The first sentence of section 5.17(a)(2)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)(2)(A)) is amended by striking ''or management agreements''.

**SEC. 211. DISSEMINATION OF QUARTERLY REPORTS.**

Section 5.17(a)(8) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)(8)) is amended by inserting after ''except that'' the following: ''the requirements of the Farm Credit Administration governing the dissemination to stockholders of quarterly reports of System institutions may not be more burdensome or costly than the requirements applicable to national banks, and''.

**SEC. 212. REGULATORY REVIEW.**

(a) FINDINGS.—Congress finds that—

(1) the Farm Credit Administration, in the role of the Administration as an arms-length safety and soundness regulator, has made considerable progress in reducing the regulatory burden on Farm Credit System institutions;

(2) the efforts of the Farm Credit Administration described in paragraph (1) have resulted in cost savings for Farm Credit System institutions; and

(3) the cost savings described in paragraph (2) ultimately benefit the farmers, ranchers, agricultural cooperatives, and rural residents of the United States.

(b) CONTINUATION OF REGULATORY REVIEW.—The Farm Credit Administration shall continue the comprehensive review of regulations governing the Farm Credit System to identify and eliminate, consistent with law, safety, and soundness, all regulations that are unnecessary, unduly burdensome or costly, or not based on law.

**SEC. 213. EXAMINATION OF FARM CREDIT SYSTEM INSTITUTIONS.**

The first sentence of section 5.19(a) of the Farm Credit Act of 1971 (12 U.S.C. 2254(a)) is amended by striking ''each year'' and inserting ''during each 18-month period''.

**SEC. 214. CONSERVATORSHIPS AND RECEIVERSHIPS.**

(a) DEFINITIONS.—Section 5.51 of the Farm Credit Act of 1971 (12 U.S.C. 2277a) is amended—

(1) by striking paragraph (5); and

(2) by redesignating paragraph (6) as paragraph (5).

(b) GENERAL CORPORATE POWERS.—Section 5.58 of the Farm Credit Act of 1971 (12 U.S.C. 2277a–7) is amended by striking paragraph (9) and inserting the following:

''(9) CONSERVATOR OR RECEIVER.—The Corporation may act as a conservator or receiver.''.

**SEC. 215. FARM CREDIT INSURANCE FUND OPERATIONS.**

(a) ADJUSTMENT OF PREMIUMS.—

(1) IN GENERAL.—Section 5.55(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a–4(a)) is amended—

(A) in paragraph (1), by striking ''Until the aggregate of amounts in the Farm Credit Insurance Fund exceeds the secure base amount, the annual premium due from any insured System bank for any calendar year'' and inserting the following: ''If at the end of any calendar year the aggregate of amounts in the Farm Credit Insurance Fund does not exceed the secure base amount, subject to paragraph (2), the annual premium due from any insured System bank for the calendar year'';

(B) by redesignating paragraph (2) as paragraph (3); and

(C) by inserting after paragraph (1) the following:

''(2) REDUCED PREMIUMS.—The Corporation, in the sole discretion of the Corporation, may reduce by a percentage uniformly applied to all insured System banks the annual premium due from each insured System bank during any calendar year, as determined under paragraph (1).''.

(2) CONFORMING AMENDMENTS.—

(A) Section 5.55(b) of the Farm Credit Act of 1971 (12 U.S.C. 2277a–4(b)) is amended—

(i) by striking ''Insurance Fund'' each place it appears and inserting ''Farm Credit Insurance Fund'';

(ii) by striking ''for the following calendar year''; and

(iii) by striking ''subsection (a)'' and inserting ''subsection (a)(1)''.

(B) Section 5.56(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a–5(a)) is amended by striking ''section 5.55(a)(2)'' each place it appears in paragraphs (2) and (3) and inserting ''section 5.55(a)(3)''.

(b) ALLOCATION TO INSURED SYSTEM BANKS AND OTHER SYSTEM INSTITUTIONS OF EXCESS AMOUNTS IN THE FARM CREDIT INSURANCE FUND.—Section 5.55 of the Farm Credit Act of 1971 (12 U.S.C. 2277a–4) is amended by adding at the end the following:

''(e) ALLOCATION TO SYSTEM INSTITUTIONS OF EXCESS RESERVES.—

''(1) ESTABLISHMENT OF ALLOCATED INSURANCE RESERVES ACCOUNTS.—The Corporation shall establish an Allocated Insurance Reserves Account in the Farm Credit Insurance Fund—

''(A) for each insured System bank; and

''(B) subject to paragraph (6)(C), for all holders, in the aggregate, of Financial Assistance Corporation stock.

''(2) TREATMENT.—Amounts in any Allocated Insurance Reserves Account shall be considered to be part of the Farm Credit Insurance Fund.

''(3) ANNUAL ALLOCATIONS.—If, at the end of any calendar year, the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the average secure base amount for the calendar year (as calculated on an average daily balance basis), the Corporation shall allocate to the Allocated Insurance Reserves Accounts the excess amount less the amount that the Corporation, in its sole discretion, determines to be the sum of the estimated operating expenses and estimated insurance obligations of the Corporation for the immediately succeeding calendar year.

''(4) ALLOCATION FORMULA.—From the total amount required to be allocated at the end of a calendar year under paragraph (3)—

''(A) 10 percent of the total amount shall be credited to the Allocated Insurance Reserves Account established under paragraph (1)(B), subject to paragraph (6)(C); and

''(B) there shall be credited to the Allocated Insurance Reserves Account of each insured System bank an amount that bears the

same ratio to the total amount (less any amount credited under subparagraph (A)) as the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by the bank that are in accrual status bears to the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by all insured System banks that are in accrual status (excluding, in each case, the guaranteed portions of government-guaranteed loans described in subsection (a)(1)(C)).

''(5) USE OF FUNDS IN ALLOCATED INSURANCE RESERVES ACCOUNTS.—To the extent that the sum of the operating expenses of the Corporation and the insurance obligations of the Corporation for a calendar year exceeds the sum of operating expenses and insurance obligations determined under paragraph (3) for the calendar year, the Corporation shall cover the expenses and obligations by—

''(A) reducing each Allocated Insurance Reserves Account by the same proportion; and

''(B) expending the amounts obtained under subparagraph (A) before expending other amounts in the Fund.

''(6) OTHER DISPOSITION OF ACCOUNT FUNDS.—

''(A) IN GENERAL.—As soon as practicable during each calendar year beginning more than 8 years after the date on which the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the secure base amount, but not earlier than January 1, 2005, the Corporation may—

''(i) subject to subparagraphs (D) and (F), pay to each insured System bank, in a manner determined by the Corporation, an amount equal to the lesser of—

''(I) 20 percent of the balance in the insured System bank's Allocated Insurance Reserves Account as of the preceding December 31; or

''(II) 20 percent of the balance in the bank's Allocated Insurance Reserves Account on the date of the payment; and

''(ii) subject to subparagraphs (C), (E), and (F), pay to each System bank and association holding Financial Assistance Corporation stock a proportionate share, determined by dividing the number of shares of Financial Assistance Corporation stock held by the institution by the total number of shares of Financial Assistance Corporation stock outstanding, of the lesser of—

''(I) 20 percent of the balance in the Allocated Insurance Reserves Account established under paragraph (1)(B) as of the preceding December 31; or

''(II) 20 percent of the balance in the Allocated Insurance Reserves Account established under paragraph (1)(B) on the date of the payment.

''(B) AUTHORITY TO ELIMINATE OR REDUCE PAYMENTS.—The Corporation may eliminate or reduce payments during a calendar year under subparagraph (A) if the Corporation determines, in its sole discretion, that the payments, or other circumstances that might require use of the Farm Credit Insurance Fund, could cause the amount in the Farm Credit Insurance Fund during the calendar year to be less than the secure base amount.

''(C) REIMBURSEMENT FOR FINANCIAL ASSISTANCE CORPORATION STOCK.—

''(i) SUFFICIENT FUNDING.—Notwithstanding paragraph (4)(A), on provision by the Corporation for the accumulation in the Account established under paragraph (1) of funds in an amount equal to $56,000,000 (in addition to the amounts described in subparagraph (F)(ii)), the Corporation shall not allocate any further funds to the Account except to replenish the Account if funds are diminished below $56,000,000 by the Corporation under paragraph (5).

''(ii) WIND DOWN AND TERMINATION.—

''(I) FINAL DISBURSEMENTS.—On disbursement of $53,000,000 (in addition to the amounts described in subparagraph (F)(ii)) from the Allocated Insurance Reserves Account, the Corporation shall disburse the remaining amounts in the Account, as determined under subparagraph (A)(ii), without regard to the percentage limitations in subclauses (I) and (II) of subparagraph (A)(ii).

''(II) TERMINATION OF ACCOUNT.—On disbursement of $56,000,000 (in addition to the amounts described in subparagraph (F)(ii)) from the Allocated Insurance Reserves Account, the Corporation shall close the Account established under paragraph (1)(B) and transfer any remaining funds in the Account to the remaining Allocated Insurance Reserves Accounts in accordance with paragraph (4)(B) for the calendar year in which the transfer occurs.

''(D) DISTRIBUTION OF PAYMENTS RECEIVED.—Not later than 60 days after receipt of a payment made under subparagraph (A)(i), each insured System bank, in consultation with affiliated associations of the insured System bank, and taking into account the direct or indirect payment of insurance premiums by the associations, shall develop and implement an equitable plan to distribute payments received under subparagraph (A)(i) among the bank and associations of the bank.

''(E) EXCEPTION FOR PREVIOUSLY REIMBURSED ASSOCIATIONS.—For purposes of subparagraph (A)(ii), in any Farm Credit district in which the funding bank has reimbursed 1 or more affiliated associations of the bank for the previously unreimbursed portion of the Financial Assistance Corporation stock held by the associations, the funding bank shall be deemed to be the holder of the shares of Financial Assistance Corporation stock for which the funding bank has provided the reimbursement.

''(F) INITIAL PAYMENT.—Notwithstanding subparagraph (A), the initial payment made to each payee under subparagraph (A) shall be in such amount determined by the Corporation to be equal to the sum of—

''(i) the total of the amounts that would have been paid if payments under subparagraph (A) had been authorized to begin, under the same terms and conditions, in the first calendar year beginning more than 5 years after the date on which the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the secure base amount and to continue through the 2 immediately subsequent years;

''(ii) interest earned on any amounts that would have been paid as described in clause (i) from the date on which the payments would have been paid as described in clause (i); and

''(iii) the payment to be made in the initial year described in subparagraph (A), based on the amount in each account after subtracting the amounts to be paid under clauses (i) and (ii).''

(c) TECHNICAL AMENDMENTS.—Section 5.55(d) of the Farm Credit Act of 1971 (12 U.S.C. 2277a–4(d)) is amended—

(1) in the matter preceding paragraph (1)—

(A) by striking ''subsections (a) and (c)'' and inserting ''subsections (a), (c), and (e)''; and

(B) by striking ''a Farm Credit Bank'' and inserting ''an insured System bank''; and

(2) in paragraphs (1), (2), and (3), by striking ''Farm Credit Bank'' each place it appears and inserting ''insured System bank''.

**SEC. 216. EXAMINATIONS BY THE FARM CREDIT SYSTEM INSURANCE CORPORATION.**

Section 5.59(b)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2277a–8(b)(1)(A)) is amended by adding at the end the following: ''Notwithstanding any other provision of this Act, on cancellation of the charter of a System institution, the Corporation shall have authority to examine the system institution in receivership. An examination shall be performed at such intervals as the Corporation shall determine.''.

**SEC. 217. POWERS WITH RESPECT TO TROUBLED INSURED SYSTEM BANKS.**

(a) LEAST-COST RESOLUTION.—Section 5.61(a)(3) of the Farm Credit Act of 1971 (12 U.S.C. 2277a–10(a)) is amended—

(1) by redesignating subparagraph (B) as subparagraph (F); and

(2) by striking subparagraph (A) and inserting the following:

''(A) LEAST-COST RESOLUTION.—Assistance may not be provided to an insured System bank under this subsection unless the means of providing the assistance is the least costly means of providing the assistance by the Farm Credit Insurance Fund of all possible alternatives available to the Corporation, including liquidation of the bank (including paying the insured obligations issued on behalf of the bank). Before making a least-cost determination under this subparagraph, the Corporation shall accord such other insured System banks as the Corporation determines to be appropriate the opportunity to submit information relating to the determination.

''(B) DETERMINING LEAST COSTLY APPROACH.—In determining the least costly alternative under subparagraph (A), the Corporation shall—

''(i) evaluate alternatives on a present-value basis, using a realistic discount rate;

''(ii) document the evaluation and the assumptions on which the evaluation is based, including any assumptions with regard to interest rates, asset recovery rates, asset holding costs, and payment of contingent liabilities; and

''(iii) retain the documentation for not less than 5 years.

''(C) TIME OF DETERMINATION.—

''(i) GENERAL RULE.—For purposes of this subsection, the determination of the costs of providing any assistance under any provision of this section with respect to any insured System bank shall be made as of the date on which the Corporation makes the determination to provide the assistance to the institution under this section.

''(ii) RULE FOR LIQUIDATIONS.—For purposes of this subsection, the determination of the costs of liquidation of any insured System bank shall be made as of the earliest of—

''(I) the date on which a conservator is appointed for the insured System bank;

''(II) the date on which a receiver is appointed for the insured System bank; or

''(III) the date on which the Corporation makes any determination to provide any assistance under this section with respect to the insured System bank.

''(D) RULE FOR STAND-ALONE ASSISTANCE.—Before providing any assistance under paragraph (1), the Corporation shall evaluate the adequacy of managerial resources of the insured System bank. The continued service of any director or senior ranking officer who serves in a policymaking role for the assisted insured System bank, as determined by the Corporation, shall be subject to approval by the Corporation as a condition of assistance.

''(E) DISCRETIONARY DETERMINATIONS.—Any determination that the Corporation makes under this paragraph shall be in the sole discretion of the Corporation.''.

(b) CONFORMING AMENDMENTS.—Section 5.61(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a–10(a)) is amended—

(1) in paragraph (1) by striking ''IN GENERAL.—'' and inserting ''STAND-ALONE ASSISTANCE.—''; and

(2) in paragraph (2)—

(A) by striking ''ENUMERATED POWERS.—'' and inserting ''FACILITATION OF MERGERS OR CONSOLIDATION.—''; and

(B) in subparagraph (A) by striking ''FACILITATION OF MERGERS OR CONSOLIDATION.—'' and inserting ''IN GENERAL.—''.

**SEC. 218. OVERSIGHT AND REGULATORY ACTIONS BY THE FARM CREDIT SYSTEM INSURANCE CORPORATION.**

The Farm Credit Act of 1971 is amended by inserting after section 5.61 (12 U.S.C. 2279a–10) the following:

**''SEC. 5.61A. OVERSIGHT ACTIONS BY THE CORPORATION.**

''(a) DEFINITIONS.—In this section, the term 'institution' means—

''(1) an insured System bank; and

''(2) a production credit association or other association making loans under section 7.6 with a direct loan payable to the funding bank of the association that comprises 20 percent or more of the funding bank's total loan volume net of nonaccrual loans.

''(b) CONSULTATION REGARDING PARTICIPATION OF UNDERCAPITALIZED BANKS IN ISSUANCE OF INSURED OBLIGATIONS.—The Farm Credit Administration shall consult with the Corporation prior to approving an insured obligation that is to be issued by or on behalf of, or participated in by, any insured System bank that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration for the bank.

''(c) CONSULTATION REGARDING APPLICATIONS FOR MERGERS AND RESTRUCTURINGS.—

''(1) CORPORATION TO RECEIVE COPY OF TRANSACTION APPLICATIONS.—On receiving an application for a merger or restructuring of an institution, the Farm Credit Administration shall forward a copy of the application to the Corporation.

''(2) CONSULTATION REQUIRED.—If the proposed merger or restructuring involves an institution that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration applicable to the institution, the Farm Credit Administration shall allow 30 days within which the Corporation may submit the views and recommendations of the Corporation, including any conditions for approval. In determining whether to approve or disapprove any proposed merger or restructuring, the Farm Credit Administration shall give due consideration to the views and recommendations of the Corporation.

**''SEC. 5.61B. AUTHORITY TO REGULATE GOLDEN PARACHUTE AND INDEMNIFICATION PAYMENTS.**

''(a) DEFINITIONS.—In this section:

''(1) GOLDEN PARACHUTE PAYMENT.—The term 'golden parachute payment'—

''(A) means a payment (or any agreement to make a payment) in the nature of compensation by any Farm Credit System institution (including the Federal Agricultural Mortgage Corporation and any conservator or receiver for the Federal Agricultural Mortgage Corporation) for the benefit of any institution-related party under an obligation of the institution that—

''(i) is contingent on the termination of the party's relationship with the institution; and

''(ii) is received on or after the date on which—

''(I) the institution is insolvent;

''(II) a conservator or receiver is appointed for the institution;

''(III) the institution has been assigned by the Farm Credit Administration a composite CAMEL rating of 4 or 5 under the Farm Credit Administration Rating System, or an equivalent rating; or

''(IV) the Corporation otherwise determines that the institution is in a troubled condition (as defined in regulations issued by the Corporation); and

''(B) includes a payment that would be a golden parachute payment but for the fact that the payment was made before the date referred to in subparagraph (A)(ii) if the payment was made in contemplation of the occurrence of an event described in any subclause of subparagraph (A); but

''(C) does not include—

''(i) a payment made under a retirement plan that is qualified (or is intended to be qualified) under section 401 of the Internal Revenue Code of 1986 or other nondiscriminatory benefit plan;

''(ii) a payment made under a bona fide supplemental executive retirement plan, deferred compensation plan, or other arrangement that the Corporation determines, by regulation or order, to be permissible; or

''(iii) a payment made by reason of the death or disability of an institution-related party.

''(2) INDEMNIFICATION PAYMENT.—The term 'indemnification payment' means a payment (or any agreement to make a payment) by any Farm Credit System institution for the benefit of any person who is or was an institution-related party, to pay or reimburse the person for any liability or legal expense with regard to any administrative proceeding or civil action instituted by the Farm Credit Administration that results in a final order under which the person—

''(A) is assessed a civil money penalty; or

''(B) is removed or prohibited from participating in the conduct of the affairs of the institution.

''(3) INSTITUTION-RELATED PARTY.—The term 'institution-related party' means—

''(A) a director, officer, employee, or agent for a Farm Credit System institution;

''(B) a stockholder (other than another Farm Credit System institution), consultant, joint venture partner, or any other person determined by the Farm Credit Administration to be a participant in the conduct of the affairs of a Farm Credit System institution; and

''(C) an independent contractor (including any attorney, appraiser, or accountant) that knowingly or recklessly participates in any violation of any law or regulation, any breach of fiduciary duty, or any unsafe or unsound practice that caused or is likely to cause more than a minimal financial loss to, or a significant adverse effect on, the Farm Credit System institution.

''(4) LIABILITY OR LEGAL EXPENSE.—The term 'liability or legal expense' means—

''(A) a legal or other professional expense incurred in connection with any claim, proceeding, or action;

''(B) the amount of, and any cost incurred in connection with, any settlement of any claim, proceeding, or action; and

''(C) the amount of, and any cost incurred in connection with, any judgment or penalty imposed with respect to any claim, proceeding, or action.

''(5) PAYMENT.—The term 'payment' means—

''(A) a direct or indirect transfer of any funds or any asset; and

''(B) any segregation of any funds or assets for the purpose of making, or under an agreement to make, any payment after the date on which the funds or assets are segregated, without regard to whether the obligation to make the payment is contingent on—

''(i) the determination, after that date, of the liability for the payment of the amount; or

''(ii) the liquidation, after that date, of the amount of the payment.

''(b) PROHIBITION.—The Corporation may prohibit or limit, by regulation or order, any golden parachute payment or indemnification payment by a Farm Credit System institution (including the Federal Agricultural Mortgage Corporation) in troubled condition (as defined in regulations issued by the Corporation).

''(c) FACTORS TO BE TAKEN INTO ACCOUNT.—The Corporation shall prescribe, by regulation, the factors to be considered by the Corporation in taking any action under subsection (b). The factors may include—

''(1) whether there is a reasonable basis to believe that an institution-related party has committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the Farm Credit System institution involved that has had a material effect on the financial condition of the institution;

''(2) whether there is a reasonable basis to believe that the institution-related party is substantially responsible for the insolvency of the Farm Credit System institution, the appointment of a conservator or receiver for the institution, or the institution's troubled condition (as defined in regulations prescribed by the Corporation);

''(3) whether there is a reasonable basis to believe that the institution-related party has materially violated any applicable law or regulation that has had a material effect on the financial condition of the institution;

''(4) whether there is a reasonable basis to believe that the institution-related party has violated or conspired to violate—

''(A) section 215, 657, 1006, 1014, or 1344 of title 18, United States Code; or

''(B) section 1341 or 1343 of title 18, United States Code, affecting a Farm Credit System institution;

''(5) whether the institution-related party was in a position of managerial or fiduciary responsibility; and

''(6) the length of time that the party was related to the Farm Credit System institution and the degree to which—

''(A) the payment reasonably reflects compensation earned over the period of employment; and

''(B) the compensation represents a reasonable payment for services rendered.

''(d) CERTAIN PAYMENTS PROHIBITED.—No Farm Credit System institution may prepay the salary or any liability or legal expense of any institution-related party if the payment is made—

''(1) in contemplation of the insolvency of the institution or after the commission of an act of insolvency; and

''(2) with a view to, or with the result of—

''(A) preventing the proper application of the assets of the institution to creditors; or

''(B) preferring 1 creditor over another creditor.

''(e) RULE OF CONSTRUCTION.—Nothing in this section—

''(1) prohibits any Farm Credit System institution from purchasing any commercial insurance policy or fidelity bond, so long as the insurance policy or bond does not cover any legal or liability expense of an institution described in subsection (a)(2); or

''(2) limits the powers, functions, or responsibilities of the Farm Credit Administration.''.

**SEC. 219. FARM CREDIT SYSTEM INSURANCE CORPORATION BOARD OF DIRECTORS.**

Section 201 of the Farm Credit Banks and Associations Safety and Soundness Act of 1992 (106 Stat. 4104) is repealed.

**SEC. 220. INTEREST RATE REDUCTION PROGRAM.**

Section 351(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1999) is amended—

(A) by striking ''SEC. 351. (a) The'' and inserting the following:

**''SEC. 351. INTEREST RATE REDUCTION PROGRAM.**

''(a) ESTABLISHMENT OF PROGRAM.—

''(1) IN GENERAL.—The''; and

(B) by adding at the end the following:

''(2) TERMINATION OF AUTHORITY.—The authority provided by this subsection shall terminate on September 30, 2002.''.

**SEC. 221. LIABILITY FOR MAKING CRIMINAL REFERRALS.**

(a) IN GENERAL.—Any institution of the Farm Credit System, or any director, officer, employee, or agent of a Farm Credit System institution, that discloses to a Government authority information proffered in good faith that may be relevant to a possible violation of any law or regulation shall not be liable to any person under any law of the United States or any State—

(1) for the disclosure; or

(2) for any failure to notify the person involved in the possible violation.

(b) NO PROHIBITION ON DISCLOSURE.—Any institution of the Farm Credit System, or any director, officer, employee, or agent of a Farm Credit System institution, may disclose information to a Government authority that may be relevant to a possible violation of any law or regulation.

## TITLE III—NATIONAL NATURAL RESOURCES CONSERVATION FOUNDATION

**SEC. 301. SHORT TITLE.**

This title may be cited as the ''National Natural Resources Conservation Foundation Act''.

**SEC. 302. DEFINITIONS.**

In this title (unless the context otherwise requires):

(1) BOARD.—The term ''Board'' means the Board of Trustees established under section 304.

(2) DEPARTMENT.—The term ''Department'' means the United States Department of Agriculture.

(3) FOUNDATION.—The term ''Foundation'' means the National Natural Resources Conservation Foundation established by section 303(a).

(4) SECRETARY.—The term ''Secretary'' means the Secretary of Agriculture.

**SEC. 303. NATIONAL NATURAL RESOURCES CONSERVATION FOUNDATION.**

(a) ESTABLISHMENT.—A National Natural Resources Conservation Foundation is established as a charitable and nonprofit corporation for charitable, scientific, and educational purposes specified in subsection (b). The Foundation is not an agency or instrumentality of the United States.

(b) PURPOSES.—The purposes of the Foundation are to—

(1) promote innovative solutions to the problems associated with the conservation of natural resources on private lands, particularly with respect to agriculture and soil and water conservation;

(2) promote voluntary partnerships between government and private interests in the conservation of natural resources;

(3) conduct research and undertake educational activities, conduct and support demonstration projects, and make grants to State and local agencies and nonprofit organizations;

(4) provide such other leadership and support as may be necessary to address conservation challenges, such as the prevention of excessive soil erosion, enhancement of soil and water quality, and the protection of wetlands, wildlife habitat, and strategically important farmland subject to urban conversion and fragmentation;

(5) encourage, accept, and administer private gifts of money and real and personal property for the benefit of, or in connection with, the conservation and related activities and services of the Department, particularly the Natural Resources Conservation Service;

(6) undertake, conduct, and encourage educational, technical, and other assistance, and other activities, that support the conservation and related programs administered by the Department (other than activities carried out on National Forest System lands), particularly the Natural Resources Conservation Service, except that the Foundation may not enforce or administer a regulation of the Department; and

(7) raise private funds to promote the purposes of the Foundation.

(c) LIMITATIONS AND CONFLICTS OF INTERESTS.—

(1) POLITICAL ACTIVITIES.—The Foundation shall not participate or intervene in a political campaign on behalf of any candidate for public office.

(2) CONFLICTS OF INTEREST.—No director, officer, or employee of the Foundation shall participate, directly or indirectly, in the consideration or determination of any question before the Foundation affecting—

(A) the financial interests of the director, officer, or employee; or

(B) the interests of any corporation, partnership, entity, organization, or other person in which the director, officer, or employee—

(i) is an officer, director, or trustee; or

(ii) has any direct or indirect financial interest.

(3) LEGISLATION OR GOVERNMENT ACTION OR POLICY.—No funds of the Foundation may be used in any manner for the purpose of influencing legislation or government action or policy.

(4) LITIGATION.—No funds of the Foundation may be used to bring or join an action against the United States.

(d) TAX EXEMPT STATUS.—

(1) 1996 TAXABLE YEAR.—In the case of the 1996 taxable year, the Foundation shall be treated as organized and operated exclusively for charitable purposes for purposes of section 501(c)(3) of the Internal Revenue Code of 1986.

(2) 1997 AND SUBSEQUENT TAXABLE YEARS.—In the case of the 1997 and subsequent taxable years, the Foundation shall be required to maintain the tax exempt status of the Foundation in the manner prescribed by the Secretary of the Treasury for similar tax exempt organizations.

**SEC. 304. COMPOSITION AND OPERATION.**

(a) COMPOSITION.—The Foundation shall be administered by a Board of Trustees that shall consist of 9 voting members, each of whom shall be a United States citizen and not a Federal officer. The Board shall be composed of—

(1) individuals with expertise in agricultural conservation policy matters;

(2) a representative of private sector organizations with a demonstrable interest in natural resources conservation;

(3) a representative of statewide conservation organizations;

(4) a representative of soil and water conservation districts;

(5) a representative of organizations outside the Federal – Government that are dedicated to natural resources conservation education; and

(6) a farmer or rancher.

(b) NONGOVERNMENTAL EMPLOYEES.—Service as a member of the Board shall not constitute employment by, or the holding of, an office of the United States for the purposes of any Federal law.

(c) MEMBERSHIP.—

(1) INITIAL MEMBERS.—The Secretary shall appoint 9 persons who meet the criteria established under subsection (a) as the initial members of the Board and designate 1 of the members as the initial chairperson for a 2-year term.

(2) TERMS OF OFFICE.—

(A) IN GENERAL.—A member of the Board shall serve for a term of 3 years, except that the members appointed to the initial Board shall serve, proportionately, for terms of 1, 2, and 3 years, as determined by the Secretary.

(B) LIMITATION ON TERMS.—No individual may serve more than 2 consecutive 3-year terms as a member.

(3) SUBSEQUENT MEMBERS.—The initial members of the Board shall adopt procedures in the constitution of the Foundation for the nomination and selection of subsequent members of the Board. The procedures shall require that each member, at a minimum, meets the criteria established under subsection (a) and shall provide for the selection of an individual, who is not a Federal officer or a member of the Board, to be provided with the power to select subsequent members of the Board.

(d) CHAIRPERSON.—After the appointment of an initial chairperson under subsection (c)(1), each succeeding chairperson of the Board shall be elected by the members of the Board for a 2-year term.

(e) VACANCIES.—A vacancy on the Board shall be filled by the Board not later than 60 days after the occurrence of the vacancy.

(f) COMPENSATION.—A member of the Board shall receive no compensation from the Foundation for the service of the member on the Board.

(g) TRAVEL EXPENSES.—While away from the home or regular place of business of a member of the Board in the performance of services for the Board, the member shall be allowed travel expenses paid by the Foundation, including per diem in lieu of subsistence, at the same rate as a person employed intermittently in the Government service would be allowed under section 5703 of title 5, United States Code.

**SEC. 305. OFFICERS AND EMPLOYEES**

(a) IN GENERAL.—The Board may—

(1) appoint, hire, and discharge the officers and employees of the Foundation, other than the appointment of the initial Executive Director of the Foundation;

(2) adopt a constitution and bylaws for the Foundation that are consistent with the purposes of the Foundation and this title; and

(3) undertake any other activities that may be necessary to carry out this title.

(b) OFFICERS AND EMPLOYEES.—

(1) APPOINTMENT AND HIRING.—An officer or employee of the Foundation—

(A) shall not, by virtue of the appointment or employment of the officer or employee, be considered a Federal employee for any purpose, including the provisions of title 5, United States Code, governing appointments in the competitive service, except that such an individual may participate in the Federal employee retirement system as if the individual were a Federal employee; and

(B) may not be paid by the Foundation a salary in excess of $125,000 per year.

(2) EXECUTIVE DIRECTOR.—

(A) INITIAL DIRECTOR.—The Secretary shall appoint an individual to serve as the initial Executive Director of the Foundation who shall serve, at the direction of the Board, as the chief operating officer of the Foundation.

(B) SUBSEQUENT DIRECTORS.—The Board shall appoint each subsequent Executive Director of the Foundation who shall serve, at the direction of the Board, as the chief operating officer of the Foundation.

(C) QUALIFICATIONS.—The Executive Director shall be knowledgeable and experienced in matters relating to natural resources conservation.

**SEC. 306. CORPORATE POWERS AND OBLIGATIONS OF THE FOUNDATION.**

(a) IN GENERAL.—The Foundation—

(1) may conduct business throughout the United States and the territories and possessions of the United States; and

(2) shall at all times maintain a designated agent who is authorized to accept service of process for the Foundation, so that the serving of notice to, or service of process on, the agent, or mailed to the business address of the agent, shall be considered as service on or notice to the Foundation.

(b) SEAL.—The Foundation shall have an official seal selected by the Board that shall be judicially noticed.

(c) POWERS.—To carry out the purposes of the Foundation under section 303(b), the Foundation shall have, in addition to the powers otherwise provided under this title, the usual powers of a corporation, including the power—

(1) to accept, receive, solicit, hold, administer, and use any gift, devise, or bequest, either absolutely or in trust, of real or personal property or any income from, or other interest in, the gift, devise, or bequest;

(2) to acquire by purchase or exchange any real or personal property or interest in property;

(3) unless otherwise required by instrument of transfer, to sell, donate, lease, invest, reinvest, retain, or otherwise dispose of any property or income from property;

(4) to borrow money from private sources and issue bonds, debentures, or other debt instruments, subject to section 309, except that the aggregate amount of the borrowing and debt instruments outstanding at any time may not exceed $1,000,000;

(5) to sue and be sued, and complain and defend itself, in any court of competent jurisdiction, except that a member of the Board shall not be personally liable for an action in the performance of services for the Board, except for gross negligence;

(6) to enter into a contract or other agreement with an agency of State or local government, educational institution, or other private organization or person and to make such payments as may be necessary to carry out the functions of the Foundation; and

(7) to do any and all acts that are necessary to carry out the purposes of the Foundation.

(d) INTEREST IN PROPERTY.—

(1) IN GENERAL.—The Foundation may acquire, hold, and dispose of lands, waters, or other interests in real property by donation, gift, devise, purchase, or exchange.

(2) INTERESTS IN REAL PROPERTY.—For purposes of this title, an interest in real property shall be treated, among other things, as including an easement or other right for the preservation, conservation, protection, or enhancement of agricultural, natural, scenic, historic, scientific, educational, inspirational, or recreational resources.

(3) GIFTS.—A gift, devise, or bequest may be accepted by the Foundation even though the gift, devise, or bequest is encumbered, restricted, or subject to a beneficial interest of a private person if any current or future interest in the gift, devise, or bequest is for the benefit of the Foundation.

**SEC. 307. ADMINISTRATIVE SERVICES AND SUPPORT.**

The Secretary may provide, without reimbursement, personnel, facilities, and other administrative services of the Department to the Foundation.

**SEC. 308. AUDITS AND PETITION OF ATTORNEY GENERAL FOR EQUITABLE RELIEF.**

(a) AUDITS.—

(1) IN GENERAL.—The accounts of the Foundation shall be audited in accordance with Public Law 88–504 (36 U.S.C. 1101 et seq.), including an audit of lobbying and litigation activities carried out by the Foundation.

(2) CONFORMING AMENDMENT.—The first section of Public Law 88–504 (36 U.S.C. 1101) is amended by adding at the end the following:

''(77) The National Natural Resources Conservation Foundation.''.

(b) RELIEF WITH RESPECT TO CERTAIN FOUNDATION ACTS OR FAILURE TO ACT.—The Attorney General may petition in the United States District Court for the District of Columbia for such equitable relief as may be necessary or appropriate, if the Foundation—

(1) engages in, or threatens to engage in, any act, practice, or policy that is inconsistent with this title; or

(2) refuses, fails, neglects, or threatens to refuse, fail, or neglect, to discharge the obligations of the Foundation under this title.

**SEC. 309. RELEASE FROM LIABILITY.**

(a) IN GENERAL.—The United States shall not be liable for any debt, default, act, or omission of the Foundation. The full faith and credit of the United States shall not extend to the Foundation.

(b) STATEMENT.—An obligation issued by the Foundation, and a document offering an obligation, shall include a prominent statement that the obligation is not directly or indirectly guaranteed, in whole or in part, by the United States (or an agency or instrumentality of the United States).

**SEC. 310. AUTHORIZATION OF APPROPRIATIONS.**

There are authorized to be appropriated to the Department to be made available to the Foundation such sums as are necessary for each of fiscal years 1997 through 1999 to initially establish and carry out activities of the Foundation.

**TITLE IV—IMPLEMENTATION AND EFFECTIVE DATE**

**SEC. 401. IMPLEMENTATION.**

The Secretary of Agriculture and the Farm Credit Administration shall promulgate regulations and take other required actions to implement the provisions of this Act not later than 90 days after the effective date of this Act.

**SEC. 402. EFFECTIVE DATE.**

Except as otherwise provided in this Act, this Act and the amendments made by this Act shall become effective on the date of enactment.

Amend the title so as to read: ''An Act to amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes.''.

## AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be granted permission to meet during the session of the Senate on Thursday, December 21, 1995, for purposes of conducting a full committee business meeting which is scheduled to begin at 9:30 a.m. The purpose of this meeting is to consider pending calendar business.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Thursday, December 21, 1995, immediately following the first rollcall vote occurring after 2 p.m.; if no vote has occurred between 2 p.m. and 4 p.m., the meeting will be held at 4 p.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to hold a business meeting during the session of the Senate on Thursday, December 21, 1995 at 10 a.m. in SD–226.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet during the session of the Senate on Thursday, December 21, 1995, at 2 p.m., in room 226 Senate Dirksen Office Building to consider nominations.

The PRESIDING OFFICER. Without objection, it is so ordered.

## ADDITIONAL STATEMENTS

### PENSION INCOME TAXATION LIMITATION

● Mr. D'AMATO. Mr. President, I am pleased to support this bill and would like to submit this statement for the RECORD and to clarify that the language contained in the proposed legislation adds to the types of retirement income eligible for exemption. This language clearly intends to exempt from tax nonqualified deferred compensation that constitutes legitimate retirement income. Because it affects retirement income, only income from qualified retirement plans and nonqualified retirement plans that are paid out over at least 10 years, or from a mirror-type nonqualified plan after termination of employment, is exempt from State taxation.

The language does not prohibit States from imposing an income tax on non-residents' regular wages or compensation. Cash bonuses or other compensation arrangements that defer the receipt of salary, bonuses, and other types of wage-related compensation that are not paid out over at least 10 years or from a mirror-type nonqualified retirement plan are not exempt from State taxation. One example would be if a salary is earned in a State by an individual, whether a resident or nonresident, but is voluntarily deferred for a few years until the individual exits the state, and then is paid over in a lump sum, even while the individual is still employed by the company, that kind of payment should not qualify for exemption from nonresident taxation of pensions. It is the intent of this bill to permit the States to continue to tax this income, while protecting from taxation those deferred payments that are for retirement income, paid from plans designed for that purpose.●

### HENRY KNOTT, SR.

● Mr. SARBANES. Mr. President, I am proud to join with the Baltimore community and the friends of education throughout Maryland in honoring the memory of Henry Knott, Sr., an exemplary family man and a great philanthropist. Mr. Knott was an extraordinary citizen whose public generosity

ranks him with the great names of Baltimore and Maryland philanthropy.

Henry Knott who died recently at the age of 84, began his working days in the 1920's as a bricklayer in his father's construction business. This first and humble job would lay the foundation to a celebrated career in real estate and development over the course of seven decades. The achievement of his distinguished building career is reflected in apartment buildings, residences, and commercial centers which are located in Baltimore and its surrounding communities.

What singles out Henry Knott is that he translated his success with bricks and mortar into extraordinary philanthropy by graciously donating huge amounts of his personal wealth to Maryland educational institutions, including his alma mater Loyola College, and also to many local hospitals. A modest philanthropist, Mr. Knott was one who deeply respected the value of a quality education.

Henry Knott was also a man who practiced what he preached. A devout communicant of the Roman Catholic Church, he and his wife of over 67 years, Marion Burr Knott, raised a wonderful family of 12 children, 51 grandchildren, and 55 great grandchildren.

I extend my most sincere sympathies to his wife Marion, their children, and to all of the family and friends of Henry Knott, Sr. Mr. President, I ask that an article from the Baltimore Sun that pays tribute to Mr. Knott be printed in the RECORD.

The article follows:

[From the Baltimore Sun, Nov. 27, 1995]

HENRY KNOTT, SR. DIES; PHILANTHROPIST WAS 89

CONSTRUCTION TYCOON GAVE FORTUNES TO HOSPITALS, SCHOOLS

(By Marcia Myers and David Folkenflik)

Henry J. Knott Sr., the hard-driving multimillionaire developer renowned for his prodigious philanthropy, died yesterday at Johns Hopkins Hospital after a brief illness. He was 89.

Mr. Knott, who had entered the hospital recently for surgery, later contracted pneumonia, which was listed as the cause of death.

He started work as a bricklayer with his father's construction company in the 1920s but rose through business as a brick contractor and made his fortune developing real estate. Much of that fortune he gave to Maryland colleges, schools and hospitals, with gifts that particularly linked his name to Loyola College, Hopkins Hospital and the state's Roman Catholic schools.

Those who knew Mr. Knott attributed his success to his lifelong industriousness.

''His interest was work. He was a workaholic,'' said Joseph M. Knott, Mr. Knott's youngest brother and godson. Hobbies held less attraction, Joseph Knott said, ''He wasn't interested in golf. He never belonged to any of the country clubs. He said he couldn't afford it.''

There were few things Henry Knott could not afford during his adult life. His personal wealth, estimated at $150 million in 1987, included major holdings in the Arundel Corp. (before its sale the following year to Florida Rock Industries for $88 million), Henry A. Knott Home Builders and Knott Enterprises.

Mr. Knott's companies built thousands of homes and businesses in Baltimore, including apartment buildings, rowhouses and shopping centers that dot the metropolitan area from Essex to Lansdowne and from Kingsville to Catonsville.

The reach of his family was almost as wide as that of his businesses. Mr. Knott and his wife of 67 years, Marion Burke Knott, raised 12 children. At his death, Mr. Knott left 51 grandchildren and 55 great-grandchildren.

''He had three very intense interests: his family, the Catholic Church and his work,'' said Rick O. Berndt, a lawyer for the Archdiocese of Baltimore who knew Mr. Knott for almost 30 years.

Cardinal William H. Keeler was visiting with the Knott family last night.

Through a spokesman, he said, ''We mourn the passing of Henry Knott, whose deep faith and extraordinary charity will long be remembered. I pray that God may comfort his dear wife, Marion, and all his family. Catholic education in Maryland at every level has benefited from the vision and generosity of Henry Knott.''

Mr. Knott gave millions to charity, primarily Catholic educational institutions such as Loyola College, his alma mater; the College of Notre Dame of Maryland; Mount St. Mary's College, Emmitsburg; and the University of Notre Dame, South Bend, Ind. By 1988, the Knotts' charitable contributions had exceeded $140 million.

''He was highly disciplined and unbelievably focused about whatever he was doing. You could not distract him,'' said Mr. Berndt, who was a 26-year-old fledgling attorney when he met Mr. Knott.

''I was very idealistic and had many thoughts about how the world should work,'' Mr. Berndt recalled. ''Mr. Knott was one of the ones who regularly brought me down to earth. He was great at the art of what was possible.''

In 1988, Mr. Knott and his wife created a $26 million fund to benefit 31 local educational, health and cultural institutions.

Among the recipients were the Johns Hopkins Oncology Center, which received $5 million, and the Baltimore Symphony Orchestra, which was given $1 million. Four Baltimore hospitals, St. Joseph, Mercy, St. Agnes and Bon Secours, each received $1 million to establish an income fund to provide medical care for the poor.

SCHAEFER'S SORROW

''I talked to Mr. Knott's son the other day. He told me that Mr. Knott would not get out of this one,'' former Gov. William Donald Schaefer said. ''I had a real, great sorrow overcome me. Mr. Knott was truly one of the great men of our times, perhaps of all times. He was one of the great pillars of Baltimore.''

Mr. Knott's largess seemed at odds with his public persona as a gruff, demanding businessman. Yet associates insisted that he was, in private, the antithesis of that image.

Peter G. Angelos, Orioles owner and former city councilman, knew Mr. Knott for more than 25 years and took issue with what he characterized as a public impression of Mr. Knott as ''a hard-nosed businessman bent on accumulating most of the money in Maryland.''

Rather, Mr. Angelos said, he came to know Mr. Knott as ''the very gentle person he really is,'' and as an individual who, in private conversation, was fond of discussing broad intellectual subjects, often quoting Plato or Aristotle to make his point.

''He's made a lot of money because he drives a hard bargain, but an honest bargain,'' Mr. Angelos said.

Mr. Knott was among the first to sign on when Mr. Angelos pulled together local investors to buy the Baltimore Orioles in 1993.

''He expects a lot from most people, but he expects the most from himself,'' said Mr. Angelos.

The late Rev. Joseph A. Sellinger, S.J., president of Loyola College, once characterized Mr. Knott as a ''pussy cat'' inside a gruff exterior.

Mr. Knott's own summation of his talent for accumulating money and then giving it away was made in four short sentences quoted in a Baltimore magazine profile in 1987.

''It's like catching fish,'' he said. ''You get up early. You fill the boat up with fish. And then you give them all away before they all start to rot.''

The Rev. Harold E. Ridley Jr., president of Loyola, said that Mr. Knott maintained a becoming modesty in not seeking credit for his gifts. ''I think that is what made him such an extraordinary individual: His legendary generosity was tempered by an even greater humility,'' Father Ridley said

The Knott family lived in a large house on Guilford's Greenway during the years in which the 12 children were growing up. Friends jokingly called the home ''the Stork Club''—partly after the posh New York restaurant of the period, but mostly because of the children.

As word spread of the dynamic household, Mrs. Knott became the subject of newspaper feature articles in which she explained how she managed her day, getting the children through breakfast and off to school, darning socks and mediating squabbles among a very energetic brood.

''My family is my club life and outside interests,'' she said in a 1952 interview.

Meanwhile, Mr. Knott built houses, apartment buildings and shopping centers, acquiring a reputation as a can-do contractor.

In addition to his building ventures, he became active in a broad range of business and civic activities. He served on Maryland's Advisory Committee on Higher Education in 1964, he became chairman and CEO of the Arundel Corp. and its largest stockholder in 1967 and he headed former Gov. Marvin Mandel's re-election committee in 1974.

MR. KNOTT'S FAMILY

In addition to his wife, Mr. Knott is survived by his children: Patricia K. Smyth, Alice K. Voelkel, Margaret K. Riehl, Henry J. Knott Jr., Catherine K. Wies, Rose Marie K. Porter, Lindsay K. Harris, Francis X. Knott, James F. Knott, Martin G. Knott, and Mary Stuart K. Rodgers, all of Baltimore; and Marion K. McIntyre, of Del Ray Beach, Fla.; brothers, John L. Knott, the Rev. Francis X. Knott, S.J., and Joseph M. Knott, all of Baltimore; 51 grandchildren and 55 great-grandchildren.

Visiting hours will be 2 p.m. to 4 p.m. and 7 p.m. to 9 p.m. today and tomorrow at St. Mary's Seminary, 5400 Roland Ave, with a funeral Mass at 11 a.m. Wednesday at the Cathedral of Mary Our Queen, 5200 N. Charles St.

Burial will follow at the New Catholic Cemetery.

Memorial contributions may be made to Loyola College, Loyola High School, Johns Hopkins Hospital, or the College of Notre Dame of Maryland.●

## FIFTH ANNIVERSARY OF THE MITSUBISHI ELECTRIC AMERICA FOUNDATION

● Mr. SIMON. Mr. President, I want to congratulate the Mitsubishi Electric America Foundation on the occasion of its fifth anniversary.

The Mitsubishi Electric America Foundation [MEAF] is endowed with

$15 million by the Mitsubishi Electric Corp. of Japan and its American subsidiaries. Its mission is to contribute to society by assisting young Americans with disabilities to lead full and productive lives. The foundation fulfills this mission by supporting education and other programs aimed at enhancing the independence, productivity and community inclusion of young people with disabilities. During its first 5 years the foundation has received more than 1,000 funding requests and awarded nearly $2 million in grants to benefit American children and youth with disabilities.

The foundation is based in Washington, DC and works primarily at the national level but also collaborates with principal Mitsubishi Electric America [MEA] facilities to have an impact at the local level. Philanthropy committees at MEA companies have made many generous contributions of money, electronics products, and volunteer support to nonprofit organizations in communities across the country.

In my home state of Illinois, for example, Mitsubishi Electric Industrial Controls, Inc., and Mitsubishi Electronics America, Inc. maintain active volunteer committees through which dedicated employees serve their communities in the Chicago suburbs. Through its matching grant program, the foundation supplements the companies' donations to local organizations helping young people with disabilities.

The story behind the foundation's creation gives insight into the sponsoring corporation. At the 1990 meeting of the presidents of the North American Mitsubishi Electric America group companies, former MEA president Takeshi Sakurai presented his goal of encouraging the companies to reciprocate the good will and hospitality of the communities in which the more than 4,000 MEA employees live and work.

Focusing on the challenges and barriers that exist for people with disabilities, Mr. Sakurai urged the corporation to help ensure that young Americans with disabilities have full access to competitive employment, integrated education, independent living options, and recreational opportunities in their communities. With the establishment of a foundation, he declared, the companies and employees could contribute to this critical need through the donation of funds, products, and volunteer time. Following Mr. Sakurai's presentation, many of the senior executives around the table made personal donations, which eventually formed part of the initial endowment of the Mitsubishi Electric America Foundation.

Takeshi Sakurai became the first board president of the foundation, and with the board of directors worked to strengthen support for the foundation's work within the corporation, develop strategies for its outreach to the disability community, and institutionalize philanthropy within the corporate culture of MEA companies. Through the efforts of its board, the foundation has helped to educate its sponsoring corporations about the importance of good corporate citizenship and on the critical issues facing people with disabilities. The 12-member board includes Mitsubishi Electric America company presidents, the foundation's executive director, representatives from the parent corporation in Japan, and two MEA employees who are nominated by their peers to serve 18-month terms.

Mitsubishi Electric Corp.'s investments in the foundation have paid unexpected dividends by influencing the sponsoring corporation back in Japan. Responding to the success of the foundation, Mitsubishi Electric Corp. has expanded its philanthropic activities in Japan and around the world; many of these efforts are aimed at people with disabilities.

The Socio-Roots Fund, which was established by the corporation in 1992 to match employee donations, awarded the yen equivalent of $450,000 to organizations assisting youths with disabilities in Japan in 1994. The corporation's Nakatsugawa Works facility now offers sign language classes to its employees. The corporation also donated the yen equivalent of $180,000 to 75 schools, organizations and projects serving people with disabilities throughout Japan. A second Mitsubishi Electric Foundation was established in Thailand to provide promising students who are in need of financial assistance with the means to complete their education; in June, 1993, this foundation awarded its first full scholarships to 30 engineering students.

The foundation has received several awards for its achievements in grantmaking, some of which clearly demonstrate the foundation's impact on the MEA companies. For example, the foundation was honored with the prestigious Leadership Award from the Dole Foundation for Employment of People with Disabilities. My colleague from Kansas, Senator BOB DOLE, presented the award in recognition of the foundation's accomplishments and also cited Mitsubishi Electric America as a model for other corporations in integrating disability awareness into corporate policies.

The MEA foundation and Marriott foundation for People with Disabilities jointly received the Council for Exceptional Children's 1992–93 Employer of the Year Award, in recognition of their successful replication of the ''Bridges . . . From School to Work'' transition program, which helps prepare youth with disabilities in Washington, DC for employment after high school.

In 1994, Mitsubishi Electric America was named one of the top 100 U.S. employers by CAREERS and the disABLED, a leading magazine in the disability field, based on a reader survey that asked readers to name the top three companies or government agencies for whom they would most like to work or that they believed would provide a positive working environment for people with disabilities.

These public acknowledgements are a fitting tribute to the Mitsubishi Electric Corp.'s investments in our Nation, but I would like to add my own personal thanks to the Mitsubishi Electric America foundation, Mitsubishi Electric Corp., and the Mitsubishi Electric America group companies for their generosity.

I congratulate the staff, officers, board of directors, and advisory committee members who have helped position this foundation as a leader in supporting innovative programs for young people with disabilities. I hope the foundation will continue its successful work for many years to come.●

## IN MEMORIAM, PAN AM 103

● Mr. MOYNIHAN. Mr. President, I rise today to note with solemnity the anniversary of the bombing of Pan Am flight 103 over Lockerbie, Scotland. It is now 7 years since that infamous act which claimed the lives of 270 people. All the more vile because its perpetrators still have not been brought to trial.

Despite a regime of international sanctions, the Libyan government refuses to extradite the indicted terrorists. A state which harbors outlaws must, of necessity, remain an outlaw state. The United States and our allies ought never to waver in our commitment to the rule of law and the measures necessary to enforce it.

On November 3, I joined the families of the victims and President Clinton at Arlington National Cemetery for the dedication of a memorial cairn. On that occasion the President reminded us that ''we must never, never relax our efforts until the criminals are brought to justice.'' I emphatically concur.

Mr. President, I yield the floor.●

## ARNOLD SHAPIRO

● Mrs. FEINSTEIN. Mr. President, recent studies have indicated that the violent crime rates are decreasing in many cities, but that there is a disturbing rise of violent crimes being committed by teen-agers.

I think there is no more important issue facing this Congress than violence. Congress must take steps to reduce violent acts—in the home, in the workplace, and on our streets —that occur with numbing frequency in America.

I have been particularly troubled by the content of many programs that air on television networks in this country. Ultra-violent acts appear almost around the clock. While I have spoken out frequently about the problem of television violence, I also wanted to take a moment to praise an upcoming television documentary that details

the positive steps taken by many companies to help troubled and disadvantaged kids.

''Everybody's Business: America's Children,'' a network documentary produced by the Oscar- and Emmy-Award winning Arnold Shapiro, will air this Saturday, December 23 from 8 p.m. to 9 p.m.

This program showcases the volunteer and funding efforts made possible by many American companies and corporations to help troubled and disadvantaged kids. Katie Couric is the host of this special which praises many companies for providing mentoring programs and community support efforts to support our children.

During this holiday season, it is particularly refreshing to see a network television program which promotes the good deeds of American companies.

As we look ahead into the coming year, it is my hope that more television programs will give this type of positive reinforcement to America's companies that make an investment in our youth.

It also gives me pleasure to note the program is produced by one of Los Angeles's leading producers, Arnold Shapiro. He is well known for his quality programs and documentaries, including ''Scared Straight'' and ''Scared Straight: Exposing and Ending Child Abuse.'' He recently won the Peabody Award for his CBS children's special, ''Break the Silence: Kids Against Child Abuse.''

Arnold Shapiro's brand of television—straight forward, informative and educational—is exactly the type of programming I hope to see more of on network television in the coming years.●

## ISRAEL ''IZZY'' COHEN

● Mr. SARBANES. Mr. President, I rise today to pay tribute to a celebrated member of the Maryland business community, Mr. Israel ''Izzy'' Cohen, who recently passed away at the age of 83. As the chairman of Giant Food, Inc. Izzy Cohen managed one of Maryland's and the Capital area's most successful corporations—and he accomplished this task with deep respect for his employees and a commitment to his community.

Izzy Cohen's warm personality, devotion to customers and Giant employees is legendary. These were the talents that earned him the nomination of generations of employees and patrons. Under his leadership, Giant Foods pioneered in consumer information and involvement. His commitment to community was also reflected in his strong support of the educational television program, ''It's Academic,'' and in his many other fundraising activities. One notable example is Computers for Kids where customers save their Giant receipts and schools collect them for money for classroom computers and equipment. Thousands of children across the State of Maryland have benefited from Izzy Cohen's patronage of these programs.

Izzy Cohen was truly an accomplished leader in commerce, and one of those outstanding citizens who by example and action evoked the very best in all of us. I extend my most sincere sympathies to all the family and friends of Izzy Cohen. Mr. President, I ask that the following articles from the Washington Post that pay tribute to Izzy Cohen be printed in the RECORD.

The articles follow:

[From the Washington Post, Nov. 24, 1995]

ISRAEL COHEN, CHAIRMAN OF GIANT FOOD, DIES AT 83 CANCER CLIAMS PIONEER IN SUPERMARKET INDUSTRY

(By Claudia Levy)

Israel Cohen, the Giant Food Inc. chairman who built his company into the largest regional grocery store chain in the nation, died late Wednesday at his home in Washington at the age of 83. He had non-Hodg'kin's lymphoma, a form of cancer.

A pioneer in an industry where razor-thin profit margins quickly separate the winners from the losers, ''Izzy'' Cohen was the principal architect in the rise of Giant from a single store on Georgia Avenue to what many analysts say is the premier regional supermarket chain in the nation.

Washington area consumers today spend 44.8 cents of every grocery dollar at Giant, largely because of Cohen's business savvy.

Cohen was one of the wealthiest people in the Washington area and an important member of the local business community. Yet he remained a very private person, talking little about himself or his personal life, and worked in relative obscurity.

But ''as a retailer he had no fear,'' said business consultant Sheldon ''Bud'' Fantle, former chairman of People's Drug Stores Inc. ''All of his ideas were before the fact. He was a leader.''

Cohen commended a tight-knit organization that now includes 164 stores, largely in suburban neighborhoods, from New Jersey to Northern Virginia. Its headquarters is in Landover in Prince George's County, and 107 of its stores are in the Washington area. Giant has more than 26,000 employees and annual sales of $3.7 billion.

The Giant real estate division, GFS Realty Inc., owns or manages 27 shopping centers in the Washington area. Giant also owns a bakery, a dairy, an ice cream plant, a soft-drink plant, a plastic milk container manufacturing plant and other food-processing businesses.

Under Cohen, Giant advertised heavily in newspapers and was quick to employ such marketing innovations as bulk sales, in-store pharmacies and products labeled with Giant's private brand names. It hired former White House counselor Esther Peterson as its first consumer adviser, promoted her heavily and listened seriously to the customers. Giant was the first chain in the country to install computer price scanners at checkouts, now standard in the industry.

''This is the best businessman in Washington in his time,'' said Donald E. Graham, chairman of The Washington Post Co. and publisher of The Post. ''He built a great company in a completely personal way. Everyone in Giant down to the cashiers knew who they worked for and they knew it because every week of his life he visited some Giant store. He didn't just visit, he spent time,'' stopping to help customers if needed.

Cohen made it a point to promote from within, to the extent of training company employees for sophisticated technical jobs, Graham said. ''Every year, Giant relentlessly worked to gain slivers of market shares,'' building it to the largest in the country, Graham said.

Fantle said Cohen ''was always two or three steps ahead of his competition.'' Fantle's drug stores went head to head with Giant's in-house pharmacies.

For years Giant has had the highest profit margins among Washington area supermarkets—3 percent in an industry where the national average is 1 percent. Much of that margin came from the profit of his drugstore operations and the fact that Giant Food was a ''vertically integrated'' company that manufactured everything from milk cartons to ice cream and soda for its private brands.

Cohen would say this was a result of having ''smart persons to make decisions around here,'' Graham said, ''But everybody else would give him the credit.''

Fantle said ''He ran a bright, clean store with good values. And certainly he had the knack of advertising. . . .''

When Cohen's longtime partners in Giant, members of the Lehrman family, agreed to sell their share in the corporation to a British supermarket chain in 1994, control of Giant remained with Cohen, who owned half the voting stock and controlled four of the seven seats on the board of directors.

Giant announced yesterday that four senior officers and Cohen's sister, Lillian Cohen Solomon, will now vote his stock and manage Giant.

Cohen had controlled the company since 1964, when his father, company cofounder Nehemiah Meir ''N.M.'' Cohen, retired. For a period, Washington attorney Joseph B. Danzansky was chairman, a compromise choice resulting from a dispute between Giant's founding families. But it was a titular post, and Cohen ran the operation.

Israel Cohen was born in Rishon-Le-Zion, Palestine, where his father was a rabbi and teacher in a one-room school. The Cohen family settled in Lancaster, Pa., when Israel Cohen was 9.

N.M. Cohen at first operated a kosher butcher shop. In the mid-1930s, he went into partnership in Washington with Samuel Lehrman, a Harrisburg, Pa., food distributor, to begin a self-service grocery store of the sort coming into vogue in California.

They selected Washington because they believed that federal employees would form a reliable customer base. The first store opened in the midst of a snowstorm on Feb. 6, 1936, on Georgia Avenue at Park Road NW. Issy Cohen worked at the store along with his brother, Manny, stocking shelves and driving the company's truck.

Izzy Cohen served in the Army during World War II and after the war began to rise through administrative positions in the Giant company, patterning his understated business style after his father, who retired in 1964.

Izzy Cohen took a year off in the 1950s to recover from tuberculosis, which he had contracted in the Army, and used the time to become a master bridge player. He was known to fellow tournament players for his ''poker'' face, a card player's best asset. He owned a condominium in Miami, where he often went to play cards, and a stable of horses at Laurel Race Course.

Cohen set about expanding the Giant empire despite increased competition, which in recent years has included warehouse grocery firms and others. One key to its success, Cohen told stockholders, was ''having our people fully understand both the nature of what is a competitive war and what their role is in the fight.''

On his visits to stores, Cohen would pitch in to bag groceries when the checkout lines were getting too long, Giant President Pete L. Manos recalled yesterday. Cohen would point out that the unshelled peanut bin needed a scoop or that a sign was wrong, Manos said. He'd stop to talk to customers

and would inspect the produce rooms and meat lockers for cleanliness, Manos said.

When it was known that he was going to visit a store, some employees whose shifts were over ''would wait around to shake his hand,'' Manos said.

''It goes back to the early days of the company,'' Manos said. ''At Giant, we've always felt like we're a family, and Izzy was the patriarch of the family. People looked forward to seeing him.''

In the stores, he greeted employees by their first names—all Giant workers wear name badges—and insisted on being called Izzy. ''Mr. Cohen is my father's name,'' he used to say, refusing to answer to it.

Years ago, there was an executive dining room at Giant headquarters, which Cohen closed because he wanted executives to mingle with other employees, Manos said.

Cohen had been estranged for many years from his wife, Barbara, when she died in 1994. Their two children were not involved in the business.

Cohen avoided social functions, living a quiet life in his parents' old house in the Forest Hills section of Northwest Washington. He was close with his brother Manny, who died several years ago, and his sister Lillian, who lives next door. Together, they founded a charitable foundation and named it for their father. Giant Food also operates a charitable foundation.

Izzy Cohen was chauffeured to work nearly every day in his Cadillac. He would visit stores during the week and on weekends. ''You have to have a place to go in the morning,'' he told Washington Post Staff Writer Kara Swisher in 1994.

Survivors include his children, Peter Cohen of Altamonte Springs, Fla., and Dana Cohen Ellis of McLean; his sister and two grandchildren.

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[From the Washington Post, Nov. 24, 1995]

APPRECIATION IZZY COHEN: FIERCE COMPETITOR, INSTINCTIVE RETAILER, EAGER INNOVATOR

(By Frank Swoboda and Kara Swisher)

Izzy Cohen's closest friends and toughest business competitors say the same thing about him: He was a hell of a grocer.

Cohen, the chairman of Giant Food Inc. who died Wednesday at the age of 83, didn't disagree. ''I might not be the best corporate executive,'' Cohen once told his shareholders, ''but I consider myself one of the best grocers in the business.'' That's about as far as he went when it came to public talk about his business philosophy and the strategies he followed to build Giant from one store to 164, with 107 of them in the Washington area where Giant dominates.

Cohen never talked much about his personal life, either. Though a multimillionaire, with estimates of his wealth rising as high as $400 million, he led a relatively solitary existence, living in the house in which he grew up, next door to his sister, Lillian Cohen Solomon. He was a rare recluse in a society that has come to lionize wealth and business success.

In many ways Cohen was the embodiment of a generation of old-time Washington area entrepreneurs who treated their employees like family and kept their personal lives low-key and private.

Even some Giant executives who worked for him for decades knew little about his background. But those who knew him well describe him as a sometimes gruff but generally uncomplicated man, whose unwavering and single-minded devotion was the business he inherited from his father.

His ambition also came with a price, however, driving him apart from his wife and children. Although he never divorced, Cohen and his wife had been separated for nearly 40 years at the time of her death two years ago.

His sole passions outside of work were bridge and horse racing. He was a master bridge player whose partners included such luminaries of the game as good blood lines but none particularly successful. His stable at Laurel racetrack, with its gold chandeliers and air-conditioned stalls, was a model for the racing industry.

Longtime friend and racing companion David Finkelstein tells of going to the track every weekend with Cohen. On the way they would stop at the nearest Giant and buy sandwiches and then take their brown bag lunch to their adjoining boxes. Though Finkelstein also was in food distribution, Cohen never talked business with him on the weekends.

The two men also owned apartments at the Jockey Club in Miami, where they would go to watch horse races in the cold winter months. Cohen sometimes bought an entire row of seats at the track so he wouldn't be crowded.

On the few occasions when Cohen brought guests to the track, Finkelstein said, he would place a bet on every horse in every race for every guest. At the end of each race, he would then be able to present his guests with a winning ticket.

But the real focus of Cohen's life was the grocery business, where he was a fierce competitor and a constant innovator who seized on computer scanning, in-store pharmacies, private-label products, unit pricing, salad bars and other advances to push Giant to the top of the area's grocery business.

Before Giant put pharmacies in its supermarkets, the Washington market was dominated by three drugstore chains: Drug Fair, Dart Drug and Peoples. Today, all three are gone and Giant is the dominant player.

Before there were automated teller machines, Izzy Cohen tried putting bank branches in his stores. For a brief time he even took Giant into the carwash, dry cleaning, rug and pants cleaning businesses.

''Izzy was the most instinctive guy in terms of food retailing,'' said Jeff Metzger, publisher of Food World, a Columbia-based trade publication. ''He had an uncanny ability to read the right signs, whether it meant putting a store in the right place or adding on another cash register or understanding that consumers came first.''

Kenneth Herman, a longtime Cohen competitor whose family started the Lanham-based Shoppers Food Warehouse Corp. chain, agreed.

''He developed one of the finest grocery chains in the country, because of his keen insights about a retail business that is fast-changing,'' Herman said. ''He was truly a merchant's merchant.''

Izzy Cohen earned his MBA in the grocery business working behind the counter, starting as a stock clerk and driver for his father. In the years since, he worked in every department at Giant except data processing.

Tom McNutt, president of Local 400 of the United Food and Commercial Workers union, which represents Giant employees, tells of being called by Cohen and asked to come right over to the Giant store in Landover, near McNutt's office and Giant's headquarters. When McNutt got to the store, he found Izzy in the produce department—arguing with a store manager and a Giant executive over the proper placement of a display sign. Cohen wanted McNutt's opinion.

His decision to seek McNutt's opinion also underscored his close relationships with the unions representing his employees. Some critics have accused Giant of seeking labor peace at any price, and Giant employees are among the best paid in the industry.

Over the years, Cohen gained a reputation as a fierce competitor, once telling an interviewer that ''We consider everyone a competitor, including 7 Eleven.'' Shoppers Food Warehouse's Herman remembered Cohen as a ''very tough competitor, but fair.''

''He was a tiger,'' Finkelstein said recalling how Giant drove both Shop Rite and Kroger Co. out of the Washington market in the early 1960s in a series of brutal price wars.

Although he was a loner, Cohen did not try to hide from either his employees or his customers. He ate regularly in the company's cafeteria, which featured the same salad bar and deli fare he offered his customers, and personally helped customers during visits to Giant's stores.

But Izzy Cohen's life was best summed up by his friend Finkelstein who described him as ''a lonely, frustrated, caring person'' and an ''unbelievable friend.''

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[From the Washington Post, Nov. 25, 1995]

EDITORIAL—ISRAEL COHEN

Israel Cohen spent his life building a business that, more than most, directly touches the lives of the people who live in this region. He always spoke of himself as a grocer. As chief strategist and chairman of Giant Food Inc., he was a major force in the transformation of the grocery industry over the past generation.

Born in Palestine, Mr. Cohen came to this country as a child and learned the business working in his father's store on Georgia Avenue—one of the first self-service stores in the country. In the years in which he built the Giant chain, the retail market for food charged radically. Customers' demands for diversity of choices expanded enormously, requiring steadily larger stores. The standards of food purity and cleanliness rose rapidly, and the consumer movement became a major force in the country. Grocery retailing has always been highly competitive, and many other chains disappeared as expensive specialty shops cut into the top end of the market while, at the discount end, warehouse stores flourished by offering bulk sales.

Mr. Cohen survived and prospered through innovation. He brought drustores into Giant's supermarkets, and they now dominate the retail drug business in this area. He experimented endlessly and successfully with vertical integration, producing some of the goods for his stores' shelves and selling them under private labels to cut costs. He installed salad bars, and his stores were the first in the country to use scanners to speed up the lines at the checkout counters.

In a city that loves glitz and notoriety, he chose to live inconspicuously. In a world that encourages highly publicized philanthropy, he usually kept his generosity out of sight. He developed a multibillion dollar company and tried to run it as a family business in which people called each other—including the chairman—by their first names. Long ago he closed the executive dining room at the company's headquarters in Landover because he thought that the people who used it could spend their time better lunching with the other employees.

Some kinds of success are useful, and others are not. Mr. Cohen's career was a strong example of the first kind and, more than useful, it was also constructive. Over the years, Izzy Cohen made countless friends. He also made contributions to the community he lived in, and these will survive and continue to do credit to the vital man who died at the age of 83 at his home here in Washington on Wednesday.●

## THE REAL CHINESE THREAT

● Mr. SIMON. Mr. President, this past summer's military exercises by China

near Taiwan were part of a worrisome trend in East Asia—Chinese military expansion. China has been rapidly modernizing its armed forces, allegedly transferring missiles to Pakistan, flexing its muscle in the South China Sea, and continuing to test nuclear weapons under ground. Such actions raise concerns for regional stability, and for our interests in promoting economic prosperity and democracy in the region.

In the following article from the New York Times Magazine, Nicholas Kristof points out the growing Chinese power in East Asia and the increasing displays of nationalism. He concludes that United States policy should pay more attention to China's military expansion and the potential threats it brings. This seems to me like a good place to start.

I ask that the article be printed in the RECORD.

The article follows:

[From the New York Times Magazine, Aug. 27, 1995]

THE REAL CHINESE THREAT

(By Nicholas D. Kristof)

Almost no one noticed, but this summer the Pentagon drew a line in the sand. Washington committed itself to using American military force, it necessary, to keep international shipping lanes open in the South China Sea.

International, at least, in American eyes. But Beijing's maps put the entire area within China's territorial waters. If a stronger China eventually tries to enforce its national law, which governs shipping in the area, then American forces could be called upon to confront a China that has developed enormously since its troops battled ours to a stalemate in Korea.

The underlying problem is the oldest one in diplomacy: how the international community can manage the ambitions of a rising power—and there has never been a rising power quite like China. It has 1.2 billion people; it has a nuclear arsenal; it has an army of 3.2 million, the world's largest; and now it has what may be the world's fastest-growing military budget.

For now, China's conventional forces are no match for America's. One of my Chinese friends, the son of a general, attended a meeting in which a group of senior Chinese military officials reviewed films of the American air war against Iraq. ''They sat around the room, moaning about China's lack of preparation, asking what we could possibly do to modernize,'' he reported. ''I felt like piping us and saying there was one thing we could do: go capitalist.''

Yet given the rate at which China is pouring money into its armed forces, the situation may eventually be different. The United States Naval War College conducted computer simulations last year and again this year of battles in Asia between China and the United States in the year 2010. To everyone's surprise, China defeated the United States in both. It is said that the Central Intelligence Agency recently conducted its own simulation of such a battle, set in the year 2005, and China won that, too.

Simulations don't prove anything. Still, China and Vietnam have both showed, in Korea and Vietnam, how much damage even a backward army can do, particularly when fighting on its own turf. And unlike Vietnam, China has nuclear warheads aimed at the United States. (The United States has stopped targeting China with nuclear missiles, but China has refused to stop targeting America.) China is also believed to be developing biological warfare agents.

In Asia, there is now a real fear about what the rise of China will mean. ''The immense presence of China is itself a threat— whether the Chinese are conscious of it or not—that certainly Japan cannot deal with alone,'' Morihiro Hosokawa, the former Prime Minister, said recently.

In the United States, the expression ''containment'' is applied increasingly to China. The Administration's position is that it wants to engage China, rather than contain it, but that if necessary in the future it can switch to a containment policy. ''We're not näive,'' Winston Lord, the Assistant Secretary of State for East Asian and Pacific Affairs, told a congressional committee in June. ''We cannot predict what kind of power China will be in the 21st century. God forbid, we may have to turn with others to a policy of containment. I would hope not.''

In the meantime, there is growing alarm in Washington and other capitals at China's military spending and policies. While most countries in the world have been cutting back, China has raised its published military budget by 75 percent since 1988, after adjusting for inflation. And the published budget vastly understates reality. It does not even include weapons procurement. The real figure is probably something like $20 billion, which, when adjusted for purchasing power, may buy as much as $100 billion defense budget in the West.

Most disturbing, China is pouring money into those activities that allow it to project power beyond its traditional borders. In particular, it is building a blue-water navy and developing an air-to-air refueling capability. China is also becoming more aggressive in the South China Sea and even in the Indian Ocean—far from its traditional sphere of influence.

All of this notwithstanding, it would be a mistake to think that China is somehow a ferocious aggressor. It is not. It shows no interest in seizing areas that it never controlled, like Nepal or Indonesia, and its claims to disputed areas like some islands in the South China Sea do have some merit to them. The risk of conflict arises in part because of stirrings of Chinese nationalism. Nobody believes in Communism anymore, so the Communist Party is trying to use nationalism as the new glue. To some extent, it is working. In five years of living and traveling in China, I met innumerable ordinary people who didn't give two yuan for Communism but who argued passionately that China needed to reclaim its territories.

Just a couple of weeks ago, I was chatting with an elderly woman from Shanghai—not a Communist by any means—and I asked her what she thought of Mao. ''You know what his biggest mistake was?'' she asked, and I thought of the Great Leap Forward, which led to the deaths of 30 million people. ''It was giving up Mongolia. That's our land, that's part of China! And he allowed Stalin to take it. What we need to do is get Mongolia back.''

I can't say that this woman is representative, although I have occasionally heard other Chinese say they want to recover Mongolia, which is now an independent country. But I have heard many Chinese say that they want their navy to control the entire South China Sea, to seize the Diaoyu Islands from Japan, even to recover Taiwan.

Moreover, the likely successor to the present regime in Beijing is not a democracy but a military government. President Jiang Zemin is terrified of a coup d'etat—he has appeared before military units behind a bulletproof shield. If the generals take over in the years following Deng Xiaoping's death, they may be more aggressive than any Communists.

The placid waters and palmlined islets of the South China Sea may be the site of Asia's next war. The Government in China refuses to clarify whether it claims the entire South China Sea or just the islands in the sea. But in any case, some of the islands are also claimed by five other countries.

China erected a permanent fortress on a reef near the Philippines earlier this year, leading to a tense confrontation at sea between naval vessels for the two sides. Now Americans are training Philippine naval commandos. And Vietnam and China are jostling each other over rival oil exploration programs, by American oil companies, in the disputed area.

The worst nightmare in Asia is a Chinese invasion of Taiwan. China regards Taiwan as a renegade province, while many Taiwanese now hope for a country of their own. The authorities in Beijing repeatedly warn that they reserve the right to use force to recover Taiwan. China underlined its threats in July when it conducted missile tests in the open sea 80 miles from Taiwan, forcing the closure of fisheries and the diversion of commercial flights. The Taiwan stock market promptly plunged 6.8 percent amid jitters about a Chinese attack.

In any case, the possibility of clashes in the Taiwan Strait may be increasing rather than decreasing. For now, it is not clear that China would win if it attacked Taiwan, but the odds will change as China upgrades its forces. It is impossible to imagine that an island of 20 million could indefinitely defend itself against a country of 1.2 billion.

There is, in short, a potential Chinese threat and that drives the question: How should America deal with it?

The first step is simply to acknowledge that threat and to pay far more attention to China. America also needs to expand conversations with Chinese leaders, even if that means boosting their legitimacy at times. President Clinton has been reluctant to meet with President Jiang because of Chinese human rights abuses and other problems. But it would be more effective to invite Jiang to Washington and have him listen to hundreds of demonstrators screaming outside his hotel all night. This would convey not only America's willingness to discuss problems but also the seriousness with which Americans take China's misconduct.

Washington's aim in such talks should be to promote American interests, and that is not necessarily the same as creating a good relationship with China. There is no reason to provoke a dispute just for the sake of being surly. But the White House has to be willing to risk a dispute when China tests its resolve. For example, China has repeatedly promised not to sell M–11 missiles, which are capable of carrying nuclear warheads, to Pakistan. Each time China makes such a formal pledge, Washington claims credit for a major breakthrough. And each time, China has apparently gone ahead and sold M–11's to Pakistan anyway.

These days, the Administration is reluctant to acknowledge what appears to be the latest sale—despite satellite evidence and the best judgments of intelligence analysts—because it is reluctant to worsen relations. The lesson Beijing draws from this is that it can continue violating its pledges as long as it acts greatly offended when someone complains. It would be better to risk a deeper chill in relations than to keep on backing down.

America also needs to work with Asian countries to apply joint restraints on China. The Asian group of Southeast Asian countries, for example, has become increasingly effective in pressuring China to go slow in

the South China Sea. And whatever the risks of confrontation, I think the United States was right to declare its willingness to use military force to escort shipping in the South China Sea. If China were to interfere with those shipping lanes—blocking the flow of oil to Japan, for example—the global economy would be thrown into crisis.

Americans also need to use the right historical model. China is not bent on international conquest. Beijing may wish to dominate the region, but it does not wish to raise the Chinese flag over Jakarta or Tokyo. Rather, it is like Germany in the run-up to World War I, yearning for greater importance and testing to see what it can get away with. There could be a major war with China, but if so, it will be because of ignorance and miscalculation—in substantial part on the western rim of the Pacific.●

## MEASURE READ FOR FIRST TIME—S. 1500

Mr. SANTORUM. Mr. President, I understand S. 1500, introduced today by Senator BROWN, is at the desk and I ask for its first reading.

The PRESIDING OFFICER. The Senator is correct. The clerk will read the bill for the first time.

The bill clerk read as follows:

A bill (S. 1500) to establish the Cache La Poudre River National Water Heritage Area in the State of Colorado, and for other purposes.

Mr. SANTORUM. Mr. President, I now ask for its second reading, and I object to my own request on behalf of Senators on the Democratic side of the aisle.

The PRESIDING OFFICER. An objection is heard.

## INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1996—CONFERENCE REPORT

Mr. SANTORUM. Mr. President, I ask unanimous consent that the Senate proceed to the conference report accompanying H.R. 1655, the intelligence authorization bill.

The PRESIDING OFFICER. The report will be stated.

The bill clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1655) to authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of December 20, 1995.)

Mr. SPECTER. Mr. President, I am pleased today to present to the Senate the conference report on the Intelligence Authorization Act for fiscal year 1996. This legislation addresses a number of critical issues identified through the oversight process and lays the groundwork for legislation the committee plans to introduce early next year to ensure the intelligence community is organized to effectively address the Nation's critical intelligence needs today and in to the future.

Getting this authorization bill to this point in the process has not been easy, but it would have been impossible were it not for the unflagging efforts and cooperation of the vice chairman, Senator ROBERT KERREY. It has been a pleasure working with the Senator from Nebraska over the past year and I look forward to a productive year ahead. In addition, I want to commend our colleagues on the House Permanent Select Committee on Intelligence, particularly Chairman LARRY COMBEST and the ranking minority member, NORMAN DICKS, for their cooperation and willingness to work with us to produce this bill. We had some tough issues to address and their good faith and determination to seek areas of agreement were critical to the success of our efforts. Finally, I want to recognize the other members of the Senate Select Committee on Intelligence, some of whom have served on this committee for quite some time over the years and whose expertise, interest, and insights have served the committee and its chairman well.

The conference report and statement of managers you have before you today contains a number of significant provisions. Several of the sections address counterintelligence issues highlighted by the Aldrich Ames case. For example, the bill closes a loophole that allowed an employee convicted of espionage to receive money the U.S. Government contributed to his or her thrift savings plan, even though the money contributed to the plan by the employee was forfeited. Similarly, the bill allows a spouse who fully cooperates in an espionage investigation to receive spousal pension benefits, thus removing a disincentive provided by current law. Perhaps most significant in this regard is the provision that will allow the Federal Bureau of Investigation to obtain certain limited information from credit bureaus as part of a duly authorized counterintelligence or international terrorism investigation. Following the money trail is a critical part of these kinds of investigations. The FBI has the authority under current law to look at bank account information of individuals who are part of such an investigation. In order to use this authority, however, the FBI must identify the banks at which the individual maintains accounts. This is often done today through the intrusive and laborious process of going through that individual's trash. This provision allows the FBI to get that information, along with basic identifying information, from a consumer credit report if it meets certain specified requirements. Access to the entire consumer credit report still will require a court order.

This conference report also contains a number of provisions that reflect the changes wrought by the end of the cold war and the reexamination of the role and mission of the intelligence community [IC]. One of the key issues in this context is personnel. The committee has been concerned for some time now that the IC has not done an adequate job of removing poor performers, creating headroom for those who excel, and ensuring that the community has the right mix of skills to accomplish its current and future missions. It is particularly critical that the IC carefully manage the significant downsizing it is currently experiencing. This report calls on the DCI to develop personnel procedures for the committee to consider that include elements for termination based on relative performance and on tie in class.

Another trend in the IC in the post-cold-war environment is the declassification of secrets about which there are no longer national security concerns. The conference report contains significantly greater flexibility for the DCI and we have been assured that the funds now authorized for this activity are adequate to ensure that declassification will proceed expeditiously without sacrificing the care needed to weed out the true secrets.

The conference report also contains the provision from the Senate bill requiring a report on the financial management of the National Reconnaissance Organization. Like so much of the IC budget—about 85 percent, in fact—the NRO budget is under the Department of Defense rather than the Director of Central Intelligence. From what we have learned to date about the problems with NRO accounting practices and management, this bifurcated chain of authority contributed to a situation in which no one adequately supervised the use, for example, of prior year, or carry forward, funds. This committee will continue to monitor NRO's financial management situation until it is satisfied that controls are in place and there is full accountability.

The budget for the IC remains classified, but I can tell you that the funding authorized in the conference report, which incorporates a classified annex, is slightly below last year's level and the administration's request. This is the sixth straight year the budget has been reduced, for a cumulative reduction of 17 percent. The conference did recommend a reallocation of funding to emphasize areas of critical importance. For example, notwithstanding the rhetorical priority placed on critical intelligence topics such as proliferation, terrorism, and counternarcotics, the committee identified areas where insufficient funds have been programmed for new capabilities, or where activities are funded in the name of high-priority targets which make little or no contribution to the issue. In the classified annex accompanying the report,

the conferees recommend a number of initiatives to enhance U.S. capabilities in the areas of proliferation, terrorism, and counternarcotics. Similarly, the IC's capabilities for processing information have lagged behind the collection capabilities and the conference report attempts to address that by shifting funds.

In conclusion, I want to acknowledge the work of the staff of the committee in putting this legislation together and in assisting the committee in its day-to-day oversight of this Nation's intelligence activities. I urge my colleagues to support this bill.

Mr. KERREY. Mr. President, I join with the chairman in strongly recommending that the Senate adopt this conference report on the fiscal year 1996 Intelligence Authorization Act.

This bill continues the efforts of this committee to ensure that the intelligence community is making the changes necessary to adapt to today's world. As our troops enter Bosnia for their peacekeeping mission and policymakers work to ensure there continues to be a peace to keep, we are reminded once again of the importance of a flexible, efficient, and effective intelligence capability to support both national and military needs. It is a very different world from that which challenged the intelligence community during most of its post World War II existence. This conference report reflects the changing role and mission of intelligence. To ensure we can meet the growing demand for timely, actionable intelligence, for example, this bill shifts greater resources into the processing of intelligence, which has failed to keep pace with the collection of information. Similarly, as the threats from proliferation of weapons of mass destruction, international terrorism, organized crime, and international narcotics trafficking take on ever greater importance, the committee has included budgetary recommendations to increase funding in these areas.

The conference report includes all of the provisions contained in the Senate bill, although several of the provisions reflect some changes. In addition, the conference report includes a provision specifying that the Director of Central Intelligence can use up to $25 million for declassifying records over 25 years old, pursuant to a recent Executive order. The House bill had imposed a much tighter limit on the availability of funds for this purpose. The conferees agreed to a revised provision that will allow the DCI to begin this process in a manner that is more likely to produce timely results without compromising national security.

This year has seen great controversy concerning the intelligence community. Some of the problems we are all familiar with include the CIA's relationship with assets in Guatemala who may have participated in or covered up murders, the continuing damage caused by Aldrich Ames' treachery, CIA's withholding from its customers the full details of source information on Soviet and Russian reports, and the National Reconnaissance office's accumulation of funds in forward funding accounts vastly in excess of what they require. These failures and mistakes remind us all of the need for vigilant oversight of intelligence activities, a responsibility which Chairman Specter and I and our colleagues on the committee take very seriously.

These controversies also remind us that intelligence is becoming less of a secret business; there is a conscious process of declassification now ongoing, which is healthy; the actions of our Government should be as transparent as possible, consistent with protecting the lives of the Nation and our people. But there is also a tendency to attack necessary secrecy by means of leaks as if, with the demise of the Soviet Union, the need to protect sources and methods has evaporated and the leaking and publication of classified information is therefore harmless. Mr. President, terrorism, the spread of nuclear and chemical weapons in the world, the Russian and Chinese nuclear forces, international crime and drug trafficking, the intentions of factions in Bosnia to attack our troops—these are not harmless threats, and it is most harmful to reveal the American intelligence sources and techniques employed against those threats. In our oversight tasks we walk a fine line between correcting problems and deficiencies and telling the public as much as we can about the, on the one hand, and protecting necessary secrets, on the other.

This has been a challenging year for the intelligence community. In the midst of significant downsizing, questions about its mission, and what seemed at times to be daily revelations of scandals, the intelligence professionals continued to collect, analyze, and disseminate information to meet the needs of policymakers and the military. All of us can take pride in the quality and dedication of the Americans serving their country in the intelligence community, and I hope the headlines of the moment will not dissuade dedicated, talented young patriots from seeking careers in intelligence. In the coming months the committee will be making decisions about legislation to ensure that the intelligence community is structured to maximize the effectiveness of the efforts of these hard working men and women. The bill before you today is a significant step in that direction and I urge your support.

Mr. PRESSLER. Mr. President, I want to take a moment prior to Senate enactment of the conference report to H.R. 1655, the Intelligence Authorization bill to express my views regarding several provisions that I fear could weaken U.S. sanctions laws and weapons non-proliferation policy.

The proliferation of weapons of mass destruction is the leading security issue facing the United States and its allies. The President himself said so in a speech last year. There is a direct connection between the imposition of sanctions under U.S. and international laws and the volume of weapons trafficking. Strong enforcement of sanctions laws is a critical element of U.S. and international non-proliferation policy. The likelihood of punishment must be high. The commitment of our nation as the principle leader in international non-proliferation efforts must be taken seriously. Our resolve must be unquestioned. To do otherwise would send the worst signal, particularly to terrorist states and rogue groups. In that kind of environment, the very security of the United States may be in question.

It is for that reason that I must express my concerns with H.R. 1655, and more to the point, section 303 of the bill, which would create a new Title IX in the National Security Act. This new title would give the President unprecedented authority to stay the imposition of sanctions related to the proliferation of weapons of mass destruction, their delivery systems, as well as other advanced conventional, chemical or biological weapons. This waiver authority could be exercised if the President determines that the imposition of sanctions ''would seriously risk the compromise of an ongoing criminal investigation directly related to the activities giving rise to the sanction or an intelligence source or method directly related to the activities giving rise to the sanction.''

I am very concerned that with this provision, diplomatic and political pressure may make it impossible for the United States to do the right thing and sanction major offenders.

For the last several years, the proliferation of weapons of mass destruction and the delivery systems of such weapons appears to be intensifying. All this year, we have heard reports that the People's Republic of China has engaged in the proliferation of ballistic missile systems to Pakistan and possibly even Iran—activities that would be sanctionable under the Missile Technology Control Regime, MTCR. China also is reported to be actively involved in the expansion of Pakistan's nuclear program, as well as Iran's drive for nuclear technology.

The fact that all of this reported activity can occur without as much as a threat of sanctions from the United States has led me to believe that we may need to make our sanctions laws tougher. In fact, I am the author of a law that gives the President presumptive authority to impose sanctions against parties that export questionable materials to terrorist countries. This law, which went into effect last year, was designed to give the President the ability to impose sanctions in cases where he simply had reason to believe that weapons of mass destruction or their means of delivery had fallen in the hands of terrorist countries. He need not wait for actual proof. If he

waited, it may be too late. Equally important, the law compels the sanctioned country to come forward to demonstrate that no violation actually took place.

This law, in short, broadens the President's authority to enforce nonproliferation policy. The conference report to H.R. 1655 goes in the opposite direction—it broadens the President's authority to weaken non-proliferation policy.

Mr. President, I recognize that the trafficking of weapons of mass destruction and their related delivery systems takes place out of sight. I also very much respect that fact that intelligence sources and methods designed to monitor a nation's weapons activities are almost always, if not entirely, at risk of discovery. The consequences of such discovery certainly are life-threatening to say the least. Virtually all prosecutions and sanctions are developed from intelligence sources and methods. Therefore, I am very concerned that the conference report would provide the President with a very tempting waiver option—an option that would give the President the opportunity to make a political decision to forego prosecution or to avoid imposition of sanctions, but base it on ''sources and methods.'' In other words, the President would have the opportunity to place political expediency or other factors above our nation's nonproliferation laws. I believe that kind of discretion is a serious mistake.

I raised these concerns to the distinguished Chairman of the Intelligence Committee, Senator SPECTER. I know a number of my colleagues in the House and the Senate expressed similar views. Both the final bill language and the joint explanatory statement of the conference committee attempt to address these concerns. First, the conferees required that Title IX would be in effect for just one year. This limitation was placed to afford the Congress the opportunity to monitor closely the use of this new authority. Second, the conferees make clear that this authority is to be used for its stated purpose—to preserve sources and methods, as well as ongoing criminal investigations when seriously at risk—and ''not as a pretext for some other reason not to impose sanctions such as economic or foreign policy reasons.''

I appreciate the effort made by the conferees to restrict the President's ability to exercise this waiver authority to the purposes stated in the legislation. I also appreciate the conferees' insistence that this provision only be in effect for one year. Despite these efforts, I still believe we are setting a dangerous precedent and opening a Pandora's box that could be difficult to close.

Consider two facts: first, intelligence sources and methods are virtually the only means that allow a President to proceed with sanctions; and second, only the President is in the best position to determine whether or not a source or method is at risk if sanctions are imposed.

These facts lead this senator to conclude that the new Title IX is based on a flawed premise—that Congress has the ability to ensure that the President will not abuse this new discretionary authority to waive sanctions. I say it is flawed because only the President is in a position to determine whether or not a source or method is at risk. This risk determination is subjective—a judgement call. And, again, given that the basis for sanctions comes from sources and methods, the President is given the latitude to consider numerous economic, political or foreign policy implications, but on paper base his conclusion on sources and methods. What methods and resources do we in Congress have to second guess the President should he make a ''sources and methods'' risk determination? Would the Congress even want to second guess the President, given the fact that doing so could be even more dangerous to that intelligence source or method?

The fact is our sources and methods are almost always at risk, to say the least, but until today, our priority always has been the enforcement of our non-proliferation laws.

I am hopeful that in the next year, Congress will closely monitor the President's use of this waiver authority. I urge my colleagues not just to consider the President's ability to comply with the conditions set by the conferees, but also our own ability to ensure that these conditions are in fact followed by the President.

As the world's sole superpower, all nations concerned with the threat of nuclear proliferation look to the United States to lead by example. Vigorous U.S. enforcement of nuclear nonproliferation laws and agreements is crucial to the security of all people. I am very concerned that the conference report sets a bad precedent that could undermine vigorous enforcement in the year ahead, and even beyond if Congress allows the law to continue. I intend to follow this matter very closely in the year ahead. It is my hope that tough, consistent enforcement of our non-proliferation laws will not be sacrificed.

Mr. SANTORUM. Mr. President, I ask unanimous consent that the conference report be deemed agreed to; that the motion to reconsider be laid on the table; and that a statement on behalf of Senator SPECTER be placed at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the conference was deemed agreed to.

## COMMENDING THE CIA'S STATUTORY INSPECTOR GENERAL

Mr. SANTORUM. I ask unanimous consent that the Senate proceed to the immediate consideration of Senate Resolution 201 submitted earlier today by Senator SPECTER and Senator KERREY.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

A resolution (S. Res. 201) commending the CIA's statutory Inspector General on his 5-year anniversary in office.

The Senate proceeded to consider the resolution.

Mr. WARNER. Mr. President, it is with great pleasure that I join my former colleagues on the Senate Intelligence Committee in co-sponsoring a resolution commending the fine work of the CIA's Inspector General, Fred Hitz, and congratulating Fred on his 5-year anniversary as the first Senate-confirmed Inspector General at the CIA. I had the honor of working with Fred's father many years ago, and I would like to say that Fred is admirably carrying on his family's very fine tradition of public service.

During the majority of my tenure on the Intelligence Committee and, in particular, during my service as Vice Chairman of the Committee from 1993 until January of this year, I enjoyed the benefit of Fred Hitz's wise counsel. Fred's integrity, objectivity, and fine investigative skills have served the CIA well as the Agency has confronted a number of serious problems in recent years.

Of special note, the Inspector General's comprehensive investigation of the Aldrich Ames spy case provided the Intelligence Committee, and indeed, the Nation, with the details of Ames 9-years of treachery, and insight into the problems at the CIA which allowed Ames' activities to go undetected for so long. The Committee relied heavily on the fine work performed by Fred Hitz's office in making its recommendations for how to correct the problems which the Ames case brought to light. Hopefully, the combined efforts of the CIA's IG and the Senate Intelligence Committee will serve to severely lessen the likelihood that this nation will be faced with another Ames case in the future.

Under Fred Hitz's leadership, the CIA's Inspector General's office has become an effective, objective and independent institution upon which the Members of Congress have come to rely.

I congratulate Fred on reaching this milestone in his illustrious career, and I look forward to many more years of working together on intelligence issues which are so vital to the national security of the United States.

Mr. SPECTER. Mr. President, I rise to introduce a resolution on behalf of myself, Senator KERREY of Nebraska, Senator GLENN, Senator BRYAN, Senator ROBB, Senator JOHNSTON, Senator CHAFEE, Senator BAUCUS, Senator WARNER, Senator KERRY of Massachusetts, Senator SHELBY, Senator GRAHAM of Florida, Senator KYL, Senator LUGAR, Senator INHOFE, Senator BYRD, and Senator DEWINE commending the Central Intelligence Agency's statutory Inspector General on his 5-year anniversary in office.

Mr. President, the CIA's statutory inspector general is an issue that is near and dear to me, particularly since it was at my initiative that this office was established. I, along with a good number of my Senate colleagues who served both on the Iran-Contra Committee and the Senate Select Committee on Intelligence, had voiced concern with the need for objectivity, authority, and independence on the part of the CIA's Office of Inspector General. And, working in close collaboration with my colleague Senator GLENN, we crafted a provision that in 1989 was included in the Intelligence Authorization Act of fiscal year 1990—subsequently enacted into law—to establish an independent, Presidentially appointed statutory inspector general at the CIA. In November, 1990, the Honorable Frederick P. Hitz was formally sworn in as the CIA's first statutory inspector general.

As chairman of the Senate Select Committee on Intelligence, I am pleased to report to my colleagues that in the 5 years since Fred Hitz was sworn in as the CIA IG, the committee has noted a vast improvement in the effectiveness and objectivity of that office. This has been due in no small measure to the capable leadership of Fred Hitz. While the committee has not always agreed with the judgments of the CIA inspector general's office, the CIA IG has been fearless in taking on difficult and controversial issues such as BCCI, BNL, the Aldrich Ames case, and CIA activities in Guatemala—just to name a few. And the work of Fred Hitz's shop has been an invaluable supplement to our committee's intelligence oversight role.

Mr. President, there was fierce resistance to the creation of a statutory inspector general at the Central Intelligence Agency, and there continues to be strong resentment of an independent IG in certain quarters of the CIA to this day.

This should come as no surprise. It is hard to think of another Federal agency in the U.S. Government more institutionally resistant to having an independent inspector general than the CIA. Accordingly, I believe that any CIA IG worth his or her salt would be about as popular as Fred Hitz currently is with some of his present and former CIA colleagues. It is a mark of his tenacity and integrity that Fred and his office continue to tackle the IG's mission of serving as an independent fact-finder and, when necessary, a critic of CIA programs and operations.

Mr. President, the statutory CIA inspector general has made the Central Intelligence Agency more accountable to the American people. I and my Senate colleagues wish to acknowledge and commend the fine work of this office, and congratulate Fred Hitz on his 5-year anniversary as the first statutory CIA inspector general.

Mr. KERREY. Mr. President, I rise to join my distinguished chairman, Senator SPECTER, in introducing this resolution to acknowledge the important role of the Central Intelligence Agency's statutory inspector general's office and noting the excellent work of Fred Hitz—the first CIA statutory IG who has recently celebrated his 5-year anniversary in this challenging position.

There was, to say the least, some skepticism about the wisdom of creating the statutory IG office at the CIA. Indeed, no one should be surprised that there was little support in the Agency for the creation of a statutory inspector general office. But fortunately, Senator SPECTER and Senator GLENN and others convinced the Senate to support this idea, and the office was created. Yet even after enactment, there was still resistance to an independent fact-finder within the Agency, and some of its persists even today.

The CIA has a proud but insular culture which tends to resist the scrutiny of an independent examiner. Also, because CIA operates in secret and undertakes—at the request and direction of policymakers—activities which the United States must deny, the additional oversight of an independent IG is essential. To perform this oversight effectively and honestly means to occasionally render strong criticism. Those who are criticized are sometimes offended. Their response to criticism ranges from the stoic silence we associate with CIA, to both attributable and anonymous counter-criticism of Mr. Hitz.

Mr. President, criticism of the IG by past and present CIA employees suggests to me that Mr. Hitz has been doing his job in the spirit Congress intended. I do not claim, nor would Mr. Hitz claim, that he has done his job perfectly. Few of us attain such a level of performance. I and some other members of the Intelligence Committee have not always agreed with his conclusions in particular investigations. But I would claim the CIA is a stronger, more effective organization today because he has been a strong, independent IG, as Congress envisioned.

Congress' own oversight of intelligence activities would be much more difficult without the insights provided by an independent IG. At the same time, an independent IG must not contribute to a climate in which CIA is afraid to take risks when vital U.S. interests are at stake. An independent IG must not create an internal empire of inspectors which has the same chilling effect on creative action in Government that excessive regulation has on business. Like the congressional oversight committees, a good IG must ensure that the Agency acts in accordance with U.S. law and U.S. values without inhibiting the Agency's ability to act boldly.

From what I see from the vantage point of the Intelligence Committee, Fred Hitz has been that kind of IG. I congratulate him on his completion of 5 years of service and I congratulate my colleagues who 5 years ago envisioned what we now agree is a very necessary job.

Mr. SANTORUM. I ask unanimous consent that the resolution be agreed to, the preamble be agreed to, the motion to reconsider be laid upon the table and any statements be placed in the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The resolution (S. Res. 201) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 201

Whereas, because of its concern with the need for objectivity, authority and independence on the part of the Central Intelligence Agency's Office of Inspector General, the Senate in 1989 included in the Intelligence Authorization Act of Fiscal Year 1990—subsequently enacted into law—a provision establishing an independent, Presidentially-appointed statutory Inspector General at the CIA;

Whereas in November, 1990, The Honorable Frederick P. Hitz was formally sworn in as the CIA's first statutory Inspector General;

Whereas the CIA's statutory Office of Inspector General, under the capable leadership of Frederick P. Hitz, has demonstrated its independence, tenacity, effectiveness and integrity; and

Whereas the work of the CIA Office of Inspector General under Mr. Hitz's leadership has contributed notably to the greater efficiency, effectiveness, integrity and accountability of the Central Intelligence Agency: Now, therefore, be it

*Resolved*, That the Senate expresses its congratulations to Frederick P. Hitz on his 5-year anniversary as the first statutory CIA Inspector General and expresses its support for the Office of the CIA Inspector General.

SEC. 2. The Secretary of the Senate shall transmit a copy of this resolution to Frederick P. Hitz.

## MEASURES INDEFINITELY POSTPONED—S. 1315 AND S. 1388

Mr. SANTORUM. Mr. President, I ask unanimous consent that Calendar No. 287, S. 1315, and Calendar No. 288, S. 1388, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

## FARM CREDIT SYSTEM REFORM ACT OF 1996

Mr. SANTORUM. I ask unanimous consent that the Committee on Agriculture be discharged from further consideration of H.R. 2029 and that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report.

The legislative clerk read as follows:

A bill (H.R. 2029) to amend the Farm Credit Act of 1971 to provide regulatory relief.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

AMENDMENT NO. 3109

(Purpose: To provide a complete substitute.)

Mr. SANTORUM. Mr. President, I send a substitute amendment to the

desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Pennsylvania [Mr. SANTORUM], for Mr. LUGAR for himself and Mr. LEAHY, proposes an amendment numbered 3109.

Mr. SANTORUM. I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. LUGAR. Mr. President, I rise in support of H.R. 2029, the Farm Credit System Reform Act of 1996. The bill makes changes to the authorizing legislation for the Federal Agricultural Mortgage Corporation [Farmer Mac] to afford it a final opportunity to establish a successful secondary market for agricultural loans. Its future is seriously threatened and without this corrective legislation, the benefits it offers farmers, ranchers, and rural homeowners may be lost. Farmer Mac was established to encourage a stable and highly competitive lending environment for rural America, an environment that must be preserved.

The bill also provides changes to the underlying statute for the cooperative Farm Credit System [FCS] to provide relief from outdated and unnecessary regulations. These changes will give FCS more flexibility in its operations and allow it to provide competitive loan rates and improved service. The bill also extends the U.S. Department of Agriculture's interest rate reduction production on guaranteed farm loans. This program is an important tool used to transfer direct loan borrowers to guaranteed loans, eventually leading to borrower graduation from Federal support. Finally, the bill will authorize a new foundation to facilitate creative solutions to soil and water conservation problems. This foundation will be funded primarily through private donations.

Farmer Mac is responsible for providing farmers, ranchers, and rural homeowners with access to a stable and competitive supply of credit for mortgage loans. It is a privately owned and operated corporation created by Congress in 1988. Farmer Mac is known as a Government sponsored enterprise, similar to Sallie Mae and Fannie Mae, which employ private capital to establish business operations charged with specific responsibilities to carry out public policy. Farmer Mac, which began operations after the enactment of the Agricultural Credit Act of 1987, raised $21 million in private capital from banks, insurance companies, and Farm Credit institutions to fund the development and operation of a secondary market. No Federal funds were invested in the original capitalization of Farmer Mac and no Federal funds have ever been appropriated to support any facet of its operation. In fact, Farmer Mac pays the Farm Credit Administration annual assessments to cover the cost to the Government of regulating the secondary market.

Farmer Mac must make a profit to support its operations or its capital base will eventually be exhausted. Should the capital base erode—it is currently down to about $11 million—the original investors would lose their investments and the secondary market would terminate. Termination of Farmer Mac would deny rural Americans access to competitive long-term fixed rate mortgages at a time when budget reductions and changes in Government housing and agricultural policy will place increased pressure on farmers, ranchers, and rural homeowners to reduce expenses to remain competitive.

The successful Fannie Mae and Freddie Mac residential mortgage secondary markets were used as the structural design for Farmer Mac. However, certain distinctions were made that have become obstacles to Farmer Mac's success: First, the requirement that Farmer Mac operate its program through poolers, and Second, the requirement that every Farmer Mac loan be backed by a minimum 10-percent subordinated participation interest. The bill repeals both of these obstacles. Nine poolers have been certified since 1990. However, the poolers have only submitted six pools of qualified loans, totaling $790 million, for guarantee under the program. The limited participation has prevented the program from generating enough income to support its cost of operation. Under H.R. 2029, Farmer Mac will now be permitted to purchase and pool loans itself, and the 10-percent cash reserve requirement is eliminated. The removal of these impediments will make Farmer Mac's structure essentially identical to other successful GSE's.

In addition, the legislation: extends the time period before the Farm Credit Administration may promulgate risk-based capital regulations to 3 years after the date of enactment; provides a time triggered transition period to increased minimum and critical capital requirements; requires Farmer Mac to increase its core capital to at least $25 million within 2 years or curtail its operation; and provides procedures for the Farm Credit Administration to liquidate Farmer Mac's operation in the event it fails to establish a successful secondary market.

It has become apparent that after almost 6 years of operation, Farmer Mac's statutory structure will not work. This important piece of legislation gives Farmer Mac everything it needs to succeed for the sake of rural Americans.

The bill also removes undue regulatory burden placed on the Farm Credit System and provides the System greater flexibility in its operations to offer its borrowers competitive loan rates and improved service.

This portion of the legislation provides that FCS borrower stock and borrower rights requirements do not apply for 180 days to loans designated for sale to the secondary market; allows FCS associations to form administrative entities; provides for rebating to System banks excess amounts in the Farm Credit System Insurance Fund after 8 years of interest earnings accumulate on top of the System's secure capital base; provides procedures for allocating to System banks and to other institutions holding Financial Assistance Corporation [FAC] stock excess amounts in the Farm Credit System Insurance Fund until $56 million is repaid; provides authority to prohibit or limit golden parachute payments to System executives; and repeals the requirement for establishing a new board of directors for the Farm Credit System Insurance Corporation and retains the current board structure.

The FAC stock provisions lay to rest a long standing controversy in the Farm Credit System. Beginning in 1984, the System came upon hard times due to the credit crisis in farming and System associations were required to purchase FAC stock for the amount of unallocated retained earnings exceeding 13 percent of their total assets to assist in rescuing the floundering system. The associations which had a high level of capital in relation to their loan volume were affected most. Many associations believe that they and their borrowers were required by the Agricultural Credit Act of 1987 to carry a disproportionate share of the System's self-help burden. The substantial depletion of capital resulting from the assessment caused associations to increase interest rates to their customers. The assessment was challenged by 21 production credit associations shortly after the enactment of the 1987 legislation. However, the U.S. Court of Appeals affirmed the authority of Congress to impose the assessment in June 1992. Legislation in 1988 and 1989 permitted the return of $121 million to the FAC stockholders of the more than $177 million collected from System institutions.

Many in Congress believe that the assessments and mandatory purchase of FAC stock represented a commitment to the future of the Farm Credit System. It was the inherent responsibility of System institutions to join the Federal Government to bail out the System in exchange for continued agency status for their debt securities. The compromise included in this bill permits the repayment of $56 million to the remaining FAC stockholders and terminates the Financial Assistance Corporation trust upon full repayment of that sum. I support this compromise and I am pleased that this controversy has been amicably resolved.

Preserving and making more efficient a system that provides rural America access to stable and competitive credit is of the utmost importance. Farmer Mac can make an important

contribution to this goal. This legislation is a final congressional effort to make Farmer Mac viable. Legislative restrictions may have hobbled the institution until now. If the new authorities do not prove sufficient, it will be time to declare Farmer Mac a failed experiment. The bill before us provides for orderly procedures in this event.

I urge my colleagues to support this important piece of legislation.

Mr. LEAHY. I rise at this time to engage the gentleman from Indiana, the chairman of the committee, in a colloquy.

Mr. LUGAR. I would be pleased to engage the Senator in a colloquy.

Mr. LEAHY. It is my understanding that the legislation before us today includes provisions designed to provide relief to institutions of the Farm Credit System from the paperwork, costs, and other burdens associated with unnecessary and archaic regulatory requirements placed on such institutions under current law. It is also my understanding that similar legislation to provide regulatory relief to the commercial banking industry is also under consideration by the Congress.

Mr. LUGAR. The Senator is correct.

Mr. LEAHY. It is also my understanding that the legislation before the Senate includes amendments to title VIII of the Farm Credit Act of 1971 to modernize, expand, and make other improvements in the Federal charter and authorities of the Federal Agricultural Mortgage Corporation so that this entity, commonly known as Farmer Mac, can better provide credit to agricultural borrowers through commercial banks and other lenders.

Mr. LUGAR. The Senator is correct.

Mr. LEAHY. It is my further understanding that this legislation includes an agreed-upon compromise to address once and for all the issue of the return of the remaining 32 percent of the one-time self-help contributions paid by Farm Credit Systems banks and associations to help capitalize the Financial Assistance Corporation. The institutions that were assessed these contributions were designated as holders of stock in the Financial Assistance Corporation, commonly referred to as FAC stock. Is it not true that this stock, in and of itself, has no value, and that the holders of this stock have no legal claim, either now or in future, against any party in association with this stock, beyond any that may arise as a result of the specific provisions of the bill before us today?

Mr. LUGAR. The Senator's understanding is absolutely correct.

Mr. LEAHY. I am disappointed that the bill before us today does not include amendments to the remaining titles of the Farm Credit Act of 1971 to provide similar modernization, expansion, and improvements to the Federal charter and other authorities of the remaining institutions of the Farm Credit System. These banks and associations of the Farm Credit System provide a needed source of credit to the farmers, ranchers, their associations, and cooperatives across rural America. The System also provides financing for agricultural exports, rural water and waste, and other rural enterprises. Does the chairman have any plans to comprehensively review the authorities of these other institutions regulated under the Farm Credit Act of 1971 with an eye toward providing for the similar modernization, expansion and improvement of their Federal charter and other authorities?

Mr. LUGAR. Yes, it is my intention next year to work with the gentleman from Vermont and other interested Members to conduct a comprehensive review by the Committee on Agriculture, Nutrition, and Forestry of the authorities of the institutions regulated under the Farm Credit Act of 1971, other than Farmer Mac, consistent with the jurisdiction of the committee. The stated goal of this review will be to develop legislation to provide for the modernization, expansion, and improvement of their Federal charter and other authorities of the institutions of the Farm Credit System. Such legislation, if warranted by our review, could provide for enhanced agricultural, business, and rural development financing across the United States.

Mr. LEAHY. I thank the Senator for his cooperation on the bill before us today and look forward to working with him next year on the important Farm Credit System modernization legislation he has just described.

Mr. SANTORUM. Mr. President, I ask unanimous consent that the amendment be agreed to and the bill be deemed read a third time and passed, and the motion to reconsider be laid upon the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the amendment (No. 3109) was agreed to.

So the bill (H.R. 2029) was deemed read the third time and passed.

So the title was amended so as to read: An Act to amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes.

## MEASURE READ THE FIRST TIME—HOUSE JOINT RESOLUTION 134

Mr. SANTORUM. I inquire of the Chair if the Senate has received from the House House Joint Resolution 134?

The PRESIDING OFFICER. It has been received.

Mr. SANTORUM. I ask the joint resolution be read for the first time.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

A joint resolution (H.J. Res. 134) making further continuing appropriations for the fiscal year 1996, and for other purposes.

Mr. SANTORUM. I now ask for its second reading and object to my own request on behalf of Senators on the Democratic side of the aisle.

The PRESIDING OFFICER. The bill will be read a second time on the next legislative day.

## ORDERS FOR FRIDAY, DECEMBER 22, 1995

Mr. SANTORUM. I ask unanimous consent that when the Senate completes its business today it stand in adjournment until the hour of 10:15 a.m. on Friday, December 22, that following the prayer, the Journal of proceedings be deemed approved to date, no resolutions come over under the rule, the call of the calendar be dispensed with, the morning hour be deemed to have expired, and the time for the two leaders be reserved for their use later in the day.

The PRESIDING OFFICER. Without objection, it is so ordered.

## PROGRAM

Mr. SANTORUM. At 10:15 a.m. the Senate will begin 30 minutes for closing debate on the veto message to be followed by 30 minutes for closing debate on the welfare conference report. Two back-to-back votes will occur beginning at 11:15 on both issues. Following the two back-to-back votes, the Senate will begin the START II treaty. The Senate could also be asked to consider available appropriations bills, other conference reports, and other items due for action. Rollcall votes are therefore expected throughout the session of the Senate on Friday.

## POSTPONEMENT OF CLOTURE VOTE

Mr. SANTORUM. Mr. President, I further ask unanimous consent that the cloture vote scheduled for today be postponed to occur at a time to be determined by the two leaders on Friday.

The PRESIDING OFFICER. Without objection, it is so ordered.

## ORDER FOR ADJOURNMENT

Mr. SANTORUM. If there is no further business to come before the Senate, I now ask that the Senate stand in adjournment under the previous order, following the remarks of the Senator from Pennsylvania.

The PRESIDING OFFICER. Without objection, it is so ordered.

## PERSONAL RESPONSIBILITY AND WORK ACT OF 1995—CONFERENCE REPORT

The Senate continued with consideration of the conference report.

Mr. SANTORUM. Mr. President, again I want to restate my admiration for the Senator from Delaware and for the members of the Finance Committee staff for their tremendous work in this legislation and for hastily preparing Members for this debate this evening that was not expected until tomorrow.

I want to also thank Senator CHAFEE, who really worked diligently during the conference between the House and the Senate on behalf of points that the

Senate stood very strongly in support of—things like the maintenance of efforts provision, which there was a lot of concern on both sides of the aisle, and child care funding and the SSI provisions. Those three points could have, I think, caused significant problems had we not held very closely to what the Senate provisions were, and I think we have done that in all three cases. I think Senator CHAFEE should be commended for his work.

I also want to congratulate Senator DOMENICI for not just his work on the welfare reform bill, but in all the conferences that he had to deal with and his action on the welfare issue when Senator CHAFEE helped the resolution of the bill move toward the Senate bill. That is probably one of the most important things I wanted to stress about this bill.

It may sound like you are lauding yourself here, but in a sense the Senate did a very good job of arguing for its positions in the welfare conference. I think most folks who look at this from the outside will see that, of the two bills that went in, the one bill that came out looks a heck of a lot more like the Senate bill than it does the House bill. I think that is a wise course to take.

The Senate bill is a more moderate bill, but it is still a very dramatic reform and one that I think will set this country on a proper course of putting the ladder back down, all the way down, to allow even those at the lower social strata of our country today and income strata of our country today, to climb that ladder up to opportunity and success and change the entire dynamics of welfare from one that is looked upon by those now who are in the system and who pay for the system disparagingly.

Welfare is not a word, when it is uttered, that is given any kind of respect. Nobody says the word ''welfare'' and thinks, ''Wow, what a great system.'' Or, ''Gee, this is something that is really necessary, that works.''

That is sad. It is sad for the people who have to pay the taxes to finance it. It is also sad for the people who find themselves caught in it, to be stigmatized by this system that has failed. It may not have failed them particularly. In fact, many people have gotten onto the welfare rolls and come off stronger and better. But those cases happen not as often as we would like to see. We would like to see the changing of the stigma of welfare to a program that, when you look at it, you can be proud of it. When you see your dollars invested in it, you see dollars invested in a system that truly does help people and that is marked with more successes than failures.

While there have been successes, they simply do not match up. I think we can look at the overall decline in our poor communities as evidence of that.

I want to debunk a couple of myths here to begin with, and then go into the specifics of the legislation, because as I said before, the point I wanted to make here, more than anything else, is if you were someone who voted for H.R. 4 when it passed the Senate, you have to do a pretty good stretch to vote against this conference report. You have to think up a lot of reasons that, frankly, do not exist to vote against this conference report. Because the bills are very similar and, in fact, there were things adopted in the conference report that even moved more toward the Democratic side of the aisle than were in the original Senate-passed bill.

That is why I am somewhat at a loss and I am hopeful—I should not say that. I am not hopeful. I would like to think that the President, when he takes a second look at this legislation in its entirety and matches it up with H.R. 4 that passed the Senate, which he said he would sign, that again he would have a big stretch to find some fatal flaw in the conference report that did not exist in the bill that he said he would sign.

Let me debunk a couple of myths. No. 1, that we are cutting welfare. We are not cutting welfare. This is the same idea that is being perpetrated on the American public with ''We are cutting Medicare.'' We are not cutting Medicare, Medicare increases over 7 percent a year for 7 years. It is a mantra that comes out. I do not even think about it. It spews forward because we are constantly defending the ''cuts in Medicare.'' We will be charged with cutting welfare, leaving people homeless and not providing support.

I refer my colleagues to this chart, which shows that welfare spending from 1996 to the year 2000 will go up under current law at 56 percent, that is 5.8 percent per year. That is almost three times the rate of inflation. Under the Republican bill, this bill that some will label draconian and mean-spirited and not caring about children and all the way—it goes up 34 percent over the next 7 years, or 4 percent a year, almost twice the rate of inflation.

So you do not think that the increase is based on an increase in the amount of people going on welfare programs, you will see that the per capita increase in welfare spending—what we are spending on what is estimated to be the welfare population —also goes up over the next several years and continues to go up. That is in spite of the fact that we have a very sharp disagreement between the Congressional Budget Office, whose numbers this is based upon, and the Department of Health and Human Services, as to what the welfare caseload will be over the next several years.

These numbers are based on the Congressional Budget Office, which suggests that the welfare caseload will, in fact, remain constant over the next 7 years. Even though with changes in SSI, with other changes in AFDC, with the block-granting, with the work requirements, we have seen a dramatic drop in States that have implemented these kinds of work requirements—Wisconsin and Michigan, for example—in welfare caseload. CBO does not account for that. They say it is going to be constant.

The Department of Health and Human Services, by the way, suggests that the welfare caseload over the next 7 years will drop by 50 percent. This is getting ridiculed for one thing but getting scored for the other. You get ridiculed by the White House for cutting welfare rolls by 50 percent over the next 7 years and therefore cutting off children and women and all these things, yet for the purposes of determining how much money you are spending per child the Congressional Budget Office says that welfare caseload is going to remain constant. So you lose on both ends in this situation, which is unfortunate for this debate.

But I think it points out that there is certainly room to believe that welfare caseload will go down, and with the programs that we have in place, the block granted programs with finite dollars, that the spending per family will actually increase more than this, that there will be more money for States to do the things that those on the other side, who oppose this bill, want—because there are many who voted for the original Senate bill who say there is not enough money for child care or there is not enough money for work.

As I suggested to the Senator from Massachusetts, we are not cutting child care in this bill. We are increasing child care above what is in current law, as we should. We are requiring work, which we have not heretofore. So we are increasing child care almost $2 billion over the next 7 years to compensate for those who will have to work to receive welfare benefits.

I will remind Members here that, under the current provisions in this bill, no one will be required to work unless the State opts out of this formula for 2 years. So, most of the child care burden and the participation rate starts out at, I believe, 30 percent and phases up to only 50 percent of the entire caseload. So we are not saying ''everybody this year.'' In fact, under the bill the block grant scheme does not go into effect until October of 1996. That is a change from the Senate bill. As I said, there are certain things in the bill that will be attractive to the other side of the aisle. One of them is that the block grant does not go into effect immediately, as it would have under the Senate bill. It does not go into effect until October 1. So we keep the Federal entitlement for another three quarters of a fiscal year. And it does not go into effect until October 1. So that is a plus, I would think, for some Members on the other side.

The child care money that is there, and the work money that is there, we believe is more than sufficient to cover the anticipated caseload given the participation rates, the delay in people having to work, and the delay in the program itself, of 2 years, before anyone even in the program has to work.

That is why, with respect to child care, we have backloaded the money. The reason we backload the money is because that is when more people will be required to work and that is when they, the States, will need the money for day care. We think that is a logical way to accomplish it. Some would suggest that we are skimping a little bit in the early years. The Senator from Massachusetts thinks that is wrong. I think that is a very wise allocation of resources on the part of the proponents of this legislation.

With respect to the work requirements, we have cut work requirements. One of the things that many Members on the other side of the aisle supported in this bill and were a bit dismayed about with the original Finance Committee bill was that it did not have tough work requirements. We have those same tough work requirements in this bill.

We believe with the evidence of other States, Michigan as I said, before, Wisconsin, and others, that caseload does decline when you require work. Many people who would otherwise get on the rolls who know that they have to go to work opt to go to work instead of getting on the rolls. We have seen that happen.

We believe there will be more than enough money. Again, we do something that we think is very important. We allow for fungibility. We allow for flexibility of States to move money from one area to another where the States determine where their greatest need is, with the exception of child care because we have seen that is a very crucial item. So we do not allow that money to be used for other purposes. We in a sense have a one-way battle. Money can come in for more child care but no more money than was originally dedicated for child care can go out. Again, it is a concession to the other side of the aisle for their paramount, and I think legitimate, concern for child care.

Another thing we did different than the Senate bill, I think many Members on the other side of the aisle would appreciate, is we separate child care out into a separate block grant. In the original Senate bill it was included with the other block grants. There was some concern about the long-term integrity of that fund if it was included. So we have now separated out child care as a separate block grant unto itself which again is something that many Members on the other side of the aisle wanted. As I said before, we put more money in child care.

The Senate bill that passed here had $15.8 billion in child care for 5 years. Our bill had $16.3 billion for 5 years—more money in 5 years, and more money for 7 years; $5 billion more; again, almost $2 billion more than current law.

Another big thing that the other side of the aisle took sort of a last stand on was the idea of maintenance of effort, maintaining the States' contribution to their welfare program—the fear that some would argue, its legitimacy. But I side with them. I think there is legitimate fear here that States would race to the bottom. They would take the Federal dollars, eliminate the State contribution, and really squeeze their welfare program down to just where the Federal dollar is contributing and no State contribution.

What we have said is in the Senate bill that passed that States would maintain 80 percent of their effort for 5 years. The Senator from Louisiana, Senator BREAUX, called for an amendment that increased it to 90 percent. The reason he said that is because he was afraid in going to conference with the House, which had a zero maintenance of effort provision—they did not have any maintenance of effort provision—that we had to get to 90 percent simply to go to conference so we can bargain because we probably only would end up with a 45 percent—halfway, or 50 percent—maintenance of effort. We came out of the conference not with 50 percent, 60 percent, or 70 percent, but a 75-percent maintenance of effort which was the original request of those who were working on the provision here in the Senate in the first place. They only went to 80 because they wanted a negotiated position. It succeeded. They ended up with 75 which is what they wanted in the first place. So maintenance of effort is as Members wanted it in the Senate bill.

So, again the two major provisions that caused acrimony in dealing with this bill—child care and maintenance of effort—one was solved in conference to the benefit and even more generous than came out of the benefit, again the Senate bill. The other is exactly where the Senate wanted it in the first place, 75 percent over the term of the bill.

So, again I wonder where the problem is or may be found for Members on the big issues because on the big issues, on the real hot buttons, we are in sync with where the Senate was when the bill passed. All the same requirements are there. The 50-percent participation standard by the year 2000, something the other side wanted and we wanted; no family can stay on more than 2 years.

Remember, ending welfare as we know it, requiring work after a period of time, and then cutting off benefits after a period of time, something candidate Clinton campaigned on when he ran in 1992 as the new Democrat, is in this bill as passed by the Senate.

We allow States to exempt families with children under 1 year of age from working, something that was advocated by the Democrats and kept in in the conference. States that are successful in moving families into work can reduce their own spending. We do allow for flexibility. But the more people you get into work the lower you can reduce your maintenance of effort because you have obviously accomplished the goal of the program, which was to get people working.

As far as money is concerned, a lot of concern about growth funds and contingency funds, loan funds—the loan fund is the same as it passed the Senate. The contingency fund is the same as it passed the Senate. And the population growth fund is roughly the same as passed the Senate. The transferability of funds is the same as passed the Senate. And, again with the exemption of the child care block grant which you cannot touch, the same as passed the Senate. The State option on unwed teen parents, the illegitimacy provision, the same as passed the Senate, a very contentious issue, one that was fought here on the Senate floor, one that was demanded by the House. They had to have the illegitimacy provision as the Senator from North Carolina stated, Senator FAIRCLOTH. They conceded to the Senate position to allow an option to the States to do that. The one concession that we gave—and it is a minor one—is on the family cap provision which is, once you have gotten onto the welfare role, any additional children you have while on welfare you do not get additional dollars for additional children. Several States have implemented that program. What we have said in this bill is that there is an opt out.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. SANTORUM. I ask unanimous consent for an additional 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SANTORUM. I thank the Chair for his indulgence.

We allow the States to opt out of the requirement of a family cap. That may sound tough. We say that you have to have a family cap provision in your welfare. But you can pass legislation in your legislature signed by the Governor that would remove you from that requirement. In actuality, what this provision does, since, as a result of the Brown amendment legislatures and Governors have to pass bills to implement and spend this money, what we in a sense require is a vote on this provision in the legislature. Since the legislature is going to act anyway, all we say here is that the legislature has to make a decision whether to allow a family cap or not, and, if they say no family cap, the family cap goes out. If they want it, it goes in. All we do is force the decision. That is hardly a burdensome addition to this legislation.

We have all sorts of terrific reforms on child support enforcement and maternity establishment and absentee parents. All were in the Senate bill. All were heartily supported by both sides of the aisle. All are in the conference report.

Nutrition programs—in the Senate bill we had a block grant option for States for food stamps. That was not very popular on the Democratic side of the aisle. Many Members did not like the option for food stamps that passed the Senate and objected to it. We have

reduced the opportunity for States to get into a block grant by putting up very stringent accountability requirements for fraud and error rates, tough error rates than frankly most States will be able to meet. So the open ended allowance for block granting food stamps has been really drawn back;

Again, it is something that moves to the Democrat side of the aisle on this bill.

In return for that, the House did not want to block grant the food stamps, but they wanted to block grant nutritional programs for schools, a hotly debated topic. So what we did there is allow a seven-State demonstration project for block granting school lunch programs, a very narrow block granted program with very tough requirement on the State.

We added back, I might add, in response to the Senator from Massachusetts, who said that we dramatically reduced nutrition funding—and, again, this is where maybe the haste in bringing this bill to the floor resulted in faulty information getting into the hands of Senators. We added back $1.5 billion to nutrition programs, the exact amount that many Senators who had been negotiating on this welfare bill on the Democratic side of the aisle asked for—$1.5 billion was asked for; $1.5 billion was put in the nutritional programs.

SSI. This was an interesting area of debate for me because I have worked on this issue now for close to 4 years and was a very contentious issue when Congressman MCCRERY from Louisiana and Congressman KLECZKA from Wisconsin and I broached this situation in the Ways and Means Committee, and we have come a long way since then. In fact, we came so far that the SSI provisions that are included in this bill were the same SSI provisions that were included in the Democratic alternative welfare bill. There was not an amendment in the Chamber discussing the reduction of the number of children, drug addicts, alcoholics who qualify for SSI.

I have heard in some of the reports, criticisms from some now saying that we cut children off SSI. I would just suggest that the same children that are removed from the SSI rolls under this bill were the same children that were removed from SSI under the bill that I believe every Member of the other side of the aisle voted for, their own substitute—same language.

So there is no argument there, I do not believe, unless there is a newfound argument. Very legitimate change in the SSI Program due to a court decision which we have discussed on the floor many times. We have, in fact, loosened the provisions in this bill from the provision that passed the Senate just a few months ago.

We said with respect to noncitizens in SSI that they would never be eligible for SSI until they had worked 40 quarters and would be eligible through the Social Security System. We now allow for people who are noncitizens, legal noncitizens to qualify for SSI benefits if they become a citizen.

So citizenship, something many Members on the Democratic side of the aisle voted for in an amendment that was here that was narrowly defeated in the Chamber, we have now conceded the point that they lost here on the Senate floor and loosened the eligibility requirements for SSI, another reason we have moved more toward them as opposed to away from them in this bill.

One thing that we did add is we added to the SSI requirement for legal noncitizens—I should not say requirement, the SSI ineligibility for legal noncitizens, the State has an option as it did in the original bill to eliminate cash welfare, Medicaid and title 20 services if they so desire.

If you look at probably the last argument that Members of the other side will have in searching for reasons not to vote for this legislation, it will be that we end the tie between welfare, people on AFDC and Medicaid. For the clarification of Members, if you qualify for AFDC, you automatically as a result of your eligibility for AFDC become eligible for an array of benefits—food stamps, Medicaid, potentially housing.

What we have done, since we are block granting Medicaid to the States, we are going to say to the States that they will be able to determine eligibility for their program. And that includes whether they want to make people who are on AFDC eligible for their program.

Obviously, most Governors will tell you that they will. But even if they do not, which I think is unlikely, but even if they do not, the Congressional Budget Office has scored this provision, this decoupling of AFDC and Medicaid, have scored this provision on the following assumption: that all the children who now are on AFDC and qualify for AFDC will qualify for Medicaid under some other provision in law other than AFDC.

So all of the children that are now qualified under AFDC will qualify anyway under some other avenue, and it is so scored. So when you hear the comments over here that all these children will be cut off of health care, not true, not according to the Congressional Budget Office and not according to at least many of the Governors' understanding of the current law.

And again according to the Congressional Budget Office, slightly over half of the women in this program will automatically qualify for Medicaid from some other avenue other than AFDC. The rest will have to qualify under the new State standards. And as I said before, and I think Senator HUTCHISON from Texas said it very well, even though the Governor from Texas went to Yale and not the University of Texas or Penn State, I am sure the Governor of Texas and Governor of Pennsylvania have concern for their citizens and mothers trying to raise children in very difficult circumstances and recognize the need for the State to provide adequate medical attention. And to suggest otherwise I think goes back to the days of thinking of Southern Governors standing in front of the courthouse not letting people in because of the color of their skin. Those days are gone, and I would think that hearkening back to those kinds of days in this kind of debate does not lift the content of the debate to a credible level.

That is it. Those are the differences between H.R. 4, as passed by the Senate, and H.R. 4 as before us now, hardly startling differences that would send people rushing to the exits to get away from this horribly transformed piece of legislation.

This piece of legislation was crafted to pass the Senate with a margin very similar to the margin that passed originally, with those who would examine the content of this legislation and vote for it on its merits not because of pressure from the White House due to an expected veto.

On the merits, this bill matches up very well with what passed just a very short time ago. On the merits, this is a bill that all of us can be proud of, that is going to change the dynamic for millions of citizens to put that ladder all the way down, to create opportunities for everyone in America to climb that ladder, as my grandfather and my father did, who lived in a company town, Tire Hill, PA, right at the mouth of a coal mine, got paid in stamps to use at the company store, and in one generation, in one generation in America lived to see their son in this Chamber. That is the greatness of America. That is what this whole welfare reform bill is all about. I can tell you because I was in those discussions. I have been in those discussions on the House floor 2 years ago. I was in those discussions here during the Senate debate, in the back rooms where we worked on all the details of this bill; we crafted the compromises, every step of the way from the original introduction of the House bill 2 years ago to the final compromise in the conference.

I can tell you with a straight face that when we made decisions on what to put in this legislation, not just the principal, but the sole reason for changing the welfare system from what it is to what I hope it will be was not the dollars that were saved but the people it would help and the lives that would change for the better.

This is not about balancing the budget. This is about creating opportunity and changing the face of America, changing the word ''welfare'' from that disparaged term to one that we can all be proud of, that we can all say, yes, America can work to help everybody reach up for more.

Mr. President, I yield the floor.

## ADJOURNMENT UNTIL 10:15 A.M. TOMORROW

The PRESIDING OFFICER. Under the previous order, the Senate stands adjourned until 10:15 a.m., December 22.

Thereupon, the Senate, at 9:56 p.m., adjourned until Friday, December 22, 1995, at 10:15 a.m.

## NOMINATIONS

Executive nominations received by the Senate December 21, 1995:

### DEPARTMENT OF ENERGY

THOMAS PAUL GRUMBLY, OF VIRGINIA, TO BE UNDER SECRETARY OF ENERGY, VICE CHARLES B. CURTIS.

### EXPORT-IMPORT BANK OF THE UNITED STATES

MARTIN A. KAMARCK, OF MASSACHUSETTS, TO BE PRESIDENT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES FOR THE REMAINDER OF THE TERM EXPIRING JANUARY 20, 1997, VICE KENNETH D. BRODY, RESIGNED.

### THE JUDICIARY

DONALD W. MOLLOY, OF MONTANA, TO BE U.S. DISTRICT JUDGE FOR THE DISTRICT OF MONTANA VICE PAUL G. HATFIELD, RETIRED.

SUSAN OKI MOLLWAY, OF HAWAII, TO BE U.S. DISTRICT JUDGE FOR THE DISTRICT OF HAWAII VICE HAROLD M. FONG, DECEASED.

### IN THE AIR FORCE

THE FOLLOWING-NAMED OFFICERS FOR APPOINTMENT IN THE RESERVE OF THE AIR FORCE, TO THE GRADE INDICATED, UNDER THE PROVISIONS OF TITLE 10, UNITED STATES CODE, SECTIONS 8373, 8374, 12201, AND 12212:

*To be major general*

BRIG. GEN. JAMES F. BROWN, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
BRIG. GEN. JAMES MC INTOSH, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.

*To be brigadier general*

COL. GARY A. BREWINGTON, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. WILLIAM L. FLESHMAN, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. ALLEN H. HENDERSON, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. JOHN E. IFFLAND, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. DENNIS J. KERKMAN, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. STEPHEN M. KOPER, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. ANTHONY L. LIGUORI, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. KENNETH W. MAHON, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. WILLIAM H. PHILLIPS, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. JERRY H. RISHER, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.
COL. WILLIAM J. SHONDEL, 000–00–0000, AIR NATIONAL GUARD OF THE UNITED STATES.

THE FOLLOWING-NAMED OFFICERS FOR PROMOTION IN THE REGULAR AIR FORCE OF THE UNITED STATES TO THE GRADE INDICATED UNDER TITLE 10, UNITED STATES CODE, SECTION 624:

*To be brigadier general*

COL. BRIAN A. ARNOLD, 000–00–0000.
COL. JOHN R. BAKER 000–00–0000.
COL. RICHARD T. BANHOLZER, 000–00–0000.
COL. JOHN L. BARRY, 000–00–0000.
COL. JOHN D. BECKER, 000–00–0000.
COL. ROBERT F. BEHLER, 000–00–0000.
COL. SCOTT C. BERGREN, 000–00–0000.
COL. PAUL L. BIELOWICZ, 000–00–0000.
COL. FRANKLIN J. BLAISDELL, 000–00–0000.
COL. JOHN S. BOONE, 000–00–0000.
COL. CLAYTON G. BRIDGES, 000–00–0000.
COL. JOHN W. BROOKS, 000–00–0000.
COL. WALTER E. L. BUCHANAN III, 000–00–0000.
COL. CARROL H. CHANDLER, 000–00–0000.
COL. JOHN L. CLAY, 000–00–0000.
COL. RICHARD A. COLEMAN, JR., 000–00–0000.
COL. PAUL R. DORDAL, 000–00–0000.
COL. MICHAEL M. DUNN, 000–00–0000.
COL. THOMAS F. GIOCONDA, 000–00–0000.
COL. THOMAS B. GOSLIN, JR., 000–00–0000.
COL. JACK R. HOLBEIN, JR., 000–00–0000.
COL. JOHN G. JERNIGAN, 000–00–0000.
COL. CHARLES L. JOHNSON II, 000–00–0000.
COL. LAWRENCE D. JOHNSTON, 000–00–0000.
COL. DENNIS R. LARSEN, 000–00–0000.
COL. THEODORE W. LAY II, 000–00–0000.
COL. FRED P. LEWIS, 000–00–0000.
COL. STEPHEN R. LORENZ, 000–00–0000.
COL. MAURICE L. MC FANN, JR., 000–00–0000.
COL. TIMOTHY J. MC MAHON, 000–00–0000.
COL. JOHN W. MEINCKE, 000–00–0000.
COL. HOWARD J. MITCHELL, 000–00–0000.
COL. WILLIAM A. MOORMAN, 000–00–0000.
COL. TEED M. MOSELEY, 000–00–0000.
COL. ROBERT M. MURDOCK, 000–00–0000.
COL. MICHAEL C. MUSAHALA, 000–00–0000.
COL. DAVID A. NAGY, 000–00–0000.
COL. WILBERT D. PEARSON, JR., 000–00–0000.
COL. TIMOTHY A. PEPPE, 000–00–0000.
COL. GRAIG P. RASMUSSEN, 000–00–0000.
COL. JOHN F. REGNI, 000–00–0000.
COL. VICTOR E. RENUART, JR., 000–00–0000.
COL. RICHARD V. REYNOLDS, 000–00–0000.
COL. EARNEST O. ROBBINS II, 000–00–0000.
COL. STEVEN A. ROSER, 000–00–0000.
COL. MARY L. SAUNDERS, 000–00–0000.
COL. GLEN D. SHAFFER, 000–00–0000.
COL. JAMES N. SOLIGAN, 000–00–0000.
COL. BILLY K. STEWART, 000–00–0000.
COL. FRANCIS X. TAYLOR, 000–00–0000.
COL. GARRY R. TREXLER, 000–00–0000.
COL. RODNEY W. WOOD, 000–00–0000.

THE FOLLOWING-NAMED OFFICERS FOR APPOINTMENT IN THE RESERVE OF THE AIR FORCE, TO THE GRADE INDICATED, UNDER THE PROVISIONS OF TITLE 10, UNITED STATES CODE, SECTIONS 8373, 8374, 12201, AND 12212:

*To be major general*

BRIG. GEN. WILLIAM A. HENDERSON, 000–00–0000, AIR NATIONAL GUARD.
BRIG. GEN. TIMOTHY J. LOWENBERG, 000–00–0000, AIR NATIONAL GUARD.
BRIG. GEN. MELVYN S. MONTANO, 000–00–0000, AIR NATIONAL GUARD.
BRIG. GEN. GUY S. TALLENT, 000–00–0000, AIR NATIONAL GUARD.
BRIG. GEN. LARRY R. WARREN, 000–00–0000, AIR NATIONAL GUARD.

*To be brigadier general*

COL. JAMES H. BAKER, 000–00–0000, AIR NATIONAL GUARD.
COL. JAMES H. BASSHAM, 000–00–0000, AIR NATIONAL GUARD.
COL. PAUL D. KNOX, 000–00–0000, AIR NATIONAL GUARD.
COL. CARL A. LORENZEN, 000–00–0000, AIR NATIONAL GUARD.
COL. TERRY A. MAYNARD, 000–00–0000, AIR NATIONAL GUARD.
COL. FRED L. MORTON, 000–00–0000, AIR NATIONAL GUARD.
COL. LORAN C. SCHNAIDT, 000–00–0000, AIR NATIONAL GUARD.
COL. BRUCE F. TUXILL, 000–00–0000, AIR NATIONAL GUARD.

# EXTENSIONS OF REMARKS

## AUSA LUNCHEON SPEECH

HON. IKE SKELTON
OF MISSOURI
IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. SKELTON. Mr. Speaker, on October 17, 1995, the new Army Chief of Staff addressed the annual AUSA luncheon here in Washington. Gen. Dennis Reimer stressed the need to have quality and sufficient numbers in the U.S. Army. This speech is set forth herein:

AUSA LUNCHEON SPEECH

(By General Reimer)

Thank you very much, Mr. Paul, for that kind introduction. I must say that I have been on the dais for this luncheon for the last 5 years but not in this particular spot. I also want to say that it's a great view from up here.

This vantage point gives me the opportunity to recognize America's Army—Active, United States Army Reserve, Army National Guard, and DA Civilians—and what a great group they are—what a wonderful group and I'm honored to be part of such an organization.

It also gives me the opportunity to tell our Allies who are here today in great numbers that your presence is important to us. Most of all, we appreciate your support and willingness to carry your share of the load.

To our supporters from Capitol Hill, the Members of Congress, the Professional Staff Members, let me say how much we appreciate all you've done. I know that your choices are not easy but you need to know that all of us are inspired by your willingness to stand up and be counted and your example of dedicated service to our Nation.

To corporate America, thanks for being here. You've been here with us through the good times and the bad and I would just simply say that we need you more now than ever.

To AUSA, 45 years old this year, I must also say thanks for being such a great friend. And thanks most of all for your efforts to improve the quality of life for our soldiers. You have helped us recruit and retain the best soldiers in the world.

And, finally, to all our friends—friends of the United States Army, let me say that your friendship means everything to us.

This is my first opportunity as Chief to address such a large and important audience and I want to share with you some thoughts on Today's Army and where we are headed in the future. As this audience certainly knows, the primary mission of the Army is to be trained and ready to defend the Nation's security and freedom. Clearly, the fundamental responsibility of any Chief of Staff is to ensure that the Army is ready to execute this mission.

Recently I participated in two events which highlighted for me the importance of maintaining a Trained and Ready Army. I was in Hawaii in early September for ceremonies celebrating the 50th Anniversary of the end of the War in the Pacific. I was also fortunate to participate in a ceremony dedicating the Korean War Memorial in late July. The contrast between these two events, separated by less than 5 years in history, was striking. I could not help but reflect on the differences the 5 years between the end of World War II and the outbreak of the Korean War had made on our Army. In August 1945, the American Army was the largest and most powerful Army in the world. Its 89 divisions had been instrumental in destroying the military might of the Axis powers—a tribute to the millions of brave men and women who served and the tremendous capabilities of corporate America. However by June 1950, America's Army had been reduced to a shell of its former self. We had rapidly gone from 89 divisions and 12 million soldiers to 10 divisions and less than 600,000 soldiers.

As a consequence, at 0730 on 5 July 1950, a hastily assembled, ill-trained, and poorly equipped group of brave American soldiers waited in the cold rain—just north of Osan, Korea—as 33 North Korean tanks advanced toward their position. Behind these 33 tanks on the highway, in trucks and on foot, was a long snaking column stretching for over 6 miles. Due to poor weather the American soldiers had no air support. Due to the rapid drawdown they were poorly trained and under-manned. They were called Task Force Smith because we had to take soldiers from other battalions to make a battalion-sized organization. Their equipment reflected the lack of maintenance which is inevitable when readiness is not the top priority.

In the next few hours of fighting—these conditions were starkly played out on the battlefield. Our weapons could not stop their tanks—but they tried. One young lieutenant fired 22 rockets—from as close as 15 yards, scored direct hits on the tanks—but could not destroy them. Courage alone could not stop those tanks. Rifles and bayonets were no match for tanks and the wave of infantry behind them. In this short engagement, 185 courageous young Americans were killed, wounded, and captured; and the history of Task Force Smith was burned into the institutional memory of our Army forever.

In the summer of 1950 we were not prepared. We sent poorly equipped and untrained soldiers into battle to buy time for the Army to get ready. it certainly wasn't the fault of these soldiers or their leaders that they weren't ready—the system had let them down. Once again we were surprised and once again we paid a very steep price for our unpreparedness. As General Abrams said to this same gathering in 1973, ''We paid dearly for our unpreparedness during those early days in Korea with our most precious currency—the lives of our young men. The monuments we raise to their heroism and sacrifice are really surrogates for the monuments we owe ourself for our blindness to reality, for our indifference to real threats to our security, and our determination to deal in intentions and perceptions, for our unsubstantiated wishful thinking about how war could not come.''

In the harsh crucible of combat we relearned the lessons of tough training, good organization, and proper equipment. We must never again learn these lessons on the battlefield. As I shook hands with those veterans—at the dedication of the Korean War Memorial—I was reminded that the monument is not the only tribute to their courage, selfless service, and dedication. The real legacy can be seen in America's Army today. Our quality soldiers—Active, Reserve, and Guard—have the best equipment that the Nation can provide; and our tough, realistic training program has resulted in our status as the world's best Army—trained and ready for victory. No one with a lick of common sense really disputes this. As a footnote to this chapter, let me cite a personal experience. In 1987 when I was serving in Korea, General Brad Smith, that brave battalion commander whose courageous soldiers fought so well in 1950, came over and conducted a battlefield tour of where his task force fought. When he returned he sent me the handwritten training guidance that he had given to the battalion after the Korean War. That guidance talked about tough, realistic training and lots of live-fire. Today, the Gimlets—hisold battalion—have that guidance—and more importantly they execute it. That's the real legacy of Task Force Smith.

However, there are similarities between 1950 and the situation we face today. in 1950: We lived in an uncertain world; the US was the world's greatest economic power; the US was the world's greatest super power; the US had a virtual nuclear monopoly; the US had the world's best Air Force and the most powerful Navy; the next war was expected to be a push button war with new weapons and machines taking over from men; and because of that we felt we could greatly reduce the size of our ground forces—and we did so very rapidly.

Today: We continue to live in an uncertain world; again, the US is the world's greatest economic power and the greatest super power; the US has the largest Navy in the world, capable of sweeping any conceivable adversary off the seas in a matter of days, assuring us access to all the world's oceans; the Nation also has the most powerful Air Force in the world, capable of sweeping any adversary from the sky in a matter of hours. It is right, and proper, and necessary for the US as a world super power and leader to have these naval and air capabilities. I wouldn't want it any other way.

However, today the active Army is the eighth largest in the world. Size by itself is not the most important thing, and America can still take pride in having the world's best Army because what we lack in quantity we more than make up in quality. Our world-class young men and women—who receive tough, realistic training and are equipped with the best equipment and weapons systems in the world—thanks in large part to what many of you here have done and continue to do—are the envy of every nation. But no amount of training or abundance of sophisticated equipment will suffice it we do not have enough quality soldiers to carry out the Nation's bidding. Numbers matter.

To accomplish our missions many of our soldiers have had back-to-back deployments and extended separations from their family. The average American soldier assigned to a troop unit now spends 138 days a year away from home—and many special units such as MP's, air defense and transportation have been carrying a heavier load. To accomplish the requirements of our national security strategy, we must be a credible and effective ground fighting force. Peace is the harvest of preparedness. We must, however, temper our desire for peace with the realities of history. In 1950 we learned that deterrence is in the eye of the beholder. Stalin and Kim II Soong looked at South Korea and were not deterred by the 10 under strengthen and ill equipped American divisions. We must always have an

Army of sufficient quality and size to deter potential adversaries and meet our international obligations. While the quality of today's force is unquestioned, I must tell you in all candor that I am concerned that we have reached the limit on how small our Army can be and still credibly accomplish the tasks currently assigned to us.

Today we do not have the luxury of time—nor will we in the future. We must be ready to deal with the world as it is now, not as wish it to be. We have paid the price—in blood—too often—to relearn that lesson. With your help—we will not have to pay that price again.

The best example that the lessons of history are sinking in is that during the past 6 years—under the leadership of Generals Vuono's and Sullivan—we have reshaped ourselves and still remain trained and ready. It's been over 5 years since Operation DESERT STORM and in many ways it is tempting to pat ourselves on the back and rest on our laurels. But we cannot afford to do that. We must build the Army of tomorrow, the Army that will be required to meet the needs of a vastly different world.

Let me share with you our vision of that Army. A vision that is a direct legacy of the bloody lessons learned on the battlefield. A vision that is rooted in the tradition of 221 years of selfless service and mission accomplishment—it is a vision which—will ensure our ability to meet the Nation's needs of the 21st century.

In our vision we see the world's best Army—trained and ready for victory—a total force of quality soldiers and civilians: A values based organization; an integral part of the joint team; equipped with the most modern weapons and equipment the country can provide; able to respond to our Nation's needs.

Changing to meet the challenges of today, tomorrow, and the 21st Century.

It's not just the words but the meaning behind these words. Let me explain. The world's best Army. A bumper sticker that has been earned by our soldiers. Trained and ready for victory. The most important job for any army, a job in which we must not fail. A total force of quality soldiers and civilians. We tend to take for granted, I think, the dedication, selfless service and sacrifice of our great citizens soldiers in the National Guard and Reserves. We are also fortunate to have a quality civilian force that embodies the best of this great Nation. This recognizes that as General Abrams said, the Army is not made up of people, the Army is people. A values based organization. Values are important to us; selfless service, dedication, sacrifice, duty, honor, country are not just words but a code by which we live.

An integral part of the joint team. We recognize the tremendous contributions of our sister Services and are happy to stand shoulder-to-shoulder with them as we keep this great Nation free. Equipped with the most modern weapons and equipment the country can provide reflects our realization that we must invest in a modernization program for the 21st Century. Able to respond to our Nation's needs. We must be relevant to the needs of our country. And changing to meet the challenges of today, tomorrow, and the 21st Century simply reflects that the only constant in the world today seems to be change. We are dealing with it, we are growing more comfortable with it every day, and we will continue to have to deal with it in the 21st Century.

Our vision is set against the world as we see it. It reflects an environment in which missions are expanding both in terms of quantity and diversity. It reflects decreased resources, a loss of 34 percent of our buying power since '89. It recognizes, as President Clinton said, a world in which the line between domestic and foreign policy has becoming increasingly blurred. We live in a Global Village. It recognizes a modernization program that is currently at the irreducible minimum and badly in need of more resources. Today the Army allocation of the DOD Modernization dollars is only 13 percent. We have the smallest piece of a small pie.

Our vision recognizes that we must not repeat the Task Force Smith scenario. We must realistically face the challenges of today. Sacrificing our youth is not the solution. We will build no new monuments to our blindness to reality. We are trained and ready today, but our ability to dominate land warfare is eroding. And our modernization plan does not forecast filling the gap fast enough.

We have a plan to make this vision a reality—Force XXI. Simply stated Force XXI projects our quality people into the 21st Century and provide them the right organization, the most realistic training, an adequate and predictable sustainment package during both peace and war, and the best equipment and weapons systems our Nation can provide given the resources available. We intend to leverage technology in order to arm our soldiers with the finest most lethal weapons systems in the world. The power of information will allow the ultimate weapon—the individual soldier—to successfully meet the challenges of the 21st century and achieve decisive victory. Force XXI provides the framework for the decisions we must make today so that tomorrow's force will remain as trained and ready as we are right now.

That vision is very clear in my mind—however, achieving our vision is not preordained. We face a number of resource challenges as I have alluded to already. The basic challenge is to balance near term readiness, quality of life, and future modernization. Internally we will do our share to ensure the most effective use of our limited resources. We will continue to improve our operational and institutional efficiency in order to ensure we devote a many dollars as possible to modernization. In this regard, we intend not to be bound by traditional approaches. We are willing to make profound changes in the way we do business as long as they increase our efficiency and do not degrade our core competencies. Efficiencies such as velocity management, total asset visibility, integrated sustainment maintenance, and improved force management are all keys to becoming more effective.

Most people talk about the four tenets of the revolution of military affairs. I believe the Army, in order to be successful in this revolution, must embrace a fifth tenet; efficiencies. We must get the most bang out of every buck. We owe that to the taxpayer—but, more importantly, we owe it to our soldiers.

The key to achieving this vision—as it has been since 1775—is high quality soldiers. We must never forget that quality soldiers are the essence of our Army—always have been and always will be. For the past two decades we have demonstrated that an All Volunteer Army can be the world's premier fighting force. Quality soldiers attracted by a profession that allows them to be all they can be deserve adequate pay and compensation. They deserve to have their entitlements and benefits safeguarded from erosion. They deserve a quality of life equal to that of the society they have pledged their lives to defend. We must never allow our commitment to quality soldiers to diminish.

As I travel around the world I am continually impressed by the sacrifice and dedication of our soldiers. The state of readiness of the Army is more than its weapons, equipment, and doctrine. A key but intangible part is the spirit of our soldiers. General Patton said ''It is the cold glitter in the attacker's eye not the point of the questing bayonet that breaks the line. It is the fierce determination of the drive to close with the enemy not the mechanical perfection of the tank that conquers the trench.'' Today nothing has changed. When I met the survivors of the Bataan Death March in Hawaii they still had that glint in their eye and you could feel the indomitable spirit that allowed them to fight on against overwhelming odds. In Germany, Korea, Hawaii, at the NTC, JRTC, and CMTC I see the same thing in our soldiers today.

When I see those soldiers doing their job so magnificently I'm reminded of a story from the 8th Division in World War II. In September of 1944 on the Crozon Peninsula the German General Herman Ramcke asked to discuss surrender terms with the American Army. General Ramcke was in his bunker when his staff brought in the 8th Infantry Division's Assistant Division Commander, Brigadier General Charles Canham. Ramcke addressed Canham through an interpreter and said ''I am to surrender to you. Let me see your credentials.'' Pointing to the American infantrymen crowding the dugout entrance, Canham replied ''These are my credentials.''

This is as true today as it was then. Soldiers are still our credentials. Yesterday we honored some of these magnificent soldiers and we are fortunate to have some of them with us today. I would like for you to have a good look at the heart and soul of America's Army.

Sergeant First Class Anita Jordan, the Active Duty Drill Sergeant of the Year from Fort Jackson, South Carolina. SFC Jordan said that the reason she entered the Army was ''I knew I wanted to do something and be somebody.'' As a drill sergeant, she coaches, teaches, and develops soldiers—one at a time—24-hours-a-day. She is somebody.

Sergeant First Class Bruce Clark, the Reserve Drill Sergeant of the year from the 100th Division, at Fort Knox, Kentucky. He is a real estate developer and a law student. Successful in two careers, he is indeed twice the citizen.

Sergeant First Class Cory Olsen, the Active Duty Recruiter of the Year from the Denver, Colorado Recruiting Battalion. An infantryman, he was deployed to Panama, Honduras, Scotland, and the Sinai. He understands selfless service.

Sergeant First Class Alan Fritz, the Reserve Recruiter of the Year from the Syracuse, New York Recruiting Battalion. An MP, he served on active duty in both Germany and Korea before he joined the Reserves. He illustrates the seamless blend we seek for America's Army.

Specialist Hellema Webb, the Soldier of the Year from Eighth Army in Korea. A mortuary affairs specialist, she deployed in 192 to Mogadishu and now serves with the distinction across the world. She received a max score of 200 on the promotion board and is presently on the Sergeants Promotion Standing list. A model NCO who will help lead soldiers into the 21st century.

Specialist Troy Duncan, the Soldier of the Year at USAREUR. An MP, he has already served his 6-month tour of duty in Macedonia, is married with a 3-month-old daughter, and voluntarily teaches bicycle safety classes and assists young children in learning the sport of bowling. He understands the true meaning of commitment to the nation and service to the community.

Specialist Anthony Costides the FORSCOM Soldier of the Year. Born in Greece, he is a graduate of the Combat Life Saving Course, PLDC, and has 2 years of college. He is a

Tracked Vehicle Mechanic in the 1st Infantry Division at Fort Riley, Kansas. He found an environment where he could be all he could be.

Sergeant Christopher Uhrich, the Virginia National Guard Soldier of the Year. A Fuel Handler who served in the United States Air Force prior to transferring to the National Guard in Virginia. He has over 7 years of service to his Nation. He embodies the sacrifice, dedication and commitment to our citizen soldiers.

Ladies and Gentlemen, these soldiers represent the best of America's Army. They are indeed special. They ask for so little. We owe them a great deal and I couldn't be more proud to say to you—these are our credentials.

## ST. PAUL, MN SAYS GOODBYE TO REV. WALTER BATTLE

### HON. BRUCE F. VENTO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. VENTO. Mr. Speaker, I rise to celebrate a fellow Minnesotan, and a friend, who devoted his life to the children of the Twin Cities and the world, Rev. Walter L. Battle. Reverend Battle was the head of a proud family, most of whom I have come to know personally because of their positive activities in our St. Paul community, especially Bob Battle, who is a friend and civic activist. Reverend Battle's interest and commitment to family extended to the greater neighborhood and community of St. Paul.

Reverend Battle was an advocate for children and active in many efforts to assist disadvantaged youth. Recognizing that every child has the potential to succeed, Reverend Battle worked tirelessly to give children opportunities to achieve success. During his 46 years of service as pastor of St. Paul's Gospel Mission Church, he led several efforts to help children. Among these efforts was the establishment of the Institute of Learning. The institute helps guide teenagers away from involvement with crime and drugs and find positive alternatives and goals for their lives. He also enabled countless numbers of inner-city youth to participate in summer camps, an activity that the children's families could not have afforded otherwise. Reverend Battle pursued this interest with a real passion, establishing a site and staffing it with volunteers.

Efforts were not confined to the Twin Cities community; they extended to children around the world. In the 1950's, Reverend Battle traveled to Haiti to help build schools and teach Haitian students to read. Just last year, demonstrating his long-term commitment to the children he helps, he collected over 1,000 pounds of food and medicine to send to Haiti.

Reverend Battle passed away last week, and the Twin Cities community is mourning the loss of our most beloved and devoted citizens. By making investments in the lives of our children, Reverend Battle has given our community a legacy that will live on in the successes of future generations that were influenced by his efforts.

Investing in our children is a fundamental ingredient for America's continued success and prosperity. Unfortunately, here in Washington, Congress is embroiled in a budget debate that is set to shift the priorities of our Nation away from this type of investment. The new Republican majority's budget package drastically cuts funding for initiatives that aid children in need, including education programs, welfare assistance, health care coverage and low-income tax credits. Dedicated advocates like Reverend Battle deserve better. As we lose soldiers like Walter Battle, who devoted their lives to children and the material and spiritual well-being of our communities, we honor them and must support their mission by providing reasonable programs and realistic funding at the federal level to support their efforts.

The funding reductions being advanced today will hit our Nation's most vulnerable citizens on all sides, reducing Federal support for many aspects of their livelihoods. At the same time, the funds being cut from these programs are being funneled into tax breaks for our Nation's wealthier citizens and corporations. If these funding reductions are enacted into law, efforts such as those begun by Walter Battle will run into expanded challenges in trying to create a better future for our children, especially the increasing population of children in poverty.

Reverend Battle's advocacy for our Nation's most precious resource, our children, and the positive influence he had on so many lives should be remembered, and it will be missed. His activities should not only be praised, but should be supported by a strong commitment from Washington to maintain the safety net our nation has built to safeguard our Nation's citizens.

[From the St. Paul Pioneer Press, Dec. 19, 1995]

ACTIVIST WALTER BATTLE WORKED FOR KIDS

My children are going to have some food,'' the Rev. Walter L. Battle once told a reporter.

That particular time, he wasn't talking about this own kids or those of his St. Paul congregation, but the children of Haiti for whom he collected over 1,000 pounds of food and medicine last year.

Still, that attitude, strength of purpose and sense of mission permeated everything Battle did to keep kids on the right track. During a remarkable 46-year run as pastor of St. Paul's Gospel Mission church, community activist and youth advocate, he performed near miracles—all to give young people better lives.

His death last week, at age 74, of cancer deprived the community of one of its best champions of youth.

Among his many efforts for children were building schools and teaching youngsters to read in Haiti in the 1950s; taking inner-city kids to summer camps for many years; founding the Institute of Learning to give teens an alternative to drugs and street life, and fasting for 40 days to raise money for the Institute's programs.

Battle believed all kids were ''his children.'' And so must we.

The best tribute to him would be to keep his legacy of service to children alive. So as not to lose more children to poverty, crime, illness, ignorance and inattention, we must all—like the Rev. Walter L. Battle—become advocates for children.

## ONCE AGAIN REPUBLICANS SHUTDOWN THE FEDERAL GOVERNMENT

### HON. LOUIS STOKES

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. STOKES. Mr. Speaker, I rise in strong opposition to the Republicans ''shutdown'' of the Federal Government. It is absolutely essential for the American people to know ''Why we are''—''where we are.'' Let's be perfectly clear in telling the American people what is going on.

It is not the Republicans' budget that caused the Government to close. The Republican budget is an issue that should be taken up, and negotiated on—separate from the continuing resolution. The problem with the Republican budget is that it is so devastating to the American people's quality of life that it cannot stand on its own merit.

The primary reason why the Federal Government was forced to shutdown is that more than 2½ months into the fiscal year, the Republicans have failed to complete action on the fiscal year 1996 appropriations bills. Measures which provide agency operating funds.

Mr. Speaker, the legislative schedule provides sufficient time to pass each of the 13 appropriations bills which are needed to keep the Government fully operational. However, the Republicans put action on the appropriations measures on the back burner, while they gave priority—prime legislative time to their ''Contract With America.''

Mr. Speaker, that is ''Why we are''—''where we are'' today. There is no excuse for the situation the Republicans have placed the country in today. Just as there is no excuse for the pain and suffering that the Republicans will inflict on children, the disabled, seniors, veterans, and families just to give a tax break to the wealthy. This escalating situation—of Republican displaced priorities—is ''Why we are''—''where we are'' today.

All that is needed right now to open the Government, and to return an estimated 260,000 Federal employees to work is a clean continuing resolution. The Republicans are afraid to put forth a clean ''CR,'' or to allow the Democrats to pass a clean ''CR,'' because the GOP would no longer have the American people to use as their pawn in the negotiations on the GOP life-threatening budget.

The GOP must not be allowed to continue to hold the American people, and the country hostage. It is time for the Republicans to stop playing games. No amount of smoke and mirrors can hide the pain and suffering that is in the Republicans' budget. Stop the game play—pass a clean ''CR''—return Federal employees to work, return critical services to the American people, and let real budget negotiations begin.

## CONGRESS' MULTIBILLION DOLLAR DRAFTING ERROR

### HON. BOB FRANKS

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. FRANKS of New Jersey. Mr. Speaker, earlier this month the following editorial appeared in the Washington Post regarding the

windfall a few branded drug companies are receiving because of a drafting error in the Uruguay Round Agreements Act of 1994, which is the bill that implemented the GATT trade treaty.

Conservative estimates indicate that correcting this oversight will save the health care system $2.5 billion, with $281 million of that amount saved by the Federal Government and State governments in Medicaid payments. Unfortunately, the Senate recently defeated by one vote an effort led by Senators CHAFEE, BROWN, and PRYOR that would have corrected this glaring mistake.

Opponents of the Senate amendment want to delay resolution of this issue by holding hearings. However, every day that passes is another day consumers are being denied access to lower-cost generic drugs because of Congress' multibillion dollar drafting error.

Mr. Speaker, my home State of New Jersey is known as the medicine chest of the country. I have long been a supporter of our domestic drug industry, whose products have alleviated so much pain and suffering. Unfortunately, some members of the press and some special interest groups continue to overlook the tremendous amount of good the drug industry does, and instead, are only interested in beating up the industry with tired cliches about greed and avarice. This controversy, which started due to the lack of a technical conforming amendment, plays right into the hands of the industry's critics. The House needs to fix this drafting error soon before long-term damage is done to the reputation of these fine companies, and more importantly, so that the millions of Americans who rely on generic drugs can continue to purchase them at affordable prices.

[From the Washington Post, Dec. 4, 1995]

THE ZANTAC WINDFALL

All for lack of a technical conforming clause in a trade bill, full patent protection for a drug called Zantac will run 19 months beyond its original expiration date. Zantac, used to treat ulcers, is the world's most widely prescribed drug, and its sales in this country run to more than $2 billion a year. The patent extension postpones the date at which generic products can begin to compete with it and pull the price down. That provides a great windfall to Zantac's maker, Glaxo Wellcome Inc.

It's a case study in legislation and high-powered lobbying. When Congress enacted the big Uruguay Round trade bill a year ago, it changed the terms of American patents to a new worldwide standard. The effect was to lengthen existing patents, usually by a year or two. But Congress had heard from companies that were counting on the expiration of competitors' patents. It responded by writing into the trade bill a transitional provision. Any company that had already invested in facilities to manufacture a knock-off, it said, could pay a royalty to the patent-holder and go into production on the patent's original expiration date.

But Congress neglected to add a clause amending a crucial paragraph in the drug laws. The result is that the transitional clause now applies to every industry but drugs. That set off a huge lobbying and public relations war with the generic manufacturers enlisting the support of consumers' organizations and Glaxo Wellcome invoking the sacred inviolability of an American patent.

Mickey Kantor, the president's trade representative, who managed the trade bill for the administration, says that the omission was an error, pure and simple. But it has created a rich benefit for one company in particular. A small band of senators led by David Pryor (D-Ark.) has been trying to right this by enacting the missing clause, but so far it hasn't got far. Glaxo Wellcome and the other defenders of drug patents are winning. Other drugs are also involved, incidentally, although Zantac is by far the most important in financial terms.

Drug prices are a particularly sensitive area of health economics because Medicare does not, in most cases, cover drugs. The money spent on Zantac is only a small fraction of the $80 billion a year that Americans spend on all prescription drugs. Especially for the elderly, the cost of drugs can be a terrifying burden. That makes it doubly difficult to understand why the Senate refuses to do anything about a windfall that, as far as the administration is concerned, is based on nothing more than an error of omission.

## DR. MARIE FIELDER HONORED

### HON. RONALD V. DELLUMS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. DELLUMS. Mr. Speaker, it is with pleasure that I rise to honor Dr. Marie Fielder for the work done and the leadership given over more than 30 years. I have known her for more than three decades, and her distinguished accomplishments in the behavioral sciences, her constructive organizational change strategies in school systems and in communities, as well as her towering strength and problem-solving ingenuity have contributed enormously to the goals and objectives of the San Francisco Bay Area and Berkeley community where she resides.

While serving as associate professor of education at the University of California, Dr. Fielder helped the Berkeley Unified School District, its board of education, administrators, teachers, students, parents, and citizens plan very carefully for the desegregation of its public schools. Despite an unsuccessful attempt to recall those particular board members, the city went on to become the first school system in the Nation to desegregate its schools, not by placing the burden only on minority students, but by two-way bussing which shared the responsibility across the city. This effort required enormous planning, building of trust, encouragement of participation, and the sharing of all points of view, and the empowering of parents and community members who had not been as active in the public schools before.

Dr. Fielder's genius in working respectfully with all kinds of people to help empower and enable them to solve their own problems became an inspiration for students in education at the University of California at Berkeley, at San Francisco State College, and at Stanford. Dr. Fielder herself became a role model, who encouraged and nurtured university students to pursue and attain their graduate degrees; and many of them went on to become impressive leaders in their respective careers in the decades which followed. Other campuses which called upon her for her expertise and assistance in multicultural and intergroup relations theory and practice included Oregon State university, Michigan State, the University of Miami, and St. Mary's College.

Similarly, over the decades, school systems across the Nation in at least 10 States have sought her assistance; and she has helped them. Dr. Fielder has shared her wisdom and skill in numerous California school districts; she has helped educators, students, and others learn very important things about themselves and about other human beings. She has been an exemplary public servant, bringing quiet dignity and distinction to every project on which she has worked.

Our local community, as well as our national community, are indeed fortunate in having amongst us the person, the work, and the leadership of Dr. Marie Fielder, and it is with great respect and admiration that I commend her to your attention.

## THE TEMPORARY DUTY SUSPENSION ACT

### HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. CRANE. Mr. Speaker, today, I am introducing a bill that could prove vital to the health and competitive position of U.S. companies that rely on imported components and raw materials, as well as their workers and communities. Specifically, my bill gives authority to the Department of Commerce to suspend the imposition of antidumping or countervailing duties temporarily on a limited quantity of a particular product needed by the American industry when users are effectively unable to obtain that product from U.S. producers.

Under current laws, antidumping and countervailing duties are imposed on all covered products, even where there is no domestic production. However, imposing such duties on products that cannot be obtained in the United States hurts U.S. manufacturers who must compete globally, but does not reduce injury to any U.S. industry. Current U.S. trade laws simply do not provide adequate redress for American firms that need products subject to orders but cannot obtain them from U.S. producers. Present procedures are operative only in situations in which domestic producers have no intention of ever producing a particular product.

By contrast, my bill would address situations in which a product is only temporarily unavailable—i.e., situations in which the domestic industry is not currently producing a product but may wish to leave open the option of doing so in the future. The bill provides the Department of Commerce with the flexibility to suspend duties temporarily until the domestic industry is able to produce a particular product. The temporary relief will encourage the domestic industry to develop new products since it will enable U.S. downstream users to stay in business in the United States until the U.S. industry begins to manufacture the needed input product—thus assuring that there will be U.S. customers for new products produced by the domestic industry.

This proposal is a substantial departure from the short supply proposal considered by the Ways and Means Committee last year. Last year's proposal was modeled on the short supply provision in the U.S. voluntary steel restraint agreements and limited the discretion to be exercised by Commerce. My proposal is modeled on the temporary duty suspension provision that the European Union included in its antidumping regulation last year.

It increases the degree of flexibility and discretion that Commerce will have in administering a temporary duty suspension provision, thereby responding to Commerce's concern about the burden of administering such a provision. With this increased flexibility and discretion, the proposal should not impose any significant burden on the Department.

My temporary duty suspension provision would not in any way undermine the effectiveness of the antidumping or countervailing duty laws or the protections that these laws afford to U.S. producers and workers. This provision would apply only in situations in which no U.S. producer benefits from the protection of antidumping laws and downstream U.S. producers and their suppliers would be harmed because the product cannot be obtained in the United States.

The current failure of U.S. antidumping and countervailing duty laws to consider domestic availability of products subject to these proceedings continues to hamper the competitiveness of numerous U.S. companies. A large and diverse group of trade associations and companies employing well over 1 million American workers supports including a temporary duty suspension provision such as this one in the trade laws because it gives Commerce the flexibility and control necessary to address changing market conditions.

I look forward to moving this provision forward at the earliest opportunity.

## THE ''REAL FRIEND'' OF U.S. EDUCATION

### HON. DOUG BEREUTER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. BEREUTER. Mr. Speaker, this Member highly commends to his colleagues the following editorial from the December 13, 1995, edition of the Norfolk Daily News.

[From the Norfolk Daily News, Dec. 13, 1995]

THE ''REAL FRIEND'' OF U.S. EDUCATION

Who is helping education in the United States more?

President Clinton, is resisting Congress' balanced-budget plan, says that federal lawmakers are being too zealous in cutting government education programs. By resisting those cuts, the president said he's making a strong strand for education.

Members of Congress, on the other hand, say their budget plan does much more for education in the United States by providing all American families with a $500-per-child tax credit—even if some current government education programs are reduced in scope.

So, who's right?

We'll side with Congress on this one.

Consider this. If an average American family saved the entire $500-per-child tax credit for a period of 18 years and invested it, that same family would be able to accumulate an amount of money equal to what $14,000 buys today. That's a long way toward paying the cost of education at a public university.

Or, that same American family would be able to use the tax credit to pay a portion of tuition at a typical private elementary school.

What's more, Congress' balanced-budget plan—if passed—would cause interest rates to drop by at least one-half percentage point. That kind of reduction in rates would save a student more than $400 on the cost of an average student loan. That kind of money can pay for books, some tuition costs or a big portion of a personal computer.

The reality is that Congress' plan would cut less than 2 percent per year during the next seven years from a federal education budget that represents only a tiny fraction of the total amount of dollars spent on education in the United States, according to figures from the Heritage Foundation in Washington, D.C.

So, here's the real choice: Cut a tiny portion of a budget that itself is a small fraction of America's educational effort or deny 28 million American families a financial gain that would help provide for a better education for their children.

We shouldn't have to struggle long on this one. We hope President Clinton realizes the same, too.

## BALANCING THE BUDGET

### HON. RON PACKARD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. PACKARD. Mr. Speaker, the Clinton administration made a commitment a month ago to balance the budget in 7 years using the honest numbers of the non-partisan CBO. My Republican colleagues and I responded to that commitment by offering smaller reductions in the rate of growth in Government spending in certain areas favored by the President while still achieving balance in 7 years.

Through hard work and compromise, we obtained a promise from the President. Congress has held up its end of the bargain both to the President and the American people. The question now is whether Mr. Clinton's word and his signature mean anything—whether his administration has any intention of balancing the budget. Yesterday, the President finally agreed to take personal charge of the budget negotiations—instead of using various members of his staff—and once again committed to work toward crafting an agreement by New Year's eve.

Perhaps I do not have to reiterate this point, but a balanced budget is essential for the future of the country. A recent survey by the Joint Economic Committee shows that the financial cost of not balancing the budget would be about $2,300 per family. A failure to balance the budget would cause slower economic growth, higher interest rates, and taxes. This in turn would result in mortgages, student loans and car loans costing families more each year.

Mr. Speaker, this renewed interest in the budget negotiations by the President is a step in the right direction. We now have reason for optimism in the new year, but only if the President remains committed to his word.

## PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995—VETO MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 104–150)

SPEECH OF

### HON. CHARLES E. SCHUMER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, December 20, 1995*

Mr. SCHUMER. Mr. Speaker, I strongly support the override of the President's veto of H.R. 1058. I voted in favor of both the original House bill and the conference report, and I must respectfully differ with the President and urge my colleagues to vote in favor once again of this fair, well-balanced bill, which passed the House only 2 weeks ago by an overwhelming vote of 320 to 102.

We need to put an end to frivolous securities suits that needlessly cost millions of dollars, impair capital formation and investment, and clog up our court system. Under the current system lawyers often bring lawsuits immediately after a drop in a company's stock price, without any further research into the real cause of the price decline. As a result the suits often have no substantive merit, but they have the effect of presenting the company with the unhappy choice between a costly, lengthy discovery process and an exorbitant, unjustified settlement. And what's worse, an inordinate share of the ultimate settlement often ends up in the pockets of the lawyers who brought the case, rather than in the bank accounts of the shareholders on whose behalf the lawyers ostensibly filed in the first place.

This bill goes a long way toward correcting these abuses without curtailing the essential rights of shareholders to sue corporations and insiders when there is legitimate evidence of fraud and deception. It continues to protect those vital rights—as we must—while at the same time protecting companies from needless and costly distractions. In the end, shareholders will win twice because the value of their investments will grow, and the American economy will win because we'll have removed one more impediment to the kind of robust growth and investment we all agree are so critically needed. I urge my colleagues to support this bill.

## TRIBUTE TO SANFORD M. LITVAK

### HON. HENRY A. WAXMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. WAXMAN. Mr. Speaker, I ask colleagues to join me in paying tribute to Sanford M. Litvak, a distinguished attorney who currently serves as the senior executive vice president and chief of corporate operations of the Walt Disney Co.

Mr. Litvak is greatly respected both in the legal community and among the advocates of legal reform and legal services for the poor. He has led the crusade to make the law a field of humane service, and not merely a remunerative profession.

On January 27, 1996 Bet Tzedek Legal Services will honor Sanford M. Litvak for his

unstinting work in bringing high quality legal services to the poor the elderly, and others in need.

Under Mr. Litvak's vigorous leadership, the goals of Bet Tzedek have been realized even beyond the expectations of the organization's founders and staunchest supporters. He and his colleagues have assembled a well-organized, efficient, humanitarian organization that individuals can turn to for competent legal counsel when all other paths are closed.

Sanford Litvak sets a standard for us all to live up to. He has been able to balance his full family and professional life with energetic and creative contributions to the organization and leadership of Bet Tzedek and other humanitarian and philanthropic efforts.

I ask all of my colleagues to join me in recognizing Sanford Litvak for his important work with Bet Tzedek Legal Services. I wish him every success in all of his future endeavors.

## TRIBUTE TO DAVID CHITTICK

### HON. DICK ZIMMER

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. ZIMMER. Mr. Speaker. I rise today to pay tribute to Mr. David Chittick, whose dedication and leadership helped AT&T become a model corporate citizen and a protector of the environment. Mr. Chittick passed away on November 19, 1995, after a battle with cancer.

David Chittick helped AT&T set goals that eventually led to its elimination of ozone-depleting chemicals and significant reductions in toxic air emissions. His career and work as an environmental leader earned Dave much well-deserved recognition. In 1991, he was awarded the Environmental Protection Agency's stratospheric ozone protection award for outstanding leadership in the industrial field. He was a member of the United States Mission to the People's Republic of China on stratospheric ozone depletion in the electronics industry and also served with the United States State Department and EPA delegations to the former U.S.S.R. and Hungary.

In addition, Dave was involved in a number of environmental organizations including the National Wildlife Federation's Corporate Conservation Council, the board of Resources for the Future, the Environmental Law Institute, the Management Institute for Environment and Business and the environmental advisory committee of the Vermont Law School.

Dave Chittick began his career at AT&T in 1955. He served the company well for 39 years until his retirement in 1994. We will all fondly remember him.

## BROAD MEADOWS MIDDLE SCHOOL: CARRYING ON THE MESSAGE OF IQBAL MASIH

### HON. GERRY E. STUDDS

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. STUDDS. Mr. Speaker, I rise today to honor the Broad Meadows Middle School of Quincy, MA., which earlier this month received the 1995 Reebok Youth in Action Award for the work students have done to carry on the message and honor the memory of Iqbal Masih, a 12-year-old human rights activist from Pakistan who was murdered earlier this year.

Since their work is so inspirational to all of us who care about human rights, I would like to place in the RECORD a copy of a letter I wrote to the students and their teacher, Ron Adams. I would also like to include a copy of an article about the students, which appeared December 6, 1995, in the Patriot Ledger of Quincy.

The letter follows:

DECEMBER 21, 1995.

DEAR RON: I am delighted to take this opportunity to extend my congratulations to you and the students at the Broad Meadows Middle School for winning the 1995 Reebok Youth in Action Award. The work you and your students have done to carry on the message and honor the memory of Iqbal Masih is inspirational to all of us who care about human rights.

I am also encouraged by the success of your fund-raising effort to build a school in Iqbal's name in his home village in Pakistan. The perseverance you have shown, as well as the ingenuity in using the World Wide Web, will be a lesson for the students the rest of their lives.

American students are not often directly exposed to the horror of human rights abuses in the Third World, but Iqbal's eloquent message obviously touched your students. I was impressed by the comments of Amanda Loos at the awards ceremony in New York earlier this month: ''His visit made us realize how lucky we are to live in a country like America, to be free, to have an education and to have laws to protect us. We have all Iqbal ever dreamed of.''

To commemorate your achievement, I will place this letter and the front page story in the Patriot Ledger on December 6 into the Congressional Record.

Again, congratulations for an award well deserved. I applaud the splendid efforts and dedication that you and your students have exhibited.

With kind regards, and best wishes for a happy holiday season.

Sincerely

GERRY E. STUDDS.

[From the Quincy (MA) Patriot Ledger, Dec. 6, 1995]

WORLD STAGE: QUINCY PUPILS INSPIRE MANY AT CEREMONY

(By Carol Gerwin)

The crowd at Harlem's Apollo Theatre in New York heard from rock stars, actors and world-renowned activists by the time Amy Papile and Amanda Loos took the stage at yesterday's Reebok Human Rights Awards.

But it was the eighth-graders from Quincy's Broad Meadows Middle School who stirred them to tears and spurred them to action.

Invoking the memory of their hero, a slain 12-year-old human rights leader from Pakistan, the girls asked the audience to help them continue Iqbal Masih's crusade to end child slavery and build a school in his name. Hundreds of them later asked for information about the campaign and many gave money.

''We realize building one school will not end child bonded labor . . . but building this school builds hope,'' Amy told the 1,000 people at the ceremony. ''Please pass on our word.''

Ending with a special message to Iqbal, she added: ''Dear friend, rest in peace. We haven't forgotten you.''

Amy, 13, and Amanda, 14, accepted the 1995 Reebok Youth In Action Award on behalf of their school to wild cheers and a standing ovation. It's the same award Iqbal received in Boston a year ago, just after he visited Broad Meadows and told about his escape from forced labor in a carpet factory and his efforts to free other children.

Inspired, the students immediately took up his cause and wrote letters to Pakistani officials asking for the enactment of child labor laws. They were shocked and devastated a few months later to learn Iqbal had been shot to death while riding his bicycle.

Ever since, they have been campaigning to build the school in his native village and to raise awareness about the 7.5 million children still in forced labor in his homeland. With a site on the Internet, and support from Amnesty International, the students raised about $29,000 from across the country.

By April, they hope to have $50,000—enough for a five-room community school.

Yesterday, Amy and Amanda shared the spotlight with Peter Gabriel, Richard Gere, Ziggy Marley and other celebrities, plus the four adults to win Reebok awards—a Mexican human rights lawyer, an American environmental activist, a Rwandan investigator and a Tibetan Buddhist nun.

Many in the audience wept as the students described how tiny Iqbal, his growth stunted from years of malnourishment, inspired them to take up his cause.

''His visit made us realize how lucky we are to live in a country like America, to be free, to have an education and to have laws to protect us,'' Amanda said. ''We have all Iqbal ever dreamed of.''

Film Star Susan Sarandon, who presented the crystal award, hugged the girls and praised the Board Meadows students for channeling their anger into positive activism.

''They're a marvel of energy and commitment,'' Sarandon said. ''It can be truly said of them they walk in Iqbal's footsteps.''

Reebok has recognized outstanding activists each year since 1988. To many present yesterday, it was the youngest winners who best symbolize what the awards are all about—individuals, especially children, making a difference.

''Thank God, that's our future,'' master of ceremonies Angel Martinez of the Rockport Co. said as Amy and Amanda returned to their seats.

He told the crowd that Reebok will give Iqbal's prize money of $10,000, which was earmarked for his education, plus another $2,000, to the Broad Meadows campaign. Wiping tears from his eyes, he asked everyone to stand for a moment of silence in Iqbal's memory.

After the ceremony, a crush of people responded to Amy's and Amanda's pleas and picked up fliers from tables 10 other Broad Meadows students set up in the Apollo lobby.

The Quincy crew collected an estimated $800 and sold several dozen ''School for Iqbal'' T-shirts, as dozens thanked them for their efforts and encouraged them to keep up the good work.

''Amy and Amanda were only up there for a few minutes and so many people now want to help,'' seventh-grader Mary Kane said in awe. ''It shows you can do a lot in a few minutes.''

Later, their language arts teacher, Ron Adams, who coordinates the school's human rights curriculum, learned that singers Peter Gabriel and Michael Stipe of R.E.M. will donate a high-speed modem to make their cyberspace communication faster and easier. Also, superstar Sting and his wife, Trudie Styler, plan to donate $112 worth of stamps Adams said.

Richard Gere, who posed for pictures with Amy and Amanda, told them that he, too, will send a check.

Although both got as many autographs as they could at yesterday's news conference, they said they weren't fazed by the presence of so many stars or the national media interest in their campaign. It's the work that's most important, they said.

''This is really going to boost us up in our project and make people realize everything's not hunky-dory,'' Amanda said. ''There are problems that need to be fixed right away.''

Donations can be sent to A School for Iqbal Massih Fund, c/o The Hibernia Savings Bank, Quincy Hi-School Branch, 731 Hancock St., Quincy 02170.

## PERSONAL EXPLANATION

### HON. PAT WILLIAMS

OF MONTANA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. WILLIAMS. Mr. Speaker, I was unable to be present last night due to a family emergency.

On vote #871, the previous question I would have voted ''No.''.

On vote #872, the motion to table, I would have voted ''No.''

On vote #873 the motion to recommit I would have voted, ''Yes.''

On vote #874, House Joint Resolution 134, the targeted C.R., I would have voted ''Yes.''

## A TRIBUTE TO MAJ. GEN. NOLAN SKLUTE, RETIRING JUDGE ADVOCATE GENERAL, U.S. AIR FORCE

### HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. SOLOMON. Mr. Speaker, I would like to bring to your attention today the exemplary work and splendid public service of one of our country's outstanding military leaders, Maj. Gen. Nolan Sklute, the Judge Advocate General of the U.S. Air Force. General Sklute will be retiring after an especially distinguished military career on February 1.

General Sklute completed the Air Force Reserve Officer Training Corps Program in 1962 and entered active duty after completing law school in 1966. His assignments include Luke AFB, AZ; Athenai Airport, Greece; chief, general litigation branch, litigation division, headquarters, U.S. Air Force; staff judge advocate March AFB, CA; staff judge advocate, Bitburg AB, West Germany; deputy chief, claims and tort litigation division, headquarters, U.S. Air Force; executive to the Judge Advocate General; director of civil law, headquarters, U.S. Air Force; staff judge advocate, Air Force Logistics Command, and commander, Air Force Contract Law Center, Wright-Patterson Air Force Base, OH; Deputy Judge Advocate General, Headquarters, U.S. Air Force; and finally, the Judge Advocate General of the U.S. Air Force.

He received a bachelor of arts degree from Union College, Schenectady, NY, in 1962, and a juris doctor in 1965 from Cornell University School of Law, New York. He is a graduate of the National War College, the Armed Forces Staff College, Squadron Officer School, and earned his master of laws degree in government contracts from the National Law Center, George Washington University, Washington, DC. General Sklute is admitted to practice before the Supreme Court of the United States; the U.S. Court of Appeals for the Armed Forces; U.S. District Court, Northern District of New York; and the New York State courts. General Sklute's military decorations include the Distinguished Service Medal with one oak leaf cluster, the Legion of Merit with one oak leaf cluster, the Meritorious Service Medal with three oak leaf clusters, and the Air Force Commendation Medal.

Since 1993, General Sklute has served as the Judge Advocate General of the Air Force. In that capacity, he has provided dynamic leadership and professional supervision for over 2,900 military and civilian lawyers, paralegals, and support personnel. During this time of unprecedented legal challenges, General Sklute's dynamic leadership, sound judgment, personal and professional integrity and unwavering dedication to duty were instrumental in the successful resolution of numerous difficult issues facing the U.S. Air Force. As a key and trusted advisor to two Chiefs of Staff, his sound, timely and cogent advice was a critical component in a host of complex issues with a multitude of dimensions.

General Sklute's early recognition of the legal implications of information warfare has placed the Air Force in the forefront of this new arena. As a prime mover in the coordination of international education and training efforts, he established a joint service committee to foster democratic principles in fledgling democracies. Under his leadership, the Air Force continues to access extremely talented lawyers and paralegals. He has been instrumental in expanding the role of Air Force paralegals, empowering them by shifting responsibility and authority to the lowest possible level. General Sklute has also spearheaded the enhanced integration of active duty and Air Reserve component judge advocates.

Perhaps General Sklute's greatest legacy will be his unrelenting focus on the need for greater emphasis on leadership and accountability. These efforts are already paying significant dividends to the Air Force worldwide. This continuing effort underscored and reinforced the vital importance of Air Force's core values at all levels of command.

Mr. Speaker, I ask that you joint me, our colleagues and General Sklute's many friends in saluting this distinguished officer's many years of selfless service to the United States of America. I know our Nation, his wife Linda, daughter Stephanie and son Larry, are extremely proud of his accomplishments. It is fitting that the House of Representatives honors him today.

## 50TH ANNIVERSARY TRIBUTE TO JOHN AND MARY GAIL

### HON. JON D. FOX

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. FOX of Pennsylvania. Mr. Speaker, I rise today to pay tribute to John and Mary Gail on the occasion of their 50th wedding anniversary. John and Mary were married on December 29, 1945, at St. Rose of Lima in West Philadelphia. They have been residents of Montgomery County, PA for 40 years, first in Merion Park and then in Bala Cynwyd, where they still live today.

Both John and Mary were born and raised in West Philadelphia, but they have made a mark in their Montgomery County community. They participate in local charities like the local Meals on Wheels Program. John and Mary are lifelong members of the Archdiocese of Philadelphia and remain active in St. Margaret's Parish in Narbeth.

John and Mary are two people with diverse talents—she the studious valedictorian at West Catholic Girls High, he the accomplished community theater performer—who together make a perfect pair. And now after a half-century together, they can take pride and comfort in their greatest achievement; together they raised a wonderful family. The Gails have four children; Brian, Barry, Kevin, and Eileen. John and Mary are proud grandparents to nine granddaughters and eight grandsons.

On December 30, the entire Gail family will gather at Philadelphia County Club to celebrate John and Mary's ''Golden Jubilee.'' Let me add my best wishes for a wonderful golden anniversary. As John and Mary look back on their wonderful years together, on the life they built and the family they raised, all of us should raise our glasses to them and say simply ''well done.'' Congratulations to this terrific couple!

## TRIBUTE TO SYLVIA AND JULIE WETTER

### HON. ELIOT L. ENGEL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. ENGEL. Mr. Speaker, I rise today to pay tribute to my aunt and uncle, Sylvia and Julie Wetter, who celebrated their 50th wedding anniversary on November 11, 1995.

Mr. Speaker, Sylvia and Julie Wetter were married on November 11, 1945 and were long-time residents of Bronx, NY. For the past seven years, they have lived in Atlanta, GA.

Their marriage has been blessed by the birth of two children, Alice Wetter Paul of Marietta, GA and David Wetter of Bronx, NY. Alice is married to Danny Paul, and they have two lovely daughters, Michelle and Jillian.

Throughout their lives, Sylvia and Julie Wetter have committed themselves to serving the Nation and community.

Julie worked for years with the U.S. Postal Service before moving on to Empire Blue Cross/Blue Shield.

Sylvia, my father's sister, has been an animal rights activist and has been very involved as a volunteer assisting those who have been afflicted with multiple sclerosis. During World War II, Sylvia worked for the coordinator for international affairs at the Department of Commerce.

Julie Wetter served with great distinction with the 83d Division of the 9th Army during World War II. In fact, Julie was drafted when former Secretary of War Simpson selected the ball with his birthdate as the first group of young men to serve our Nation during the war. Julie served 5 years in the infantry, rising to the rank of staff sergeant.

Julie was the first in his division to reach the Rhine River, served in the Battle of The Bulge, and was awarded the Bronze Star, Silver Star,

and Purple Heart for his service to his Nation and the cause of world freedom.

Mr. Speaker, Sylvia and Julie Wetter are two individuals who exemplify what is good and right about our Nation. They have served their Nation and community with pride, they have raised a wonderful family and they have shared a love that has lasted more than 50 years. I also want them to know that I love them very much.

I ask my colleagues to join me in honoring and congratulating Sylvia and Julie Wetter on the occasion of their 50th wedding anniversary, and I know that their Congressman and my colleague, JOHN LEWIS, shares my heartfelt sentiments in wishing them the best.

## THE AMERICAN PEOPLE SAY NO TO THE REPUBLICANS' BUDGET

### HON. LOUIS STOKES

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. STOKES. Mr. Speaker, I rise in strong opposition to the Republicans' budget. According to the polls, the American people believe that the Republicans' budget cuts go too far.

Despite the fact that the American people continue to say no, to making seniors pay more for less health care; despite the fact that the American people continue to say no to taking health care services away from children and pregnant women; despite the fact the American people continue to say no to gutting Medicare, Medicaid, and education; despite the fact that the American people continue to say no to destroying the environment; despite the fact that the American people continue to say no to tax cuts for the wealthy; and most important, despite the fact that the people have spoken; the Republicans still want to force their life threatening budget down the throat of the American people.

Because the GOP budget cannot stand on its own merit, the Republicans are still trying to tie their budget mess to a continuing resolution. Because the President will not agree to the Republicans' devastating cuts and wants to protect Medicare, Medicaid, education, and the environment, once again, the Republicans have shutdown the Federal Government. This is the Republicans' second shutdown in 2 months. The GOP's blackmail approach to budgeting is not just shameful, it is irresponsible. The GOP must not be allowed to continue to hold the American people, and the country hostage to their life threatening budget.

## TITLE I, AN EDUCATION TOOL MEETING THE NEEDS OF CHILDREN

### HON. BRUCE F. VENTO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 21, 1995*

Mr. VENTO. Mr. Speaker, I rise today in support of an education program that is relied upon as an integral component of the Federal Government's commitment to ensure quality education for every American, title I of the Elementary and Secondary Education Act. Funds from title I enable schools to provide additional academic assistance to at-risk students. These children are our most vulnerable students. They are children who are more likely to fail or slip behind academically, and they are moderate- and low-income families that often lack the network of support and enrichment that contributes to successful education and schooling.

A major element of the title I program is the involvement of families in the education of their children. Parents and educators share ideas and opinions through the title I Advisory Councils where innovative solutions are developed to help these at-risk students learn. Furthermore, the parent involvement continues into the classroom setting and the home through parent classroom visits and the heightened awareness the parent takes home with them regarding the child's educational needs. Seventy-five percent of the funds Minnesota spent to educate poor children in 1995 came from the $81 million title I fund, which Republican reconciliation and appropriation measures propose to cut. If these budget cuts are enacted, Minnesota is set to lose $14 million in title I assistance in 1996.

Title I is to education what preventative medicine is to health care. It assists students just slipping behind in their level of learning and achievement in school. By providing this extra assistance, especially early in their school years, students are less likely to be held back, and, therefore, benefit more fully from the schooling being provided to them. This type of key investment, made possible by title I resources, is a very important part of ensuring that students do not fall through the cracks and that all children receive the help they require and deserve to succeed. Unfortunately, prior year funding levels and demographic changes in our school settings across the Nation, including an increased number of children in need, have translated into a gap of needs that are going unmet.

Today, the shortfall will be compounded by the misguided attempt to shift our Nation's priorities away from making investments in our Nation's children. The new Republican majority's budget package targets title I for a 17-percent funding cut. Urban areas like the Twin Cities will be more severely impacted by these proposed cuts due to the higher number of low-income families housed by our Nation's cities. Schools that currently rely on these funds to give added attention to at-risk students will be forced to decrease the number of students receiving this aid, or reduce funding in other areas of their curriculum to maintain the same level of service.

Furthermore, when reductions in title I are considered together with the cuts being proposed to other programs that assist disadvantaged children, the impact becomes enormous on this vulnerable population. Funding cuts in programs such as welfare assistance, Supplemental Security Income for disabled children, health care coverage and even nutrition programs are included in the new Republican majority's budget plans that would hit low-income children on all sides at once, placing significant new hurdles in the already difficult path to educational success for these vulnerable students.

Investing in our Nation's children is an essential component for the future prosperity and competitiveness of our Nation, and education is an integral part of that investment. Scientific research has repeatedly demonstrated that sound educational investments early in the schooling years positively impacts not only a child's academic future, but it strengthens their post-school years as well. Every child has the potential to succeed, and title I gives at-risk students the opportunity to achieve that success. As a society, we should make these type of investments today. So-called savings by cutting education programs means less success for our Nation's children and, therefore, our Nation's future.

Mr. Speaker, I would like to enter two outstanding articles by Thomas J. Collins and Bill Salisbury into the RECORD. They appeared in the St. Paul Pioneer Press on December 10, 1995, and I think they are very accurate accounts of how much schools in the Twin Cities value the activities they are able to pursue through title I and how essential this program is to the students who receive extra help from it. We must provide these extraordinary teachers, Ray Simms, Mary Bakken, Paula Mitchell, Deirdre Vaughan, Audrey Bridgeford, Jean Jones, Myrtis Skarich, and Jeff Maday, adequate tools so that they are able to serve the needs of our children, our Nation's most important resource.

[From the St. Paul Pioneer Press, Dec. 10, 1995]

TITLE I'S TIGHTROPE: WILL POOR KIDS LOSE?

(By Thomas J. Collins)

For a fleeting moment Tuesday evening, the glass-enclosed vestibule of the Naomi Family Center in downtown St. Paul offers a silent, fishbowl view of lives in turmoil.

Teacher Ray Simms is about to step inside, as he does four evenings each week. Silly, isn't it, he says to himself. The better I do my job, the less need there may be for it in the future, he thinks.

In the lobby, he walks past the cacophony where young women and their children flood toward a counter to get evening meal tickets amid the heavy cafeteria odor of dishwater and cooking meat. Up a clanky elevator to the second floor, Simms on this night will test his sixth-grade student's ability to tally time.

Simms and Eugene Booker sit in overstuffed chairs for two hours, counting hours, minutes and seconds like those that have measures the sixth-grader's life since he and his family lost their home in April. Later, the two move on to complicated math problems.

This isn't a classroom. It's a homeless shelter. And to Simms a teacher at Benjamin E. Mays Magnet School, it's not the familiar clanging of lockers or chatter of students he hears outside this door.

The special instruction Simms provides, as well as one-on-one sessions he and other teachers offer to poor kids in schools throughout the city, is part of a program that makes up one of key education targets for those trying to keep the federal budget in line.

The bulk of education money in the United States comes from state and local sources. But when the budget cutting is finished in Congress, education, like many other services, will feel the pinch. And Simms' program, known as Title I, is likely to feel it more than most.

It won't be eliminated, but enough will be trimmed around the edges to allow some kids who cannot read or write to slip away.

Under a proposal in Congress, Minnesota's share of Title I money would decrease by $14 million next year from $81 million. The money pays for programs in every one of the state's 400 school districts, aimed at supplemental support to low-income or transient students at risk of failing in school.

As public schools increasingly come under attack for failing low-income and minority children, Title I has been a life raft for teachers trying to whittle classes that are too large, implement new teaching methods, extend school days if needed, shore up flimsy graduation standards and simply help kids keep up with their peers.

JUMP-START FOR LEARNING

Mary Bakken drapes her left arm around a tiny first-grader at Prosperity Heights Elementary School as he sounds out a simple sentence. She gets the magnetic letters that form the words and he pieces them together.

She mixes up the letters and he rearranges them, an act repeated several times. One of the words he is supposed to know is ''how.'' Bakken asks him to write it and he does, finishing the ''w'' with panache.

Nearby another boy is struggling with the word ''have.'' Paula Mitchell and her pupil go over and over the word, rearranging and writing the letters until he, too, move on.

For an hour each morning, the two boys have the undivided attention of their teachers—a jump-start if you will—before they rejoin their regular classes.

''It has been wonderful,'' Mitchell said of the experience later. ''These children are the most in need. They can be helped right away before they feel like they are failures.''

Deirdre Vaughan, who coordinates Title I programming at Prosperity Heights, said about half of the school's 418 students need the extra help that the federal program finances. These are students who are scoring below the 30th percentile in national reading and mathematics tests, she said.

''Personally, I see great success with these children,'' she added. ''I see children who like coming to school, whose attendance is improving, whose parents are involved in the program as well as the community.''

Nationally, the programs have yet to be proved effective in raising test scores for low-achieving children. But experts claim they are a good start.

''A substantial portion of the enormous number of dollars spent annually on marginally, if at all, effective special education programs needs to be redirected toward preventing initial reading failure,'' said John Pikulski, who teaches courses in literacy education at the University of Delaware in Newark.

That makes sense to Trish Hill, whose 6-year-old daughter Alisha is a first-grader at Prosperity Heights. Alisha started school without knowing her alphabet.

''I tried working with her a bit at home but it didn't help,'' Hill said. After several weeks of the Title I regimen, in which Alisha reads simple sentences to her mother each night and reassembles a sentence from words that have been cut out in class, she is catching up.

''She's really excited about school now,'' Hill said. ''The program makes kids like Alisha feel good about themselves.''

ELIGIBILITY TEETERING

Propserity Heights on St. Paul's East Side is hanging on by its fingernails to the cusp of the Title I program. Seventy-five percent of its students receive free or reduced lunches; any fewer and it would be ineligible.

Prosperity Heights could be cut from the program next year as the district struggles with a reduced Title I budget. Teachers like Bakken and Mitchell could disappear as well.

''I would be very concerned about meeting the needs of our students if Title I was not here,'' Principal Audrey Bridgeford said.

Teachers Jean Jones and Myrtis Skarich say they couldn't meet those needs.

They now address them by pulling low-achieving students out of class for an individual tutoring or by breaking classes into small groups with the help of other instructors.

''I started teaching 25 years ago, and until we got this model I was never able to intervene when I needed to when a student was missing something,'' Jones said. ''It's really less frustrating for me and for the children.''

Richard Christian has a twin purpose when he visits Jones' class every Monday morning as part of the schools' Title I funded package. Sure, he wants to help his son Shawn and other first-graders improve their reading skills. But he's also on a mission to heighten the visibility of black men like himself in schools.

''It's very important for African-American males in particular to have a place in the classroom,'' he said after he finished helping another student with a difficult sentence. ''The kids are too important for everyone not to be involved.''

Jeff Maday barely has time to visit his own daughter between substitute teaching in St. Paul and working as a Title I tutor in homeless shelters six days a week. Tuesday he was trying to explain the symmetry between 24 inches and 2 feet. But his sixth-grade student, recently arrived from Chicago, is skeptical. How could 24 of anything equal 2?

They go over and over the concept until a broad grin breaks out on the student's face.

''The opportunity to work one-on-one doesn't happen in the regular classroom,'' Maday said. ''You can't just write these kids off. It would be such a waste of potential.''

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[From the St. Paul Pioneer Press, Dec. 10, 1995]

THE BUDGET ISSUE

(By Bill Salisbury)

One in five public school students in Minnesota has a stake in the outcome of the budget battle between President Clinton and congressional Republicans.

Those 80,000 pupils get special help from a federally funded program, called Title I, that tries to provide children from poor families with the basic skills they need to keep up with their classmates.

House Republicans, in their drive to balance the budget and shrink the federal government, voted to slash Title I funding by 17 percent this fiscal year—a cut that could for example eliminate funding for intensive reading services for nearly 14,000 Minnesota children who are at risk of failing in school.

President Clinton, a strong proponent of the program since his early days as governor of Arkansas, is resisting the cuts. He has proposed a modest increase in funding for the program.

Education funding is one of the five budget areas where Clinton and congressional Republicans have fundamental disagreements. The others are Medicare, Medicaid, the environment and tax cuts.

Title I is the biggest and most critical federal education program at stake in the budget negotiations. ''It is our flagship program in elementary and secondary education,'' Marshall Smith, U.S. undersecretary of education, said in an interview last week.

The federal government provides only a tiny fraction of the money U.S. schools spend on kindergarten through 12th-grade education. But it supplies $3 of every $4 spent on special services for poor children.

The House bill would reduce Title I funding by $1.1 billion, to $5.6 billion in the fiscal year that began Oct. 1. (The Senate has not passed an education appropriation measure, although a Senate committee approved a 10 percent cut in Title I.)

''With that $1.1 billion, we could provide intensive reading services to every kid in first grade who is in the bottom 25 percent of his class,'' Smith said.

Minnesota, which got $81 million from the program this school year, would get $14 million less next year.

''The bulk of our Title I dollars go for teacher aides that work with (kindergarten through fourth-grade) students who are struggling in reading and math,'' said Jessie Montano, director of the office of state and federal programs in the Minnesota Children, Families and Learning Department. ''If those funds are cut, some of those aides would be laid off, and many more children who are eligible for special assistance would not get it.''

While all Minnesota school districts get some Title I money, Minneapolis and St. Paul schools would be hardest hit by the cuts because they get the biggest shares of the federal money, based on their large concentrations of students from poor families. St. Paul stands to lose nearly $2 million in Title I funding, while Minneapolis could drop $2.1 million. St. Paul school officials say about 1,250 students would be dropped.

Minnesota schools also face cuts in a variety of smaller federal programs. For instance, the House bill would reduce federal support for programs to combat drug abuse and prevent violence by 60 percent, or $3.5 million for Minnesota schools, according to the U.S. Education Department.

The House would eliminate all funding for Goals 2000, a program intended to bring schools up to higher academic standards. Minnesota, which is using the money to develop and implement new high school graduation standards, would lose nearly $1 million.

The House and Senate both would consolidate more than 100 separate job training and placement programs into three block grants to the states. Under that plan, Minnesota would get $1.3 million less for vocational education next year, the Education Department estimated.

Schools in the state would also get less federal aid for bilingual and migrant education, dropout prevention, staff professional development, experimental schools and several other small programs. It's highly unlikely that states or local school districts would replace the federal dollars they lose, said Michael Casserly, executive director of the Council of the Great City Schools. He said schools in the nation's 45 largest cities, which stand to lose the most Title I funding, are least able to replace it because their budgets are already tightly squeezed.

Republicans say Title I, along with most other domestic programs must be cut to balance the budget.

''Our bill cut $9 billion from education, and we're proud of that,'' said Elizabeth Morra, spokeswoman for the House Appropriations Committee. ''Just about every program took some kind of hit'' to balance the budget.

Education could use some belt-tightening, Morra said. ''Those programs have been growing out of control in recent years.''

The federal government is funding 240 separate education programs this year, up from 120 programs in 1983, and that growth needs to be reined in, she said.

She predicted Congress would settle on $6 billion appropriation of Title I, which would be a $700 million cut from this year's level but almost as much as the program received in 1994. ''It's hard to argue that $6 billion is not a lot of money,'' she said.

Title I is ''generally thought of as a good program,'' she said, but it does not appear to be closing the learning gap between the rich and poor.

Smith, the undersecretary of education, agreed. He said the program was closing the gap in the 1970s and early 1980s, but has not made progress in recent years, for two reasons.

First, he said, the Reagan and Bush administrations weakened the program.

Second, he said, ''poverty, crime and a whole lot of other things got markedly worse in the cities during that period.''

To improve the program's effectiveness, Clinton and Congress last year changed the law to focus more money and effort on improving needy students' basic skills, especially in reading and math, Smith said. It's too early to measure the results of that change, he said, and too early to dismiss the program as ineffective.

Montano said the program has been effective in Minnesota. Minnesota student participants have always exceeded the national average in gains in reading and math skills, she said.

Morra also criticized Title I for wasting money on school districts that don't need it. Ninety percent of the nation's school districts receive money from the program, including those in the nation's 100 wealthiest counties. ''Title I needs targeting,'' she said.

''She's right,'' Smith said. The administration proposed targeting the money, but House Republicans and Democrats ''shot it down for political reasons,'' he said. The lawmarkers didn't want to take money away from the wealthy school districts they represent.

Rep. David Obey of Wisconsin, the ranking Democrat on the House Appropriations Committee, said Title I cuts are unnecessary. He noted that while the Republicans slashed $1.1 billion from that program, they voted to pay for 20 more B–2 bombers than the Pentagon requested at a cost of $1.2 billion per plane.

*Thursday, December 21, 1995*

# *Daily Digest*

HIGHLIGHTS

House agreed to intelligence authorization and welfare reform conference reports.

# Senate

## *Chamber Action*

*Routine Proceedings, pages S19025–S19144*

Measures Introduced: Nine bills and two resolutions were introduced, as follows: S. 1492–1500, S. Res. 201, and S. Con. Res. 37. **Page S19110**

Measures Reported: Reports were made as follows:

H.R. 2437, to provide for the exchange of certain lands in Gilpin County, Colorado. (S. Rept. No. 104–196)

Report to accompany S. 956, to amend title 28, United States Code, to divide the ninth judicial circuit of the United States into two circuits. (S. Rept. No. 104–197) **Page S19110**

Measures Passed:

*Balanced Budget:* By a unanimous vote of 94 yeas (Vote No. 611), Senate passed H.J. Res. 132, affirming that budget negotiations shall be based on the most recent technical and economic assumptions of the Congressional Budget Office and shall achieve a balanced budget by fiscal year 2002 based on those assumptions, after agreeing to the following amendment proposed thereto: **Pages S19025–34**

Daschle Amendment No. 3108, to ensure Medicare solvency, reform welfare, and provide adequate funding for Medicaid, education, agriculture, national defense, veterans, and the environment. **Pages S19027–34**

*Enrollment Corrections:* Senate agreed to S. Con. Res. 37, directing the Clerk of the House of Representatives to make technical changes in the enrollment of the bill (H.R. 2539) entitled ''An Act to abolish the Interstate Commerce Commission, to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation. **Pages S19076–77**

*Commending CIA Inspector General:* Senate agreed to S. Res. 201, commending the CIA's statutory Inspector General on his 5-year anniversary in office. **Pages S19137–38**

*Farm Credit System Regulatory Relief Act:* Committee on Agriculture, Nutrition, and Forestry was discharged from further consideration of H.R. 2029, an Act to amend the Farm Credit Act of 1971 to provide regulatory relief, and the bill was then passed, after agreeing to the following amendment proposed thereto: **Pages S19138–40**

Santorum (for Lugar/Leahy) Amendment No. 3109, in the nature of a substitute. **Pages S19138–40**

ICC Termination Act—Conference Report: Senate agreed to the conference report on H.R. 2539, to abolish the Interstate Commerce Commission, and to amend subtitle IV of title 49, United States Code, to reform economic regulation of transportation. **Pages S19074–77**

Intelligence Authorizations, 1996—Conference Report: Senate agreed to the conference report on H.R. 1655, to authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, clearing the measure for the President. **Pages S19135–37**

Veto—Securities Litigation Reform: Senate began consideration of the veto message on H.R. 1058, to reform Federal securities legislation. **Pages S19034–73, S19081–86**

A unanimous-consent agreement was reached providing for further consideration of the veto message on Friday, December 22, 1995, with a vote to occur thereon. **Pages S19081–82**

Welfare Reform—Conference Report: Senate began consideration of the conference report on H.R. 4, to enhance support and work opportunities for

families with children, reduce welfare dependence, and control welfare spending.

**Pages S19081–82, S19086–S19107, S19140–43**

A unanimous-consent agreement was reached providing for further consideration of the conference report on Friday, December 22, 1995, with a vote to occur thereon. **Pages S19081–82**

START II Treaty—Agreement: A unanimous-consent agreement was reached providing for the consideration of the Treaty with the Russian Federation on Further Reduction and Limitation of Strategic Offensive Arms (The START II Treaty) (Treaty Doc. No. 103–1), on Friday, December 22, 1995. **Page S19082**

Labor/HHS/Education Appropriations, 1996: A unanimous-consent agreement was reached providing for the cloture vote on a motion to proceed to the consideration of H.R. 2127, making appropriations for the Departments of Labor, Health and Human Services, and Education, and related agencies for the fiscal year ending September 30, 1996, to occur on Friday, December 22, 1995 at a time to be determined. **Page S19141**

Measures Indefinitely Postponed: Senate indefinitely postponed further consideration of the following measures:

*Ronald Reagan Building and International Trade Center:* S. 1315, to designate the Federal Triangle Project under construction at 14th Street and Pennsylvania Avenue, Northwest, in the District of Columbia, as the ''Ronald Reagan Building and International Trade Center. **Page S19138**

*Howard H. Baker, Jr. U.S. Courthouse:* S. 1388, to designate the United States courthouse located at 800 Market Street in Knoxville, Tennessee, as the ''Howard H. Baker, Jr., United States Courthouse''. **Page S19138**

Nominations Received: Senate received the following nominations:

Thomas Paul Grumbly, of Virginia, to be Under Secretary of Energy.

Martin A. Kamarck, of Massachusetts, to be President of the Export-Import Bank of the United States for the remainder of the term expiring January 20, 1997.

Donald W. Molloy, of Montana, to be United States District Judge for the District of Montana.

Susan Oki Mollway, of Hawaii, to be United States District Judge for the District of Hawaii.

78 Air Force nominations in the rank of general. **Page S19144**

Messages From the House: **Pages S19109–10**

Measures Referred: **Page S19110**

Measures Read First Time: **Pages S19110, S19135, S19140**

Executive Reports of Committees: **Page S19110**

Statements on Introduced Bills: **Pages S19110–21**

Additional Cosponsors: **Page S19121**

Amendments Submitted: **Pages S19121–29**

Authority for Committees: **Page S19129**

Additional Statements: **Pages S19129–35**

Record Votes: One record vote was taken today. (Total–611) **Page S19034**

Adjournment: Senate convened at 9:30 a.m., and adjourned at 9:56 p.m., until 10:15 a.m., on Friday, December 22, 1995. (For Senate's program, see the remarks of the Acting Majority Leader in today's Record on page S19140.)

# *Committee Meetings*

*(Committees not listed did not meet)*

## BUSINESS MEETING

*Committee on Energy and Natural Resources:* Committee ordered favorably reported the following bills:

S. 1371, to provide for the exchange to the Sun Valley Company certain National Forest System lands adjacent to the Snowbasin Ski Resort in Salt Lake City, Utah to facilitate certain events at the 2002 Winter Olympics, with an amendment in the nature of a substitute;

H.R. 1296, to provide for the Administration of certain Presidio properties at minimal cost to the Federal taxpayer, with an amendment in the nature of a substitute; and

H.R. 629, to authorize the Secretary of the Interior to participate in the operation of certain visitor facilities associated with, but outside the boundaries of, Rocky Mountain National Park in the State of Colorado, with an amendment in the nature of a substitute.

## BUSINESS MEETING

*Committee on the Judiciary:* Committee ordered favorably reported the following business items:

The nominations of Bernice B. Donald, to be a United States District Judge for the Western District of Tennessee, Barbara S. Jones and Jed S. Rakoff, each to be a United States District Judge for the Southern District of New York, Joan A. Lenard, to be United States District Judge of the Southern District of Florida, and C. Lynwood Smith, to be United States District Judge for the Northern District of Alabama; and

S. 605, to establish a uniform and more efficient Federal process for protecting property owners' rights guaranteed by the fifth amendment, with an amendment in the nature of a substitute.

# House of Representatives

## Chamber Action

Bills Introduced: 7 public bills, H.R. 2822–2828; and 2 resolutions, H.Con.Res. 124, and H. Res. 321 were introduced. **Page H15574**

Reports Filed: Reports were filed as follows:

H.R. 2567, to amend the Federal Water Pollution Control Act relating to standards for constructed water conveyance, amended (H. Rept. 104–433);

Report entitled "Creating a 21st Century Government" (H. Rept. 104–434);

Report entitled "Making Government Work: Fulfilling the Mandate for Change" (H. Rept. 104–435);

Report entitled "The FDA Food Additive Review Process: Backlog and Failure To Observe Statutory Deadline" (H. Rept. 104–436);

Report entitled "The Federal Takeover of the Chicago Housing Authority—HUD Needs to Determine Long-Term Implications" (H. Rept. 104–437);

Report entitled "Voices for Change" (H. Rept. 104–438);

S. 1341, to provide for the transfer of certain lands to the Salt River Pima-Maricopa Indian Community and the city of Scottsdale, Arizona (H. Rept. 104–439, Part 1);

H.R. 497, to create the National Gambling Impact and Policy Commission, amended (H. Rept. 104–440, Part 1);

H. Res. 322, providing for consideration of H. Res. 299, to amend the Rules of the House of Representatives regarding outside earned income (H. Rept. 104–441); and

H. Res. 323, providing for the consideration of H.R. 2677, to require the Secretary of the Interior to accept from a State donations of services of State employees to reform, in a period of Government budgetary shutdown, otherwise authorized functions in any unit of the National Wildlife Refuge System or the National Park System (H. Rept. 104–442).

**Pages H15567, H15574**

Speaker Pro Tempore: Read a letter from the Speaker wherein he designates Representative Chambliss to act as Speaker pro tempore. **Page H15487**

FDR Commission: The Speaker appointed Representatives English and Hinchey to the Franklin Delano Roosevelt Memorial Commission on the part of the House. **Page H15493**

Intelligence Authorization: The House agreed to the conference report on H.R. 1655, to authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System—clearing the measure for Senate action. **Pages H15494–H15501**

H. Res. 318, the rule which waived points of order against the conference report, was agreed to earlier by a voice vote. **Pages H15493–94**

Welfare Reform: By a recorded vote of 245 ayes to 178 noes, Roll No. 877, the House agreed to the conference report on H.R. 4, to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence—clearing the measure for Senate action. **Pages H15317–H15487, H15509–33**

Rejected the Rose motion to recommit the conference report to the committee of conference with instructions to the managers on the part of the House to recede from certain House provisions and agree to certain Senate amendments relating to child abuse prevention and treatment, to child care and development block grants, to State maintenance of social security efforts, to SSI disabled children, to family-based and school-based nutrition block grants, to child nutrition programs, and to continued application of current standards under the Medicaid program (rejected by a recorded vote of 192 ayes to 231 noes, Roll No. 876. **Pages H15532–33**

A point of order was sustained against the Neal motion to recommit the conference report to the committee of conference with instructions to the managers of the conference on the part of the House to insist that the text of H.R. 1267, to reconnect families to the world of work, make work pay strengthen families, require personal responsibility, and support state flexibility, be substituted for the conference substitute recommended by the committee of conference; and that the title of H.R. 1267 be substituted for the title of the conference substitute recommended by the committee of conference. Agreed to the Shaw motion to table the appeal of the ruling of the Chair sustaining the point of order

(agreed to by a yea-and-nay vote of 240 yeas to 182 nays, Roll No. 875). **Pages H15531–32**

H. Res. 319, the rule which waived points of order against the conference report, was agreed to earlier by a voice vote. **Pages H15501–09**

Recess Authority: By a recorded vote of 224 ayes to 186 noes, Roll No. 879, the House agreed to H. Res. 320, authorizing the Speaker to declare recesses subject to the call of the Chair from December 23, 1995, through December 27, 1995. Earlier, agreed to order the previous question on the resolution (agreed to by yea-and-nay vote of 228 yeas to 179 nays, Roll No. 878). **Pages H15533–43**

Agreed to the Pryce amendment in the nature of a substitute that provides that the Speaker may declare recesses subject to the call of the Chair on calendar days Saturday, December 23, 1995 through Wednesday, December 27, 1995; on the calendar days of Thursday, December 28, 1995 through Saturday, December 30, 1995, with the foregoing recesses declared not to be extended beyond December 30, 1995; and that after House has been in session on Saturday, December 30, 1995, the Speaker may declare recesses subject to the call of the Chair on the calendar days of Saturday, December 30, 1995 through Wednesday, January 3, 1996, with the foregoing recess not to be extended beyond 11:55 a.m. on Wednesday, January 3, 1996. **Pages H15542–43**

Meeting Hour: Agreed to meet at 9 a.m. on Friday, December 22. **Page H15546**

Referrals: Three Senate-passed measures were referred to the appropriate House committees. **Page H15573**

Senate Messages: Messages received from the Senate appear on pages H15487–88 and H15546.

Quorum Calls—Votes: Two yea-and-nay votes and three recorded votes developed during the proceedings of the House today and appear on pages H15531–32, H15532–33, H15533, H15542–43, and H15543. There were no quorum calls.

Adjournment: Met at 10 a.m. and adjourned at 9:43 p.m.

# *Committee Meetings*

## LAND DISPOSAL PROGRAM FLEXIBILITY ACT

*Committee on Commerce:* Ordered reported amended H.R. 2036, Land Disposal Program Flexibility Act of 1995.

## DEPARTMENT OF VETERANS AFFAIRS—MAJOR MEDICAL FACILITY PROJECTS AUTHORIZATION

*Committee on Veterans' Affairs:* Ordered reported H.R. 2814, to authorize major medical facility projects and major medical facility leases for the Department of Veterans Affairs for fiscal year 1996.

## NATIONAL PARKS AND WILDLIFE REFUGE SYSTEMS FREEDOM ACT

*Committee on Rules:* Granted, by a vote of 7 to 3, a closed rule providing for one hour of general debate in the House on H.R. 2677, National Parks and National Wildlife Refuge Systems Freedom Act. The rule provides that the amendment printed in the report of the Committee on Rules shall be considered as adopted. Finally, the rule provides one motion to recommit, with or without instructions. Testimony was heard from Chairman Young and Representatives Vento, Richardson, and Lincoln.

## AMENDING HOUSE RULES REGARDING OUTSIDE INCOME

*Committee on Rules:* Ordered reported, by a vote of 10 to 0, a resolution providing for consideration in the House of H. Res. 299, to amend the Rules of the House of Representatives regarding outside earned income. It shall be in order, without intervening point of order, to consider a motion to amend printed in the report on the resolution if offered by the chairman of the Committee on Rules. The resolution and the motion to amend shall be debatable for 30 minutes equally divided between the proponent and an opponent. The previous question is ordered on the motion to amend and on the resolution to adoption without intervening motion. Testimony was heard from Representatives Johnson of Connecticut, McDermott, and Cardin.

## COMMITTEE MEETINGS FOR FRIDAY, DECEMBER 22, 1995

### Senate

No meetings are scheduled.

### House

No committee meetings are scheduled.

*Next Meeting of the* SENATE

10:15 a.m., Friday, December 22

Senate Chamber

Program for Friday: Senate will conclude consideration of the veto message on H.R. 1058, Securities Litigation Reform, and conclude consideration of the conference report on H.R. 4, Welfare Reform, with a vote on reconsideration of H.R. 1058, the objections of the President notwithstanding, to occur thereon at 11:15 a.m., following which Senate will vote on the conference report on H.R. 4.

Senate will also begin consideration of START II Treaty (Treaty Doc. 103–1).

*Next Meeting of the* HOUSE OF REPRESENTATIVES

9 a.m., Friday, December 22

House Chamber

Program for Friday: Consideration of a resolution regarding book royalties;

Consideration of the conference report on H.R. 2539, Interstate Commerce Commission termination; and

Possible consideration of the conference report on H.R. 2546, District of Columbia Appropriations.

## Extensions of Remarks, as inserted in this issue

HOUSE



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