

particular level so we can get a nice big check from Uncle Sam."

I have also found that in some cases, 20, 30, maybe even 40 percent of the people living in a particular area could be eligible for this cash payment program. Then you start finding con artists who will sign people up who do not pay taxes and have not filed returns in the past. They will go on a recruiting trip and encourage people to have their income fall into this category, file an electronic return and maybe split it with them because they weren't going to do a return in the first place.

There has been a lot of fraud in this program. I am quoting these figures from a recent GAO report. The most recent study shows 42 percent of EITC recipients receive too large a credit, and 32 percent were not able to show they were entitled to any credit—wow, 32 percent, the study showed, were not entitled to any credit. And then in 1994, the IRS did a 2-week study on electronic returns and showed 29 percent received too much EITC and 13 percent—

Mr. BRADLEY. Will the Senator yield on that point?

Mr. NICKLES. And 13 percent were judged to have intentional errors. That is a fraudulent program.

I will tell my colleagues, Senator DOMENICI wants to save an hour of time so that we can consider more amendments. I do not blame him. He has a lot of amendments pending.

I will tell my colleagues, I had hoped to offer a Sense-of-the-Senate amendment in the second-degree to tell the Finance Committee, "Reform this program and in the process we think you can save some money."

This happens to be a program that needs to have some waste, fraud, and abuse taken out of it. That was the essence of the Sense-of-the-Senate amendment I had intended to offer, saying to the Finance Committee, "Preserve this program in a way that you eliminate the waste and the abuse and the fraud that we see now and as reported by the GAO."

That is what we should be doing. I think the Finance Committee can do it. GAO says one-third of this program is fraudulent. We did not even cut it that much. We maybe should have frozen the program until we eliminated the fraud. We did not do that. We allowed the program to grow.

I urge my colleagues to vote against the amendment of the Senator from New Jersey. I will be happy to yield for a question.

Mr. BRADLEY. The Senator said one-third fraudulent. Could the Senator justify that? Could he give us some documentation that says one-third fraud?

Mr. NICKLES. Will the Senator hold a second?

Mr. DOMENICI. Mr. President, could I make a request before he answers the question? How much time do we have remaining?

The PRESIDING OFFICER. One minute fifty-two seconds.

Mr. DOMENICI. Mr. President, I say to Senator EXON, I have discussed with Senator NICKLES, and the Senator from Nebraska has discussed with Senator BRADLEY an arrangement that we might make. I am shortly going to make a point of order, and I understand either Senator EXON or Senator BRADLEY will move to waive it.

I ask unanimous consent that when I make the point of order and Senator EXON or Senator BRADLEY seeks to waive it, that the time be limited on the motion to waive to 10 minutes a side.

The PRESIDING OFFICER. Is there objection?

Mr. EXON. There is no objection on this side, and just so I understand what the Senator is suggesting, the Senator from New Mexico will move to waive, we will object to that and then we will limit debate to 10 minutes on this side and 10 minutes on that side on that motion to waive; is that correct?

Mr. DOMENICI. The Senator from Nebraska or the Senator from New Jersey will be making the motion to waive. The Senator is correct.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, I yield back the remainder of our time, which is a minute and something.

Pursuant to the pending amendment, the pending amendment is not germane to the provisions of the budget resolution. And pursuant to section 305(b)(2) of the Budget Act, I raise a point of order against the pending amendment.

Mr. EXON. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive section 305 of that act for the purposes of the pending Bradley amendment.

The PRESIDING OFFICER. Under the previous order, the debate is 20 minutes evenly divided.

Mr. DOMENICI. Mr. President, I ask unanimous consent that it be in order to ask for a rollcall vote on the motion to waive at this time.

The PRESIDING OFFICER. The motion to waive is pending.

Mr. DOMENICI. 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.

#### UNANIMOUS-CONSENT AGREEMENT

Mr. DOMENICI. I ask unanimous consent that the motion to waive with respect to the Bradley amendment be set aside after the debate and that the vote occur at a time to be determined by the two leaders, which is the way we have done the other ones.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. I will yield our 10 minutes to Senator NICKLES.

Mr. EXON. I yield the 10 minutes on our side to be controlled by the Senator from New Jersey.

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. BRADLEY. The distinguished Senator from Oklahoma says this is not a tax cut that I am trying to save, but, instead, that this is a spending program. And he continually refers to AFDC. Then why are you telling the Finance Committee to raise an additional \$20 billion? In effect, the budget resolution tells the Finance Committee to increase revenues by \$20 billion—that is what this does, by \$20 billion. Now, the Senator thinks he will do it by increasing taxes on families with under \$28,000 in income. The Finance Committee might choose to do something else. But make no mistake, this results in increased taxes.

Mr. NICKLES. Will the Senator yield?

Mr. BRADLEY. Certainly, on your time.

Mr. NICKLES. I will be brief. I would like to point out to my colleague that I think he is totally incorrect. The revenue numbers in our budget are the CBO baseline revenues. We did not change revenues. We did not direct the Finance Committee to change revenues. They have to reduce outlays. We do not raise revenues, we reduce outlays.

Mr. BRADLEY. The effect of this will be to increase either the offset for Social Security taxes or, for 48 percent of the people receiving the earned income tax credit, income tax increases. That increases net revenues.

I yield 2 minutes to the distinguished Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I rise to strongly support the Bradley amendment. It is amazing to me that the Budget Committee could review the totality of tax expenditures, \$480 billion, and yet has selected the one area that is for working people, working men and women. Who are the people that are going to benefit from the earned income tax credit? They are the construction workers, the secretaries, the janitors, the hard-working backbone of this country and its economy. They have been singled out.

The Budget Committee could have said we are going to take care of the billionaires' tax loophole, that benefits people who reject their citizenship in order to take their bounty and go to another country. But oh, no; they didn't go after the billionaires.

You do not get the earned income tax credit unless you work. We are trying to reward work and particularly, the work of men and women that have children. They are the group of Americans that are falling furthest behind over the period of the last 15 years. This is the one program that helps and assists them.

I do not know what it is about the Budget Committee that wants to single out working men and women who are making less than \$28,000 a year to raise their taxes. They are the ones who are going to be targeted by this budget resolution—having their sons and daughters that go to college paying more in

terms of the guaranteed loan programs. They are the ones whose kids are not going to have the summer jobs. They are the ones who are going to find out that the support and assistance for school-aged children that go to the public schools have been cut, that they are not going to get the Government's help.

What in the world is it about the Republicans to want to put that kind of burden on the working families of this country? That is wrong.

The Bradley amendment addresses that, and it deserves our support. The Budget Committee should have found, out of \$480 billion, some other way to make up that difference without targeting the working families in this country.

Mr. BRADLEY. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator has 6½ minutes remaining.

Mr. BRADLEY. I yield 3 minutes to the distinguished Senator from Connecticut.

Mr. LIEBERMAN. Mr. President, I rise in support of this amendment to restore a portion of the cuts to the earned income tax credit envisioned by this budget.

This program is such a great example of the kinds of public policies we should be pursuing. We have spent countless hours in this Chamber trying to figure out ways to get people to work and get them off the welfare rolls. That debate is sure to continue. But in the meantime, our Tax Code always contains the incentive for the working poor in this country to keep on working. It helps these people stay above the poverty line and off the welfare rolls which is just where each and every one of us in this Chamber would like them to be. And as if all of that were not enough, in a time when Americans demand less Government, the EITC accomplishes all of this without a new Government agency, without an elaborate bureaucracy, without creating a new payroll for a new program.

I have made it clear that I believe the Senator from New Mexico has engaged in a noble and honest effort in presenting the budget we have before us today. While I do not agree with all of the priorities represented by the budget before us, I very much appreciate the effort and admire the bottom line. Which is why I am so puzzled by the EITC cuts. In the quest for a leaner, more efficient Government, I believe that cutting the EITC is an odd choice. The budget before us proposes to reduce the EITC by \$13 billion by the year 2000 and by an additional \$2 billion by the year 2002. These rollbacks in the program will come from repealing the final phase of the 1993 expansion of the EITC and the repeal of the EITC for workers without children.

In practical terms, this rollback of the EITC will mean an increased tax burden of \$21 billion over the next 7 years on more than 12 million American households. In my home State of

Connecticut alone, this would mean an average tax increase of \$1,408 over 7 years on 67,660 working families. This increased tax burden on the very sector of the population that can least afford to sustain it, the working family, just does not make sense. It is a policy that takes us further from, not closer to, our goal of encouraging work and self-sufficiency.

The EITC encourages people to work toward a higher standard of living. Specifically, it supplements the earnings of eligible lower- and moderate-income workers and families with a Federal income tax credit that increases their disposable income. Families move off welfare dependence to full-time work because EITC makes work pay. Thus, parents who work full time are not forced to raise children in poverty.

And I know that one of the stated purposes of these cuts is to eliminate fraud in the EITC program. That is a noble goal but I am afraid, that like the news of Mark Twain's death, fraud in this program may be greatly exaggerated. The President has proposed denying the EITC credit to illegal aliens and I am pleased that the proposal before us incorporates that idea. It also makes sense to require a Social Security number in order to qualify for the credit. The IRS is making a good faith effort to ensure that this credit is going to the people who need it the most.

I also think it is wise to adopt the President's proposal to deny the EITC to otherwise eligible tax filers with interest and dividend income exceeding \$2,500. If your investments are generating that much income, it is hard to argue that you really need the EITC. For that reason, I am pleased that we moved forward with this proposal as a way to offset part of the cost of reinstating the self-employed health insurance deduction.

Historically, the EITC has enjoyed bipartisan support. My colleagues on the other side of the aisle have had many positive things to say about the EITC. They have described the program as a key means of helping low-income workers with dependent children get off and stay off welfare and a great way to help low-income families with the cost of raising their children. It sends assistance to those in need; to those who work hard and yet struggle to make a living and provide for their children.

Jack Kemp, George Bush, and Ronald Reagan have all been strong advocates of the EITC. President Reagan described the EITC as "The best anti-poverty, the best pro-family, the best job creation measure to come out of the Congress."

The Republicans other budget proposals regarding the EITC are identical to those in the President's fiscal year 1996 budget. They include a proposal to roll back the EITC by denying the credit to illegal aliens, and the denial of the EITC to otherwise eligible tax filers whose interest and dividend in-

come exceeds \$2,500. I strongly support these two proposals.

First, I agree that with the President that compliance measures must be strengthened. A prerequisite to EITC eligibility should be the possession of a valid Social Security number. This would create a simple and efficient screening process which would allow the IRS to deny the credit in the absence of a valid Social Security number.

The Republicans second proposal to deny the EITC to eligible tax filers is another Clinton administration proposal. I agree with the President's position that taxpayers with \$2,500 of taxable interest and dividends do not need the EITC. Indeed, this proposal has already been included in H.R. 831 to offset a portion of the cost of reinstating the income tax deduction for health insurance premiums paid by the self employed.

In closing I'd like to take a few moments to stress the emphasis that the EITC places on work. The EITC is a work incentive and by law it is only available to working families. If you are not working, you are not eligible for the EITC. It is just that simple. Additionally, for those in the lowest income levels, the EITC increases with each dollar of earnings. Therefore, if an individual in the eligible income bracket works longer hours, he will receive a larger EITC. This is tax fairness.

I urge my colleagues to vote against any rollbacks in the EITC by supporting this amendment.

Mr. President, the debate on this amendment is about priorities since this amendment does not affect the bottom line of this budget resolution. The amendment leaves intact the substantial, I would say, historic, feat of balancing the budget by the year 2002.

This amendment says we do not want the earned income tax credit funds cut. The reason is that this is a program that rewards work. It is a low-bureaucracy, low-overhead program. It has worked by rewarding work and it is a program that has traditionally enjoyed bipartisan support. The Democratic Leadership Council, which I am pleased to chair, has long supported this program as has former Presidents Reagan and Bush as well as Jack Kemp.

The budget before us has an impact on the program. It would reduce tax relief for 12 million American families by \$21 billion. In my home State of Connecticut, this would mean a reduction in tax relief over the next 7 years of \$1,400 for more than 67,000 working families. As a matter of priority, I do not want the bulk of these reductions.

Mr. President, the cost of this program has grown. But that is not because it is out of control. The cost of this program has grown because we in Congress have directed that it grow because we believe in this program.

My friend from Oklahoma says that the EITC is costing more annually than the AFDC. I say that is good

news. That means we are finally spending more to reward work than to reward those who do not work. I hope the gap between these two programs continues to grow as time goes by.

Mr. President, it is important to note here, finally, that the increase in the program in recent years is not by fraud and deviousness in the program, it is by congressional design and congressional intent. When the changes we made to the program in 1993 are fully phased in at the end of fiscal year 1996, this program, the EITC, will actually grow by a very modest rate of 4.5 percent a year.

So as a matter of priority, as a matter of sustaining a bipartisan consensus on supporting those who are poor and work and need our help and encouragement so they not go onto welfare, I support this amendment.

Finally, I would like to quote former President Reagan who described the EITC as "the best antipoverty, the best profamily, the best job creation measure to come out of the Congress." That is absolutely right. That is why I support the amendment.

I yield the floor.

Mr. BRADLEY. How much time remains?

The PRESIDING OFFICER. Three minutes remain.

Mr. BRADLEY. I yield myself 2 minutes.

Mr. President, the earned income credit is called the earned income credit for a very specific reason. You do not get it unless you earn money. You do not get it as a gift. You get it because you work. You get it because you work and have earned money. You do not earn much money, but you do earn some money. And you also frequently are eligible for various benefits. As you earn more money, you lose those benefits. As you earn more money, you pay more Social Security.

What the earned income tax credit is supposed to do is to give that working family that earns money some break for the Social Security and other taxes they pay and for the benefits that they lose as they earn more money. It is a very simple concept in terms of the Social Security tax. It could have the same impact as a tax credit against Social Security. But we do not have a credit against Social Security taxes. The earned income credit is essentially giving people who pay significant Social Security taxes some of that back. So it is clearly a reduction of an overall Federal tax burden, both income tax and Social Security tax. While people who are at \$16,000 or \$17,000 a year do not pay in a lot of income tax, they pay in over \$2,000 in Social Security taxes. With the earned-income tax credit, because they work, they get a break for those Social Security taxes.

They get a refund from the Government so they pay less Social Security tax, in reality.

Mr. NICKLES. Mr. President, I want to try and clarify some of the statements that have been made.

In the first place, I will repeat what I told Senator BRADLEY. This budget resolution does not direct the Finance Committee not to raise taxes. We do not have a tax increase in this budget.

I know many of my colleagues on the other side want to have a tax increase. We do not have a tax increase. This says reduce the outlays.

My colleague from Connecticut said we are saving \$21 billion. We reduced the rate of growth in this program. That is our direction or suggestion to the Finance Committee to reduce the growth by \$21 billion over 7 years. If we froze the program, we would have \$50 billion in savings.

Frankly, I think we probably should freeze it because it is so rampant with abuse. It is so fraudulent. There are so many people taking advantage of this program. The more people find out about it the more they like it, especially if they find out that their neighbor or somebody else is taking advantage of it, and received a nice cash lump sum of \$2,000 or \$3,000.

Unfortunately, the amount of dollars are so significant more people will be filing fraudulent returns. That is what the IRS has told Congress. The IRS has made some interesting statements. They said 13 percent of returns they judge to have intentional errors. In other words, fraud. They said 29 percent, in a 1994 study, 29 percent received too much earned-income credit. Regarding illegal aliens, the IRS suspects that more than 160,000 receive earned-income credits in 1994.

I am afraid we spent a lot of money for GAO to do some homework for Congress, and then we do not pay any attention to their work. Maybe we should not in some cases. In this case, they have clearly shown this is a fraudulent program that needs to be reformed.

Some of our colleagues are saying, no, no, keep the status quo, keep going as usual. So what if 30-some percent have abused the program. So what if it went from a few billion dollars a year to a \$30 billion program. Allow it to continue.

Mr. President, I do not think we can afford to. We can achieve every bit of the savings, and allow the program to go by eliminating the fraud in this program. If we do not, we ought to be ashamed of ourselves.

GAO says look at a wealth test. We enacted an EITC wealth test earlier this year, but its thresholds are too high. A person can have a lot of assets and receive a lot of income from those assets and they can still qualify for the earned-income credit. For hours of work, there is no minimum. People can work 100 hours and qualify for \$3,000 benefit in this program. People do not have to work 2,000 hours. The average recipient last year worked, I think, 1,300 hours. Some people could work 100 hours and still receive it.

This program is set up for abuse. The GAO has done a pretty significant study. This is recent study, in March 1995. I encourage my colleagues to look

at it. It is available. We paid for it. We should look at that information.

I know my colleagues on the other side supported this massive increase in 1993, and they are very proud of it. They have gone back and quoted Ronald Reagan who stated it was a good thing. However, the total cost of this program in 1980 was \$2 billion; in 1986 it was still \$2 billion.

This program did not grow very fast, initially. By 1988 it grew to \$5.9 billion. Then its cost really exploded. I heard a couple of my colleagues say it is primarily for families, but in 1993 their tax bill opened the program up to people who do not have children.

Originally, as conceived by Senator Russell Long and others, the EITC was for families. Senator Long has written an op-ed piece saying he supported the earned-income program, but he said Congress went too far in 1993 when they expanded this program to apply to people without children. Originally, people had to have one or two kids to qualify for the program. Now you do not. Again, we make a lot more people eligible and we increase the amount of money they are eligible for.

In 1990, the maximum amount anybody could receive out of this program was \$953. In 1995, the maximum that someone can receive with two kids is \$3,110. In the year 2000, that maximum amount under current law will be \$4,068. We have millions of people that are eligible. So we are saying, no, we do not think we can afford that. So we allow the maximum to increase every year but at much smaller levels. So we say by the year 2000 the maximum amount that someone could receive with two or more children would be \$3,560, over \$450 more than what they are receiving today, but not going all the way to \$4,068.

Granted, the EITC is not growing as fast under our proposal. It should not because the program is so rampant with fraud and abuse. It is growing too fast. We need to curtail it. We need to have some containment on entitlement programs or we will never, ever, get to a balanced budget.

Then, Mr. President, I want to mention one other thing. That is the way our colleagues on the other side of the aisle want to pay for this. They will take it from the so-called reserve fund that we are setting aside, if we balance the budget, to give back to the American taxpayer.

This is about the third or the fourth amendment, and I am sure we will receive more, where our colleagues on the other side of the aisle are saying how they want to spend the so-called economic dividend. They want to spend it before we get there. That is, in a nutshell, the reason why the Democrats have never had balanced budgets. They want to spend it before we get it. They want to spend more than we take in. They are more popular spending money than taking it away.

When we call this program an earned-income tax credit, it makes people

think we are reducing taxes. We are not. This program is a negative income tax. We ought to call it what it is. It is a negative income tax.

George McGovern campaigned on a negative income tax in 1972, and now we have it in law. Perhaps it has maybe a better title, but for 80 percent of the people, it is a lump sum negative income tax. It is a cash payment. It is a cash payment that is growing a lot faster than AFDC.

We should be discussing this when we get into welfare reform. I am all for trying to create incentives to get people to work, but this is a lump sum payment that discourages work. There are a lot of people that might work just enough to maximize this payment, by either reporting income, or not reporting income.

We had some people on this case that might report income they did not receive so they could get into this level, and others might not report income that they received, cash or otherwise, so they could stay at this level.

I do not even want to get into the confusing stuff about the marginal tax rates this program creates, but we find people in the phase-out side of this program that will end up paying 80 percent or 90 percent of their additional, marginal income in taxes. Think about that. I do not want to get too confusing with facts, but they can have the highest marginal tax rate of anybody in America. And that is not fair, either.

That is a real disincentive to earn more income. I do not think we should have that.

The direction of the Finance Committee and the direction of this budget is to limit the growth of this program. It is growing too fast. It is out of control.

GAO says—not just Don NICKLES and Bill ROTH who had a hearing on this in the Governmental Affairs Committee—that the cost of this program is exploding. I compliment Senator ROTH for his efforts. We need to respond. The Finance Committee and Ways and Means Committee needs to respond. We need to get this program under control.

The PRESIDING OFFICER. The Senator from Oklahoma has 1 minute remaining, and 1 minute is remaining on the other side.

Mr. NICKLES. I reserve the balance of my time.

Mr. KENNEDY. Mr. President, I yield myself the 1 remaining minute.

Mr. President, let the Senate think about who we are talking about here. We are talking about Americans who are working. If they are making the minimum wage and if they are getting food stamps, and they are getting EITC, they are still below the poverty line. Still below the poverty line.

Now, that is what the issue is. Four trillion dollars in tax benefits or tax expenditures over the length of this measure, \$4 trillion, will be accumulated. But the only place that the Republicans could find a place to collect money was \$20 billion from these work-

ing families. If they are working full time for minimum wage, are getting food stamps, getting the EITC, these people still do not have enough, to bring up a family. And still they are trying to take that benefit away. It is wrong.

I hope the BRADLEY amendment will be successful.

The PRESIDING OFFICER. The Senator's time is expired.

Mr. EXON. Mr. President, has all time expired?

The PRESIDING OFFICER. The Senator from Oklahoma has 1 minute.

Mr. EXON. If I understand it correctly, we have finished debate and under the previous agreement we will have the vote on this at some succeeding time, is that correct?

The PRESIDING OFFICER. The Senator from Oklahoma has 1 remaining minute.

Mr. EXON. I thought the Senator has yielded back. He has not yielded back? I am sorry.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I will be brief. We have one minute remaining and we will be voting at a time designated by the two leaders.

It is vitally important we pass the budget. We have a chance for the first time in history to pass a budget that is going to call for a balanced budget. Many of us thought we should do that whether we passed a constitutional amendment to balance the budget or not. It is not possible to pass a balanced budget unless we curtail the growth of expensive programs. This program has been growing out of control. This program cost a few billion dollars a few years ago. It cost \$25 billion this year. It will be costing \$36 billion by the year 2002. We cannot continue that rate of growth. We have to slow it down.

Under this proposal it continues to grow about \$1 billion a year, not as rapidly as proposed under current law. We cannot sustain current law growth. We cannot sustain 55 percent growth per year, so this is an effort to curtail it.

I urge my colleagues to vote against the amendment and I yield the floor.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, has all time has expired?

The PRESIDING OFFICER. All time has expired on both sides.

Mr. EXON. Mr. President, I am pleased to yield a maximum of 45 minutes to my great friend and colleague, the senior Senator from West Virginia, off the minority side's time allotted.

Mr. BYRD. Mr. President, I thank the distinguished Senator from Nebraska, the ranking manager of the bill.

Mr. President, both Houses of Congress waited for weeks beyond the time when budget resolutions are normally brought before the House and Senate. In fact, as Senators are aware, section

301(a) of the Congressional Budget Act requires that on or before April 15 of each year the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. Nevertheless, Congress has often missed this deadline, so the lateness of this particular budget resolution is not extraordinary.

It is particularly understandable that this year's budget resolution would be late, in light of the fact that it contains more deficit reduction than has ever been proposed in any budget resolution. I believe the figure is nearly \$1 trillion in deficit reduction that would purportedly be achieved over the next 7 years if this budget resolution is agreed to, and if all of its reconciliation instructions were enacted into law. That is what the Congressional Budget Office's current projections show.

At the end of that 7 years, according to table 1 on page 6 of the Budget Committee's report, under this budget resolution we will have achieved a budget surplus of \$1.3 billion. Apparently that surplus occurs only under a unified budget. For those who are not intimately familiar with budget terminology, a unified budget is one that allows the use of trust fund surpluses to mask the true size of the deficit.

For this particular budget resolution, the use of such trust fund surpluses, and particularly the Social Security surplus, is necessary to achieve the \$1.3 billion surplus in the year 2002. If one turns back one page in the Budget Committee's report to page 5, one will find another table. This table, table 1, sets forth the projected deficits recommended by the Budget Committee through the year 2002 without using the trust fund surpluses. This table shows that even if we adopt this budget resolution lock, stock, and barrel, we will still have a deficit—according to the Budget Committee—of \$113.5 billion in 2002. In other words, if we do not apply the Social Security trust fund surplus against the deficit, the budget will not balance in the year 2002 under this budget resolution. Instead, there will be a deficit of \$113.5 billion.

Having said that, I am quick to acknowledge the tremendously difficult work that has been done by the able chairman of the Budget Committee, Mr. DOMENICI. He has spent months on this budget resolution and, having worked closely with him on appropriation and budget matters for many years, I know that he is thoroughly familiar with virtually every item in this budget resolution. I would expect no less from this very able and distinguished Senator. It cannot have been easy to recommend the difficult choices that were necessary to achieve \$1 trillion in deficit reduction without including any additional revenues and without cutting military spending. I would note, however, that the task would have been even more difficult had not the 1993 Reconciliation Act

been enacted. So let us not lose sight of that fact. That measure, at the time of its passage, was estimated to cut the deficit by \$433 billion below the CBO baseline over 5 years.

President Clinton deserves a great deal of credit for having proposed a major deficit reduction package shortly after he assumed office in 1993. Subsequently, Congress enacted the Omnibus Reconciliation Act of 1993, which resulted in reducing 5-year deficit projections by \$433 billion. Not one Republican, not one in either House, voted for the package, but, as I said, the Budget Committee has benefited from that 1993 deficit reduction package. Without that package that we enacted in 1993, the committee would have had to come up with another \$433 billion in deficit reduction in this resolution in order to reach their target in 2002.

Mr. President, despite the rhetoric to the contrary—let me say this. I hope all Senators will hear it. Despite the rhetoric to the contrary, this is not the first budget resolution that has projected a balanced budget. I hear many Senators say, "For the first time we have a budget resolution here that projects a balanced budget."

That ain't so. This is not the first budget resolution that has projected a balanced budget. In fact, it is not even the second, or third budget resolution that has done so. That this is so is supported by the Budget Committee's report accompanying this year's resolution. In Mr. EXON's minority views, on page 314, the following statement is made:

Contrary to Republican statements, this is not the first budget resolution to achieve balance. It is the fifth in line. The 1980, 1981, 1982, and 1991 budget resolutions were in balance. In the 1991 budget, Democrats did not use the Social Security trust fund surplus to reach balance. This all goes to demonstrate that the universe covered by a budget resolution can change in the course of the years.

That is the language, that is the committee report, and I quoted from Mr. EXON's statement there.

So, there have been four other occasions when budget resolutions have projected a balanced budget. We have done this before. This is not the first time. In fact, I recall that President Carter's fiscal year 1981 budget contained a deficit of something like \$15.9 billion. We in the Senate found that to be intolerable, and as majority leader at that time, I convened a session at which the chairman and ranking members of the Budget, Appropriations, and other relevant committees sat down for several days including an entire weekend to come up with the necessary changes to balance President Carter's 1981 budget. We accomplished our purpose and the fiscal year 1981 budget resolution, therefore, showed a balanced budget. but, as with all other budget resolutions, including this one, as we shall see, changes in economic and technical forecasts caused the actual 1981 budget to be out of balance. The latest such budget resolution prior to the pending one was that for fiscal year

1991. Some Senators will recall that the 1991 budget resolution was adopted subsequent to the 1990 Budget Summit. That Budget Summit was requested by President Bush in May of 1990. I participated in it, as did a number of other Senators, including Mr. DOLE, Mr. DOMENICI, and Mr. GRAMM, to name a few—Mr. HATFIELD and Mr. Bentsen, who was a Senator at that time. From the House side, the summit participants included Mr. GEPHARDT and Mr. GINGRICH, among a number of others.

We spent literally weeks and weeks and weeks, and even months negotiating a bipartisan deficit reduction package which, it was agreed by all, should be no greater than \$500 billion over five years. The fear was that anything over \$500 billion would throw the economy into recession. We had the best Democratic and Republican brains in the Nation sitting around that summit table at Andrews Air Force Base. In addition to Members of Congress and their staffs, we had the benefit of the wisdom of Mr. Richard Darman, President Bush's OMB Director; Mr. John Sununu, the President's Chief of Staff; and even the Secretary of the Treasury, Mr. Nicholas Brady. Also present was the CBO Director, Dr. Robert Reischauer, and several of his key staff. I should mention that Leon Panetta was there. As anyone can see, we did not suffer from a lack of expertise at the 1990 bipartisan Budget Summit. Well, after all those months of intense negotiations, which often ran into the night and included Saturdays and Sundays, we finally reached an agreement.

That agreement cut the projected 5-year deficits for fiscal years 1991–95 by \$500 billion. When first presented to the House, in the form of a budget resolution, the summit agreement was voted down. After some modifications were made, however, a budget resolution was agreed to by the House on October 8, 1990, and by the Senate the next day.

I have here the fiscal year 1991 budget resolution conference report. It is numbered report 101–820, and was submitted by Mr. Panetta, who was the House Budget Committee chairman at the time. On page 2 of this 1991 budget resolution conference report, we see a heading entitled "Recommended Levels and Amounts." Under that heading in section 3(a)(4), one will find the on-budget deficits for fiscal years 1991–94 and an on-budget surplus for fiscal year 1995.

Specifically, the conference report itself reads as follows:

SEC. 3. (a)(4)(A) The amounts of the deficits are as follows: Fiscal year 1991: \$143,700,000,000. Fiscal year 1992: \$100,900,000,000. Fiscal year 1993: \$62,000,000,000. Fiscal year 1994: \$14,700,000,000.

(B) The amount of the surplus is as follows: Fiscal year 1995: \$20,500,000,000.

So there you have it. The budget resolution for fiscal year 1991, which incorporated the budget cuts agreed to at the 1990 Budget Summit, showed an on-budget surplus of \$20.5 billion in the fifth year; namely, fiscal year 1995.

That surplus was to be achieved under that budget resolution without using the Social Security surplus. In fact, if one turns to page 21 of the 1991 budget resolution conference report, there one will find a table which, among other things, shows that if the Social Security and other trust fund surpluses are used to reduce the deficits, then there were supposed to be surpluses, not deficits, for fiscal years 1993, 1994, and 1995. In fact, the surpluses were to be: for fiscal year 1993, \$44.8 billion; for fiscal year 1994, \$108.5 billion; and for fiscal year 1995, \$156.2 billion.

My purpose, Madam President, in raising these matters is to put to rest the misconception that somehow the Republican leadership in the Congress has come up with the first budget resolution ever that projects balance; and the further misconception that past Congresses failed to bite the bullet and make the tough choices to balance the budget. The fact is that we thought we had enacted the necessary spending restraints in 1990, on a bipartisan basis, to achieve a balanced budget by 1995. The experts told us we had done so. But, as is the case now, and, as I have said many times, there is no earthly way that any human being can accurately predict what the deficit will be 5 years from now.

We all know what happened to those 1991 budget resolution projections. They went south. No sooner was the ink dry on the Summit Agreement, and its accompanying reconciliation act, than CBO changed its projections.

I have here a CBO document entitled "CBO Papers—The 1990 Agreement: An Interim Assessment" dated December 1990. On page 8, this paper lays out major changes in the 1991–95 deficit calculations upon which the Congress and President Bush had just depended when they enacted the provisions of the Summit Agreement, which was supposed to achieve a budget surplus by fiscal year 1995. Here is what CBO had to say about their changed projections, only 1 month after enactment of the Summit Agreement:

The October interim economic assumptions increase the projected deficit by \$41 billion in 1991 and by about \$60 billion per year thereafter, compared with CBO's summer baseline. The October forecast reflects significant signs of weakness that appeared in the economy after CBO completed its summer forecast in June. The Iraqi invasion of Kuwait in early August has caused a sharp increase in oil prices, which has boosted inflation. In addition, the revision of the national income and product accounts for the past three years suggests that the economy's potential rate of growth is lower than previously thought.

Taken together, these economic developments reduce projected revenues by about \$30 billion per year. Higher inflation increases cost-of-living adjustments for Social Security and other benefit programs, as well as discretionary inflation adjustments for defense and non-defense appropriations. Higher unemployment raises spending for unemployment compensation and for income-assistance programs. Finally, lower revenues and higher spending increase federal borrowing requirements and debt service

costs, by amounts growing from \$2 billion in 1991 to \$17 billion in 1995.

During the final months of fiscal year 1990, the Resolution Trust Corporation (RTC)—the agency charged with resolving insolvent savings and loan associations—spent \$10 billion more than CBO projected in July. This surge in spending suggests that the RTC is resolving cases more quickly and needs more working capital than previously thought. As a result, CBO has increased its estimates of deposit insurance spending in 1991 and 1992. Together with the resulting increase in debt service costs, deposit insurance reestimates increase the projected deficit by \$16 billion in 1991 and \$42 billion in 1992, have little effect in 1993, and reduce the deficit somewhat thereafter.

So, Madam President, it became obvious, rather quickly then, that budget balance would not be achieved without further major deficit reduction packages. President Bush chose not to undertake further budget summits, nor to propose further deficit reduction for fiscal years 1992 or 1993.

It was left up to President Clinton to propose further deficit reduction. He rose to the challenge in his "Vision For America," which was submitted to Congress on February 17, 1993. President Clinton laid out a blueprint for improving the lives of Americans and for reducing the Federal deficit, while at the same time, addressing the Nation's investment deficit in both human and physical infrastructure. The 1993 Omnibus Reconciliation Act was subsequently enacted and resulted in \$433 billion in deficit reduction—and it had to be done without a single Republican vote.

That brings me to the pending budget resolution, which, as I stated at the beginning of my remarks, calls for some very difficult budget cuts which, according to OMB, will total \$961 billion below a baseline which already assumes a non-defense discretionary freeze for the next 7 years. From this baseline, this budget resolution would cut: \$256 billion from Medicare; \$175 billion from Medicaid; \$209 billion from other entitlements; \$190 billion from nondefense discretionary spending (as measured from a 1995 freeze extended through 2002; defense is increased by \$25 billion); and \$155 billion from reduced debt service.

For nondefense discretionary spending, this budget resolution would cut \$190 billion below a 1995 freeze; the equivalent of a \$300 billion cut below the levels in the President's budget. By the year 2002, nondefense discretionary spending will be cut by nearly one-third, declining to 2.5 percent of the gross domestic product, and that would be a record low.

For military spending, on the other hand, this budget resolution proposes no cuts to the President's budget, as opposed to its proposed \$300 billion in cuts below the President's nondefense budgets, over the next 7 years. That is preposterous. If we accept this budget resolution, we will cut by one-third—provided the instructions are carried through—we will cut by one-third that portion of the budget which funds edu-

cation, the National Institutes of Health, environmental cleanup, health and safety programs to ensure the safety of food and water for our citizens, research and development, School-To-Work and other job training programs, NASA, aviation safety (including air traffic control), civilian and military retirement, agriculture, highway and bridge construction and maintenance, transit assistance, the Small Business Administration, the judiciary and the courts, nuclear waste cleanup, our national parks, law enforcement, and the operating costs of every department and agency of the Federal Government.

These and all other nondefense programs—all other nonmilitary programs—will suffer devastating cuts over the next 7 years.

But not the military; not the military. No cuts are proposed for the military over the next 7 years.

Does anyone believe that the military budget cannot be cut? Does anyone believe that the military budget ought not be cut? Does anyone believe that there are not items in that military budget that can be cut, ought to be cut, and still maintain the kind of security for our country that we expect?

Well, apparently some of our friends on the other side of the aisle do believe that. Not only that, this budget resolution will reestablish a wall so that military spending will have its own separate caps for the next 7 years. This will prohibit Congress from cutting military spending and using those cuts to ease the pain on nonmilitary spending. This means that we will limit our ability to set priorities by removing from the budget-cutting pot the entire military budget. It is off limits.

Furthermore, this budget resolution will eliminate the hold-harmless provisions of the Budget Enforcement Act for discretionary spending. This means that discretionary caps will no longer be adjusted for economic and technical miscalculations which are beyond the control of Congress.

I fought for that in connection with the 1990 summit and the budget resolution that flowed therefrom. I fought for that. I sat right down in my office and discussed that with Mr. Darman. I said, "There's no give on that. Nondefense discretionary has got to be held harmless." And we were, and we have been held harmless since. But that is out now with this budget resolution.

Finally, this budget resolution will create a new requirement that, in order to not be charged against discretionary spending, emergencies will have to achieve a 60-vote supermajority in the Senate.

So if we have a disaster in Texas, get ready to produce 60 votes, or else it will be charged against discretionary spending. And where do we have the money? Discretionary spending is on the block. The ax is going to fall, as it has fallen time and time again in recent years.

It is clear that nondefense discretionary spending will suffer the great-

est harm of any area of the Federal budget under this budget resolution. And the American people will not have to wait for reconciliation to feel the effects of the nondefense, nonmilitary, discretionary cuts. Those cuts will be coming to the House and Senate floors very soon after the adoption of the budget resolution conference agreement. Each of the 11 nondefense discretionary appropriation bills will contain a large dose of reality as to what is being asked of the American people in the way of cutbacks in government services. And these cuts will keep coming each and every year for the next 7 years. There will be no relief. If the caps are exceeded, then automatic cuts, or sequestrations, will occur to bring nonmilitary spending back within each year's cap on both budget authority and outlays. Rest assured, if this budget resolution is agreed to, and I have no doubts that it will be agreed to, these cuts will occur. We will no longer have to speculate about the pain that will occur. It will have arrived.

For the entitlement portion of the budget, this budget resolution also calls for tough medicine. As the debate has already brought out, cuts of \$256 billion for Medicare; \$175 billion for Medicaid; and \$209 billion from other entitlements will be very harsh upon those in our society who, in many cases, are the least able to afford to pay more for their benefits. The changes called for in the budget resolution for entitlements will be taken up later this year in a massive reconciliation bill. Only if enacted by Congress and signed into law by the President, will these entitlement cuts take place.

So there will be another day to make that decision.

Page 5 of the committee report, Madam President, contains this statement:

The committee's recommendations are real, enforceable, and achieve the fiscal policy goal of a comprehensive, unified balanced budget in 2002.

I ask Senators where is the enforcement on entitlement spending in this resolution? Let me read again page 5 of the committee report. I quote:

The committee's recommendations are real, enforceable, and achieve the fiscal policy goal of a comprehensive, unified balanced budget in 2002.

I ask the committee, where is the enforcement on entitlements? The committee report says these are enforceable. Where? Where is the enforcement on entitlement spending in this resolution? I have asked my staff to find that. My staff has searched in vain to find caps on entitlements and sequestrations to enforce the caps. There are no such provisions. Despite the committee's claim, there is no enforcement on entitlement spending for the next 7 years. Yet, as any knowledgeable observer knows, entitlements are where the growth in Federal spending is occurring. The cuts in discretionary spending will occur—you can bet—they will occur because there are caps every



year and automatic, across-the-board cuts discretionary spending within those caps.

Yes, they are enforceable, those cuts in nonmilitary discretionary spending. Cuts in nonmilitary discretionary spending will occur because there are caps every year and automatic, across-the-board cuts to keep the nonmilitary discretionary spending within those caps. Yet, for entitlements, this resolution contains no caps and no other enforcement mechanisms.

Similarly, for revenues, there is nothing in this resolution to ensure that each year's revenue projection will be achieved. What if we have a recession? What if we have a recession, as we probably will? How will the shortfall be accounted for?

The only way in this resolution is by increasing the deficit.

For entitlement spending and revenues, this budget resolution is no different—no different—from any of the other budget resolutions in the past. In fact, the proposed balanced budget amendment to the Constitution suffers from the same flaw. We pointed that out time and time again in the debate. That amendment suffered from that flaw. Human beings simply cannot accurately forecast budgets 7 years, or 5 years or 4 years or 3 years or 2 years, or even 1 year in advance. This budget resolution is no different from the budget resolution for fiscal year 1991 which, as I have already pointed out, was not worth the paper it was written on. When all is said and done, it was not worth the paper it was written on. It took CBO just 1 month—1 month—to change the revenues downward and the entitlements upward. The pending resolution will not improve the negative effects of those misestimates for revenues and entitlements at all.

This brings me to a final area of the pending resolution, which is disturbing to me, perhaps as much as any of the other matters I have raised, if not more. That is the portion of this budget resolution which states that after enactment of reconciliation, the Congressional Budget Office will provide the Senate with a revised estimate of the deficit for the years 1996 through 2005, and if there is any additional deficit reduction, the "surplus" can be used for a cut in revenues. The resolution would not allow the surplus to be explicitly used for additional deficit reduction or to lessen the impact of proposed Medicare or Medicaid cuts.

CBO has already indicated that if the deficit is eliminated by the year 2002, there will be a "bonus surplus" gained from a reduction in interest rates and an improvement of one-tenth of a percentage point in the growth rate. The mark requires the fiscal dividend to be limited to the amount CBO certifies is the additional deficit reduction that results from the enactment of reconciliation legislation based upon the Republican mark.

Madam President, first of all, I do not believe there will be any windfall if

this budget resolution is agreed to and if its accompanying reconciliation measure is signed into law. This budget resolution assumes there will be no recessions over the next 7 years. Furthermore, any objective review of the past history of CBO's 5-year deficit projections would lead one to find highly suspect the 7-year projections contained in the pending resolution. I do not believe the chances are any better than 1 in 1,000 that, if we accept this budget resolution to carry out its entire contents without change, we will achieve a balanced budget in 2002.

Regarding the tax cut provided in this resolution, I am frankly amazed. For all the talk—all the talk—about balancing the budget and all the mighty effort expended, we turn right around again in the same budget balancing document and spend \$170 billion that we do not have and will, in all likelihood, never have on a tax cut. It is folly. Here we go again. Like the old song says: "Livin' on money that we ain't made yet."

"Livin' on money that we ain't made yet." That money is not going to be there when the day rolls around.

In case I am wrong, I do not support the use of any resulting windfall for tax cuts. And I do not care who recommends the tax cuts. It can be President Clinton, if he wants to. I am not going down that road with him. I do not think he should have gone down that road. I do not think anybody ought to be recommending tax cuts at this time. I am not supporting Mr. Clinton and I am not supporting the Republicans on any tax cuts.

If there are any windfalls, we should apply them toward the deficit rather than give them away in tax cuts. That is what we wanted to do. We want to balance the budget. It is the height of ridiculousness to propose tax cuts for the wealthy which total over \$350 billion over the next 7 years, while at the same time we are devastating domestic discretionary programs that are investments in the Nation's future and in the people's future.

I believe that the other side of the aisle would do well to tone down the partisan rhetoric and the blame game. Democrats did not put us in this downward spiral. We all had a hand in it. We had a Democratic House, but we had a Republican President and we had a Republican Senate. Democrats have done their best to lead the efforts to eliminate the Federal deficit in the past. We recognize it has to be done. We did not ignore the problem in the past. We did not ignore it in 1993, and we stand ready to do our part again to do what is necessary to achieve budget balance. But it is obvious that we cannot do this if all we are interested in is partisanship. Virtually every substantive amendment that was offered by Democrats in the Budget Committee markup was rejected on a party line vote. Here on the Senate floor, the same partisan approach has been used by the Republican majority.

I, therefore, do not kid myself by holding out any hope that there will be any attention paid by the Republican side to the suggestions or proposals made by this side of the aisle. That is unfortunate. We are all here to do our solemn duty in, once again, making tough choices which affect the lives of virtually every American in order to balance the budget. None of us shy away from that duty. But, I submit that the Senate and the American people would be far better served if, at some point during this year's budget and reconciliation battles, we put aside partisan and Presidential politics, and vote for the best possible legislation in all instances—no matter whose idea it may be.

I close by congratulating again, Mr. DOMENICI, the chairman of the Budget Committee. He is an extremely capable and bright and dedicated Senator, and he has demonstrated a great deal of courage in bringing this resolution forward.

But I like to look at history in a situation like this, just as in many other situations. I have related some recent history to show that budget resolutions have a way of being overly optimistic and that there are conditions that occur in the economy which, in the final analysis, result in changing the expected and hoped-for outcomes of the budget resolutions.

I also compliment Senator EXON, who has done a fine job, a dedicated job on the Budget Committee. It is not easy. And all of the members on that committee are to be complimented. I am not on the committee, and I do not envy those who have worked so hard. They have spent hours and days and weeks, and they have done their best. I know they have done their best.

I know the Senator from New Mexico has done his best. He believes in this product. But he has no control over the future. Nobody has any control over tomorrow. "Boast not thyself of tomorrow, for thou knowest not what a day may bring forth." Recessions can occur, military conflicts may arise. There are things we cannot foresee. We cannot foresee what inflation will be, what the unemployment rate will be, what the gross domestic product will be, what interest rates will be.

In closing, I compliment the managers and I hope that what I had to say today will be of some benefit and that it will at least cause us to look back over the road we have traveled in the past and possibly to temper what we may have to say with regard to the future's optimist projections.

Madam President, how much time do I have left?

The PRESIDING OFFICER. The Senator has 2 minutes 10 seconds remaining.

Mr. BYRD. I yield back my 2 minutes.

Mr. DOMENICI. Madam President, I yield myself 1 minute off my side. Before he leaves the floor, I thank Senator BYRD very much for his remarks.

I know we do not agree on the details, but I thank him very much for the way in which he described the Budget Committee, as hard-working people. It is very hard to get people together on such diverse issues. I compliment Senator EXON for his hard work. Again, I thank Senator BYRD for his remarks.

There is no question that if we could predict with specificity exactly what will happen 3 years, 7 years, 20 years from now, we would be greater than the Roman Senate. But in any event, we cannot do that. I understand we are doing our very best. But I think the assumptions and expectations of this budget are realistically conservative in terms of economics and the like, even more so than the President's budget, which did not do much to the deficit but had less conservative estimates in the next 4 years. I thank him for his remarks.

I yield the floor.

Mr. EXON. Madam President, let me take a moment and thank my friend and colleague, the chairman of the committee, Senator DOMENICI, with whom I have worked for a long, long time. I have saluted him during this debate before and I do so again now.

I also want to take a moment to compliment my very dear friend, the senior Senator from West Virginia, for his outstandingly considerate and thoughtful remarks. I just hope that the Senate will be wise enough to recognize and realize that someone with the wisdom, dedication and the evenhandedness that has been part and parcel of Senator BYRD's lengthy and very distinguished career would give us pause for consideration. I think sometimes we get carried away, and I can think back and make talks on several measures that have been introduced in the U.S. Senate to solve the deficit problem. I voted against most of them because I did not think they held water.

I simply say that there are many concerns that we have on both sides of the aisle. Some of the sharp debate we have had on this measure is a very legitimate process of the consideration—the debate and deliberations that the U.S. Senate has been known for a long time.

As a personal aside, let me say that I have often said with my experience in politics, the great reward has been the people that I have met and have been associated with that would have never come my way had I not been chosen by the great people of the State of Nebraska to represent them as Governor and then as a U.S. Senator. One of the finest things that has happened to this Senator, with all of the outstanding people that I have met and been associated with and worked with, Senator BYRD has always been a pillar of what I think a U.S. Senator should be all about. And I think the remarks that he just gave demonstrate better than I could have said it how important he has been and remains as a Member of this body. I thank my friend from West Virginia.

Mr. BYRD. Madam President, I thank both managers of the bill.

Mr. DOMENICI. Senator GRAMM of Texas is going to offer an amendment. Technically, under the rules, I am supposed to manage the opposition. But I choose today to designate, if he will assume the responsibility, Senator EXON as the manager in opposition to the Republican amendment.

Mr. EXON. I appreciate those remarks by Senator DOMENICI. We are prepared to cooperate as he has outlined. If I understand it correctly, we are now moving back and forth, and we are now prepared to listen to the beginning of the debate on what I understand is called the Gramm amendment. We are prepared for that if the Chair is.

The PRESIDING OFFICER. The Chair recognizes the senior Senator from Texas.

#### AMENDMENT NO. 1123

(Purpose: Setting forth the congressional budget for the United States Government for the fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002)

Mr. GRAMM. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Texas [Mr. GRAMM], for himself, Mr. COATS, Mr. COVERDELL, Mr. CRAIG, Mr. FAIRCLOTH, Mr. GRAMS, Mr. HELMS, Mr. KEMPTHORNE, Mr. KYL, Mr. LOTT, Mr. MACK, Mr. MCCAIN and Mr. SMITH, proposes an amendment numbered 1123.

Mr. GRAMM. Madam President, I ask unanimous consent that 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. GRAMM. Madam President, I ask unanimous consent further reading be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRAMM. Madam President, I have offered an amendment which will reduce government spending from the level recommended in the Senate budget, that will include the heart of the tax cuts contained in the Contract With America, and that will, for all practical purposes, bring the budget which is now under consideration in the Senate into line with the budget that has already been adopted in the House.

In short, if the amendment that I have offered is adopted, we can virtually guarantee that the tax cuts which Republicans across the land committed to in the 1994 elections will become the law of the land.

I would like to outline what this debate is about. I would like to talk about the amendment. I would like to outline what the amendment does, and then I would like to talk about the issue that we are going to decide when we cast a vote on this amendment.

In September of last year on the north plaza of the Capitol Building, Republican candidates for the U.S. Senate, in fact, every Republican challenger in the country that was running in an open seat or against a Democratic incumbent except one who could not be there on that occasion, gathered to issue to America, a statement that we called "7 more in '94."

I want to read the opening part of that statement, and then I want to refer to a couple of things in it. We said, "We pledge to the American people that if they empower us as a majority in the U.S. Senate on November 8, 1994, we will dedicate ourselves to the adoption of these legislative priorities." Among those priorities, we had a tax exemption for children, we had the reestablishment of individual retirement accounts for families, we had the reduction of the capital gains tax rate, and the indexing of capital gains, and we pledged to repeal the earnings test under Social Security.

One week later, as everyone in America now knows, Republican candidates for the House of Representatives gathered on the west front of the Capitol and presented their Contract With America which outlined two goals as it related to the budget.

One goal was to balance the Federal budget, a commitment we also had made 1 week earlier on the northern approach to the Capitol; and also they outlined a comprehensive program to cut taxes, to let families keep more of what they earn, to provide incentives for people to work and to save and to invest.

That was in September 1994. We all know that the American people on November 8 changed American Government in the most sweeping congressional election since 1932. We won a majority in both Houses of Congress. The House of Representatives, good to its word, not only made promises in the campaign but they fulfilled each and every one of those promises. They adopted a budget last week that balanced the Federal budget over a 7-year period and that mandated tax cuts as they had outlined in the Contract With America.

Now, that brings the Senate to this point in the debate. Where we are today is that we have a budget before the Senate that fulfills half the fiscal commitments we made that September day. We have before the Senate a budget that over a 7-year-period limits the growth of Government spending to 3.3 percent a year, down from an average of about 5.5 percent a year growth over the previous 5 years, down from about 7.5 percent growth in Government spending since 1950.

As a result of constraining the growth in Government spending, the budget that is before the Senate is a budget that will achieve balance over a 7-year-period.



I want to congratulate Senator DOMENICI. I want to congratulate my colleagues for having achieved half of the commitment that we made prior to the elections in 1994.

My amendment today seeks to achieve the other half of those commitments. Now, what is the difference at this moment between the House budget and the Senate budget? Stated in its most simple terms, the budget that we are considering in the Senate spends \$175 billion more on nondefense spending programs over the next 7 years than the budget which was adopted in the House. That is the first difference. Our budget spends a lot more money than the House budget spends, on non-defense expenditures.

The second difference is that the budget in the Senate does not mandate a tax cut, whereas the budget in the House does.

My amendment is a very simple amendment. What my amendment does is make two changes in spending. No. 1, it phases in the reductions in the growth of spending under Medicaid so that while Medicaid expenditures grow every year over the next 7 years, and while Medicaid grows faster than Government spending is growing, we slow down the rate of growth in Medicaid more quickly under the substitute which I have offered than under the budget that is currently pending before the Senate.

Many people believe that those savings are not only achievable but desirable.

The most significant change in spending that I have proposed in this amendment reduces nondefense discretionary spending below the level contained in the budget that is before the Senate, so that overall we are spending \$142 billion less under my amendment than we are spending in the budget that is currently before the Senate.

If we look at this chart, Mr. President, it shows basically what the amendment does to spending. The red line is a line that shows the growth of Government spending under the Domenici budget; that growth averages 3.3 percent a year.

What my amendment does, by reducing the growth of discretionary spending, and by phasing in savings in Medicaid more quickly, rather than growing at 3.3 percent a year, Government spending would grow at approximately 3 percent a year. Government is still spending more each year than it spent the year before, but not spending as much as it would have spent had this amendment not been adopted.

This amendment then provides for tax cuts for the American people. These tax cuts basically contain the following items: A \$500 tax credit per child; cutting the capital gains tax rate by 50 percent and indexing it for inflation; estate tax relief for small business and small farms; faster depreciation through expensing for small business to encourage investment in small business in America; beginning the

process of phasing out the so-called marriage penalty, this perverse provision in the Tax Code where if two people with incomes meet, fall in love, and decide to get married, they pay the Government as much as \$4,500 a year—for the right to be married—in additional taxes; this amendment reestablishes individual retirement accounts for all Americans; it allows spouses working in the home to have an individual retirement account on exactly the same basis as if they worked outside the home; it allows the deduction with a credit for expenses in adopting a child; it raises the threshold for the earnings test under Social Security so that if senior citizens need to work to supplement their income, if they have the ability to work, they can do it without losing Social Security in the process; and finally, if someone takes care of an elderly person in their home, they are allowed a credit for part of those expenses.

This, in essence, is the tax cut that is contained in the House budget and is the heart of the Contract With America.

Now, let me take on the issues that are going to be raised. There are going to be some people who will say, "Look, let us balance the budget before we talk about tax cuts."

That is very easy to respond to. We are both balancing the budget. The DOMENICI budget balances the budget, certifies the savings, locks them in with enforcement mechanisms, and so does the amendment I have offered. In terms of balancing the budget, both amendments will balance the Federal budget.

What my amendment does is spend less money, and by reducing spending by \$142 billion over the next 7 years, my amendment makes it possible for us to adopt as part of the reconciliation process a tax cut, fulfill the commitment we made in the campaign, and to do something more: To begin the process of not only balancing the budget but changing who is doing the spending in America.

The debate here is really between those who say we want the Government to spend \$142 billion more, in the Senate, than Government spends in the House budget, and those who support my amendment and say let us have the Federal Government spend \$142 billion less so families can spend more of their own money on their own children, so that businesses can invest more of their own money in their own businesses.

I know there are those who will say this is a debate about how much money we spend on children, this is a debate about how much money we spend on education, housing, and nutrition. But this is not a debate about how much money we spend on children. It is not a debate about how much money is spent on nutrition or housing or education. It is a debate about who is going to do the spending.

In the budget that is before us, the Government is going to continue to do

the spending. In the amendment that I have offered, the family will do the spending. I know Government and I know the family and I know the difference. I believe if the American family is allowed to have a \$500 tax credit per child so parents can spend more of their own money on their own children, on their own future, that they will do a better job in spending that money than the Federal Government is doing.

In the House they propose eliminating public funding for public television. In the House, they propose eliminating the Federal Department of Education. And they give part of that money back to parents, to let parents decide how it is spent. I believe that is a clear choice and I want to be absolutely certain that people know that we can make that choice in this amendment. If you want families to spend more of their own money rather than having the Government spend it, you want to be for this amendment.

Second, this amendment cuts the capital gains tax rate, provides incentives for investment, and I know there will be those in this debate who will say this helps rich people. "If you cut the capital gains tax rate, rich people are going to exploit the situation because what they are going to do is mobilize their money; they are going to invest it; they will create jobs. But if they are successful, they will earn profits."

Welcome to America. That is how our system works. If we want people to create jobs there has to be an incentive to do it. I do not understand people who love jobs but hate the people who create them. I do not understand how we can expect people to make investments and take risks, and yet somehow resent allowing them to benefit when they are successful from the investments they make and the risks they take.

As I listen to all this talk about rich people versus poor people, it has started me thinking about my own life's experience. I have been blessed in having a lot of jobs in my life, especially when I was growing up. I worked as a peanut processor, I worked in a cabinet shop, I worked in a boat factory, in addition to all the jobs we all had working in a grocery store, throwing a newspaper. No poor person ever hired me in my life. Every job I ever got in my life, I got because somebody beat me to the bottom rung of the economic ladder, climbed up, saved his money, invested it wisely, and made it possible for someone like me to get my foot on the bottom rung of the economic ladder.

What my amendment seeks to do, by cutting the capital gains tax rate and by providing incentives for people to work and to save and to invest, is to guarantee that tens of millions of additional young Americans will get an opportunity to put their foot on the bottom rung of the economic ladder and start climbing up themselves. By cutting discretionary spending we have the opportunity to cut programs where Government is subsidizing business

and, instead, cut the capital gains tax rate and provide investment incentives so that investment decisions are not made by the Government but where investment decisions are made in the private sector of the economy.

Some people are going to say, "Look, we ought to forget this \$500 tax credit per child because it is not enough money to make any difference." For a two-child family, this \$500 tax credit is going to mean that family is going to get to keep \$1,000 more every year of what they earn to invest in their own children. That may not be much money in Washington, DC, but in Texas, where I am from, the ability of a family to spend \$1,000 more of its own money on its own children is real money. The fact that that is not real money in Washington, DC, tells you something about the problems that we have in Washington, DC. I think these are changes we need to make.

So here is the choice we are about. The choice is this. The House of Representatives has controlled Government spending, and using the words we use in Washington, cut Government spending. Even though spending grows every year in their budget, it just does not grow as fast as it would have grown had they not changed policies. But in the House, they spent roughly \$175 billion less on nondefense spending than the budget that we are now considering in the Senate. My amendment simply cuts spending by roughly that amount and gives that money back to parents to invest in their own children, cuts the capital gains tax rate, encourages savings and investment by changing the tax code so that rather than the Government spending this \$175 billion, it can be spent in the private sector, where families and businesses are making the decisions instead of the Government.

This is not a debate about balancing the budget. Both budgets balance the budget. This is not a debate about spending money on children or investing in businesses. Both budgets do that. But it is a debate about who is going to do the spending. Under my amendment, families will do more spending and the Government will do less spending. Under my amendment, Government will make fewer investment decisions and private business will make more investment decisions.

Not only do I believe this is good policy, I think it is important for two reasons. One is economic and one is political.

Economically, I think the economy is beginning to soften. Economically, I think we are beginning to feel, now, the impact of the tax increase that was adopted 2 years ago.

I think the impact is being felt on the American economy, and I think we are beginning to see troublesome signs in the economy. I think it is very important, as part of this budget, because we want it to work and we want to balance the budget, that we as part of this budget provide incentives for private

investment. As Government does less, it is important that we give parents the ability to do more by letting them keep more of their own money. It is important, as Government does less, that we provide incentives for business to do more in creating jobs and growth and opportunity.

I think that is especially true given that we are going to reform the welfare system and we are going to ask millions of people to get out of the welfare wagon and help the rest of us pull. Cutting the capital gains tax rate, providing incentives for investment and growth I think is a vital part of this.

Finally, we had an election. We all see the results of that election. We have a Republican majority. We have 54 Republicans in the Senate. We have a Republican majority in the House for the first time in 40 years. We won that election based on commitments that we made to the American people, and in terms of the budget we committed to do two things. No. 1 to balance the Federal budget. That is a commitment on which we are clearly going to deliver. But we also committed to reduce spending further so that families can keep more of what they earn and so that businesses can make more investment decisions to create more jobs, more growth, more opportunity for our people. That is a commitment that we are not going to fulfill unless we adopt this amendment.

Finally, before I yield the floor and allow the opposition to speak and begin to recognize our colleagues who are co-sponsors to the amendment, let me say this. I know there are others who are talking about cutting a deal—compromising, coming up with a temporary tax cut. I think if we are going to change America, if we are going to change Government policy, we have to stop cutting deals in Washington, DC. We promised that we would do this in the election. As chairman of the Republican senatorial committee, I went all over the country and with Republican candidates everywhere committed to this program, and so did others of our colleagues on the Republican side of the aisle.

Now we come down to the moment of truth. There are many who say, look, it was hard enough balancing the budget. This was excruciatingly painful. This was difficult. We do not want to go the final step to live up to what we committed in the election.

I think that is a mistake. I think America will be richer and freer and happier if we do it. It is not only the right thing to do economically, it is the right thing to do because we committed to do it.

I reserve the remainder of our time.

Mr. FEINGOLD addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, we have spent a lot of time discussing the basic

unfairness of the tax cut proposed by some Members on the other side of the aisle. The American people are wise to Republican tax shenanigans that benefit the wealthiest in this Nation. The amendment that has just been offered by the Senator from Texas embraces the unworkable and unrealistic tax cut described by Speaker GINGRICH as, "The heart and soul, the crown jewel of the Contract With America."

It is a phony jewel at best and a very deceptive one, I hasten to suggest. The plain fact is that we cannot afford a tax cut, and there should not be one in this budget if we are going to balance the budget. Our primary goal, the goal that the American people overwhelmingly endorse, should be to reduce the deficit. A tax cut like the one in the House Contract With America would only add to the problem by forcing us to make even deeper and more painful spending cuts.

Poll after poll has shown that voters want Congress to get the Nation's fiscal house in order by balancing the budget, not by cutting taxes.

Mr. President, we have just spent the majority of Friday and Monday talking about the draconian impact of the Republican budget cuts. Those cuts are in Medicare, and lower income beneficiaries are all going to suffer. We also talked about Medicare cuts and the cuts to education, the cuts to the EITC program, the cuts to veterans programs, and the cuts to agriculture. But no matter how the deficit is eliminated, the fact is that achieving balance is an extraordinarily difficult and painful task. It requires more than \$1 trillion in spending cuts—cuts that have a real impact on real people. Adding tax cuts to the mix would only ensure that the pain goes even deeper. And in this budget that translates to even harsher treatment for our seniors, our schools and education, our children, and the least well off in our society.

There has also been a great deal of talk in this Chamber especially about the so-called economic bonus that will magically occur if this budget is enacted. According to CBO, it would be possible for a total of some \$170 billion over the next 7 years and balloon to \$356 billion over 10 years if those figures work out—if those figures work out. The bonus has become the financing source for the tax cuts being advocated by our friends on the other side of the aisle. If this bonus does occur—and I think that point is very debatable—I submit there are many better purposes to which it could and should be put. In fact, the driving force behind the Democratic amendments center on this very issue.

The question is very simple: Should any economic bonus be reserved for tax cuts for the best off in our society or should it be used to soften the blows of some of the extraordinarily harsh cuts that will be meted out under the plan? Our position is very simple: we cannot afford a tax cut. It makes the job of

balancing the budget just that much more difficult and disproportionately unfair.

Furthermore, in the event that an economic bonus or surplus should accrue as a result of the painful choices that are being made, this bonus should be used to lessen the pain of those cuts rather than a tax cut and thus better assuring a realistic balanced budget by a day certain.

That is where we stand, Mr. President, and that is where the American people stand, too. That is where realistic and reasonable people stand. I certainly strongly recommend that we disapprove the amendment offered by the Senator from Texas.

Mr. FEINGOLD addressed the Chair.

The PRESIDING OFFICER (Mr. SMITH). Who yields time?

Mr. GRAMM. Mr. President, if we go back and forth—

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Let me respond very briefly and then I would yield to Senator GRAMM.

Mr. President, let me first say that the amendment I have offered cuts spending by another \$142 billion to make it possible for us to let families keep more of what they earn and to provide incentives for businesses to invest their own money in their own future and generate jobs.

I hear our colleagues on the Democratic side of the aisle talking about difficult choices. I am not aware that a single one of them plans to make a single difficult choice, and these are difficult choices being made by Republicans. Their proposal is that if we make the difficult choices so that we balance the budget, if any benefit should accrue from that we allow Government to spend the benefits. Our proposal is that if we make the tough choices and benefits accrue as a result of those tough choices in lower interest rates and higher growth because we have balanced the budget, because the Government is not borrowing half of all the money that is loaned in America, we give that money back to the people who earned the money to begin with, the people who do the work, pay the taxes, and pull the wagon.

So I do not think the distinction between the two visions for the future that we are debating here could be any clearer.

I do not think the American people believe that the tax cuts adopted in the House of Representatives are unreasonable or unworkable. I do not think the American people think that the idea of letting families spend more of their own money by having Government spend less of it is an unrealistic or unworkable idea. In fact, it has worked in reverse for 40 years. The average family in 1950, with two children, sent \$1 out of every \$50 it earned to Washington. Today, it is sending \$1 out of every \$4.

I am just proposing to take a very small step back in the right direction for a change.

I yield 10 minutes to the distinguished Senator from Minnesota, Senator GRAMM.

Mr. GRAMM. I thank the Senator very much. And I want to thank him very much for giving me the time on this amendment, and also give a lot of credit to the Senator from Texas for bringing this amendment to the floor.

Mr. President, we have heard strong and passionate statements from my colleagues on the subject of the \$500 per-child tax credit and other tax reductions.

But there is one thing we have not heard.

We have not heard from the people themselves, those who would benefit most from tax relief, those who pay the bills—that is, the middle-class Americans who work every day—and a lot of nights and weekends, too—just trying to make a better life for themselves, their children, their families.

And they do it at the same time they are paying more and more taxes to the Federal Government.

Who is speaking up for them? Who is speaking up for the taxpayers?

As their elected representatives, it is supposed to be us. But sometimes I am not so sure we are.

November was only 6 months ago, but in a city where the headline-making political promises of yesterday too often end up lining the bottom of the bird cage, the message of November already seems to have been forgotten by many of us in the Senate.

And so, if not us, who is speaking up for the taxpayers?

Believe me, Mr. President, they may not be here to speak for themselves, but they have a voice in this debate, and they have a right to be heard today.

Fortunately, the taxpayers in my State of Minnesota are prolific letter-writers. And, thanks to their letters, some of which I have brought with me to the floor, they will be heard today.

And this is just a very small sample but a representation of what I have received in the mail.

Listen carefully—their thoughtful words reflect a deep dissatisfaction with the status quo in Washington.

Listen to Ralph Krasky of Minneapolis:

We are just being killed in taxes. We both work and all we do is save for April 15. Let us keep what we make. After all, it is not the government's money. It is our money.

Or listen to Elaine Haataja, 53 years old and living in Menasha.

She lost her husband to cancer a year ago:

I am very angry at our Federal and State tax system. I had no choice but to go to work for \$5 an hour to support myself and keep up the taxes and insurance on my house and car.

"I receive \$700 a month from my husband's pension, which isn't enough a month to pay utilities and insurance plus the upkeep on the house and my old car. And now I have to pay \$1,100 for Federal and State taxes.

The frustration is real, Mr. President, in Minneapolis, in Menasha, and

every town in between. People feel as if their own Government has let them down; that somehow Government has gotten off the right track.

"I urge you to continue to cut taxes and cut spending and cut the Federal bureaucracy," writes Ralph Grant of Rockford, MN.

"There is more than enough waste and fraud and pork and duplication in the Federal budget to sustain a severe reduction without affecting any necessary and required services."

Minnetrista residents Kathy and Gary Hejna agree:

We believe this country was built with hard work and sacrifice, not sympathy and handouts.

We also believe that we can spend this money more effectively than the Government, who has only succeeded in creating a permanent, dependent welfare class with our money over the last 40 years.

Any bill that takes money away from the Government and gives it to the families, the basic unit of society, can only benefit everyone in this country.

With seven children, Kathy and Gary would receive a tax credit of \$3,500 every year under the Gramm amendment.

Think what a difference an extra \$3,500 could mean for a family.

It could mean health insurance, a special education for a gifted child, or simple necessities like groceries and clothing.

Think how the \$500 per-child tax credit could strengthen the American family.

Kathleen and William Bart of Roseville have given it a lot of thought. "A \$500 Federal tax credit for each dependent is not a Federal hand-out," they write, "but would allow parents to keep more of the money that they make and to use it to care for their own children.

"A \$500 Federal tax credit for each dependent would unquestionably strengthen many families—especially middle-class and economically-disadvantaged families."

Lori Brandt, who lives in Plymouth, MN, has thought about it, too. "Families desperately need a break today," she says, "and tax relief is long overdue."

From Duluth came this letter by Justin Black. "So many families starting out these days are as poor as dirt because they have to pay so much taxes when they haven't had the time to barely start their lives.

"They need a break like this tax bill so they can afford to raise a healthy family. Remember: they're the hope for the next generation and they need to have a strong family life to take over where the last generation left off."

"My husband, Jay, is an executive with a small manufacturing business and I am a mother and homemaker, as well as teacher to our two small children," says Patty Meacham of Audubon, MN, in her letter to my office.

"We are helping to support Jay's 69-year-old-mother, because we don't feel the government should be responsible for every person within our borders.

"Tax cuts would enable us to do much more Grandma, and perhaps she could get off the rolls of people accepting rent assistance.

"It is no source of pride for us that she has to go to a government agency for help, but how can we do what is right for her, when we are so greatly strapped by the tax burden placed upon us?"

A young couple from Coon Rapids tried to buy a new home to fulfill the American dream, only to learn after meeting with their realtor that they simply could not afford to do it on their own.

"I have finally reached the point of complete frustration and anger over the amount of taxes being deducted from my check each month," said their letter.

"When we got home that evening my husband and I sat down with our checkbook and our bills and tried to determine what we were doing wrong. After taking everything into consideration we determined that we weren't spending our money foolishly.

"The only real problem we found was when we looked at our paycheck stubs and actually realized how much of our income was going to pay for taxes.

"It saddens me to think of how hard my husband and I work and how much time we have to spend away from our daughter to be at work \* \* \* and we still cannot reach the American dream."

The \$500 per-child tax credit would help families like Natalie's realize their dreams. And Minnesotans know it will help the economy, too.

David Clark, a taxpayer from Eden Prairie writes: "Taxation is an awesome burden in the U.S. today, and it is sucking away resources from the economy that could be used to create jobs and opportunities for everyone, including the poor.

"I urge you to use the new Republican majority to enact the legislation needed to get the Government off our backs."

Walter Wilder, a doctor from Edina, writes: "Tax cuts will help to balance the budget by stimulating growth, bringing in more income, including from the high-income people."

And J. Randy Brown of Oakdale says: "I agree with your position that tax cuts are also a necessary part of the overall budget solution. Reduced taxes will result in renewed growth, job-creating, and the result of that would be increased revenues."

Mr. President, if it were up to the American people, we would have tax relief, and the vote would not even be close.

The House heard the people and passed its budget last week, with the \$500 per-child tax credit as its centerpiece.

But now it is our turn. The American people are not sure we are up to the task. And I am afraid they may be right.

"I just finished my '94 taxes. What a disappointment," writes Tim Hulst of New Hope.

"The government can't seem to get enough of my money. Last year, I worked two jobs—seven days per week—and my wife worked full time to try and support ourselves and three children.

"After all we've paid in, we still owe \$1,000 more. Please convince your fellow Senators how important it is to cut taxes. I wonder sometimes if the Republicans in the Senate really get it."

Dean Fairbrother of Minneapolis has the same concerns. "The status-quo, too-cautious approach exemplified by many of the senior members of the Republican Senate caucus is unacceptable. Keep pushing for family tax relief," he urged.

"Ignore the tired lamentations coming from the Old Bulls. They are wrong—you, me, and the majority of Americans pleading for such relief are dead right."

The letter-writer who leveled the harshest criticism at this Chamber is Folkert Breitsma of Maple Grove, who writes:

"It is a disgrace to see billions of our money squandered by politicians who are out of touch with real life and have the audacity to say that the national government can be entrusted with the money—that they know what is good for us.

"I have watched the Senate stonewall most of the initiatives brought forth by the House. It is defended by the Senators as being 'more deliberate' and 'take time to study the initiatives.'"

"However it is promoted, I see it as stonewalling by a group of people that do not have a clear vision of what they want to achieve and have the arrogance to claim they know what is best for the country."

Those are strong words—not my words, but words in which I find a good deal of truth.

But there is hope, Mr. President—the hope offered by the \$500 per-child tax credit we debate today.

Mr. President, look what the \$500 per-child tax credit could do for the Minnesotans who wrote asking for our help:

We would return \$1.4 million to the people of Wadena County, home of Elaine Haataja; we would return \$48.7 million to the people of Ramsey County, home of the Bart Family; \$3 million to Becker County, home of the Meacham Family; \$20.8 million to Washington County, home of the Browns; and \$101.5 million would be returned to Hennepin County, which the Brandts, the Breitsmas, the Kraskys, the Hulsts, and the Fairbrothers call home.

By passing the \$500 per-child tax credit, we would return \$500 million to Minnesota families—\$25 billion annually to families across America.

We have heard what the people have to say. I think the question, again, is who is speaking up for the taxpayers?

As I close, Mr. President, I want to remark that the senior Senator from

Nebraska said a few moments ago the tax cut would more deeply increase the pain to balance the budget. The pain of the tax burden on this country's families is growing more and more, and they are demanding and asking for tax relief.

I strongly urge my colleagues to support and adopt the Gramm amendment.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, what I am hearing in the Senate today is almost word for word what I heard in the early 1980's: Give the people a tax cut and do not worry about the deficit. We are for tax cuts, too, but only after we get our deficit under control.

I yield 5 minutes to my colleague from Wisconsin.

Mr. FEINGOLD. Mr. President, I certainly thank the Senator from Nebraska, and I want to say I admire how straightforward the Senator from Texas is with his amendment and his approach. He lays it right on the line. He believes we can afford at this point a \$350 billion tax cut and still balance the budget.

In fact, I appreciate the candor of the whole Republican contract in admitting that this really is the centerpiece, this is the crown jewel of the Republican contract, as stated by the Speaker and as stated by the Senator from Texas.

I was amazed when they first came up with that formulation. Of all the different things you could pick from the Republican contract: regulatory reform, trying to get the Government off our back; line-item veto; the balanced budget amendment—for a moment I thought that was the crown jewel of the Republican contract—the issue of unfunded mandates we already dealt with; issues having to do with Congress, living by the rules that it creates for others. All of these things are apparently swept aside when it comes to the importance of delivering a tax cut at this time even though this country has reached a \$5 trillion debt and a deficit that has only recently been brought down through the efforts of the Clinton administration.

So I agree with the Senator from Texas. This is the key amendment on this whole issue. The Senator says that the tax cut is the heart of the Contract With America. Well, this is the test: Is your heart with the tax cuts or is your heart with deficit reduction? You cannot have it both ways, and this is the test and this is what the American people are looking for.

What is very unfortunate is that the Senator from Texas fails to tell what this amendment really does. It takes

\$170 billion that is already in the budget resolution, adds that much again, makes the cuts deeper for the various programs that are going to be cut, and you know what, Mr. President, it still does not balance the budget in the year 2002, unless you take the money of Social Security.

This is not a balanced budget in the first place, Mr. President, and this amendment will only make it worse. Do not let anyone on the Republican side kid you, this budget resolution does not balance the budget in the year 2002, unless you take the money from Social Security. So this amendment cannot possibly solve that problem.

The Senator from Texas talks about two visions. He sees this as all about whether we are going to return the money to the people. But that is not what the November 8 election was all about. I think both in 1992 and 1994, the American people spoke with a very clear voice. They did not call for tax cuts. They said get rid of the Federal deficit, get rid of the huge interest payments we have to pay on the debt, do not saddle our children and our grandchildren with this deficit. That was the message in 1992 and it was the message in 1994. It is not a partisan message. People are just saying, clean up the mess that was made in the 1980's that the Senator from Nebraska just referred to.

The amendment of the Senator from Texas would make the mess much worse. It would say that even though all these deep cuts are being made in so many important human programs, we still have \$350 billion in spare change around for tax cuts. I do not think anyone out there really believes that.

Let me agree with the Senator from Texas that this should not be about class warfare. I support neither the Senator's proposal nor the proposal for a tax cut in the budget resolution, nor do I support the President's proposal for a much tinier tax cut. I say we cannot do any of it, and there is a moderate bipartisan coalition in this body of Republicans and Democrats alike who say just get rid of all the tax cuts; whatever we have to reduce spending with, let us use that money to reduce the deficit.

You know, Mr. President, my biggest concern is not this amendment. This amendment is going down to defeat, I am happy to say. The crown jewel of the Republican contract will be soundly defeated on the floor of this Senate in a very short while. The Speaker's crown jewel will be gone. The \$350 billion is not going to be voted by this body. We will defeat the crown jewel of the Republican contract. But I will say, Mr. President, that this is a stalking horse to make the \$170 billion that is already in the budget resolution look moderate. We also cannot afford that, and we will have amendments later to deal with this. If I may have 1 additional minute?

Mr. EXON. Thirty seconds. If I give you another minute, there will not be enough. Thirty seconds.

Mr. FEINGOLD. I thank the ranking member very much.

Mr. President, this amendment, more than anything else, offends the common sense of the American people—they know better than we do—if we vote for this. It offends them because they know darn well you cannot balance the budget and spend \$350 billion on tax cuts and tell them it is going to work. It does not work. It is phony and it should be defeated.

I thank the Chair.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The time of the Senator from Wisconsin has expired. The Senator from Texas.

Mr. GRAMM. Mr. President, I know it breaks the hearts of our colleagues, but in this amendment, I am proposing cutting Government spending, their precious programs, so that families can spend their own money on their own children on their own future, and invest in their own businesses. If that violates common sense, I think it says there is a difference between common sense in Washington, DC, and on the floor of the U.S. Senate as compared to common sense around every kitchen table in the kitchen of every working family in America.

I yield 8 minutes to the Senator from Indiana, Senator COATS.

Mr. COATS. Mr. President, I thank my fellow Senator from Texas, Senator GRAMM, for yielding, and I rise today in very strong support of his amendment, which has the courage to confront an issue that I believe is essential to our future: The preservation of the American family.

The amendment before us strengthens—not weakens—strengthens the budget resolution by recognizing that cutting budgets and cutting taxes are part of the same movement in America, a movement to limit our Government and empower our people.

These twin goals, I contend, are not inconsistent. They are inseparable, and we can prove our commitment to both if we are willing to cut Federal spending just an additional three-tenths of 1 percent. Let us understand that. These two goals are not incompatible if Members are willing to take three-tenths of 1 percent more in Federal programs and apply it as a return to the American taxpayer.

While I support the progrowth and savings provisions provided in this amendment, in the limited time I have, I would like to focus my remarks on the profamily elements of this amendment.

Opponents have argued that the only way to help children is to maintain record high levels of Federal spending on every Government program. But there is a better way. What we are asking today is simply, who is better informed and who is more compassionate to make choices in the interest of our children, the Federal Government or America's families? Can there be any serious debate on how that question is answered?

The lessons that we have learned from decades of social spending are clear: Government programs have proven incapable of fighting social despair and disorder. But strong families can, and it is time to admit that when families fail, so does our society. It is also time to understand that when our families are involved and favored and supported, they construct a hopeful future for America.

This Congress today is presented with a choice between the failed, discredited compassion of Government and the proven power of strong families to build hope in their children and order in our society.

I believe, Mr. President, it is a transparent ploy to say this is simply a matter of rich versus poor. Rather, it is a matter of where resources and authority should rest: in Government or in our families and our communities?

Much of the opposition to tax relief seems to be based on a myth, a myth that tax cuts somehow waste the Government's money.

The Government produces nothing. It has no resources of its own to spend. Tax cuts are not a waste of Government funds; they are simply a method to allow Americans to keep their own money. They are a method to build working independence as an alternative to Government paternalism which has proven so destructive, despite the honorable intentions of its proponents.

It is tax cuts that are the best form of social investment, an investment in the ability of people to care for themselves. In 1993, the Bipartisan Commission on America's Urban Families found that, "The trend of family fragmentation drives the Nation's most pressing social problems—crime, educational failure, declining mental health, drug abuse, and poverty. These, in turn, further fragment families."

One of the key policy recommendations of the commission was to "increase the self-sufficiency and economic well-being of families by either significantly increasing the personal exemption or a child tax credit for all children through age 18."

Those were the conclusions of the Bipartisan Commission on American Urban Families, and I think we should listen to their words. The findings on the National Commission of Urban Families were remarkably similar to the findings advocated 3 years ago by the Democratic Progressive Policy Institute; in an impressive report entitled "Putting Children First," a progressive family policy for the nineties, this group found, "There are some things that only families can do, and if families are placed under so much stress that they cannot raise children effectively, the rest of the society cannot make up the difference in later years."

Mr. President, the time of political change is the time to reassess our national priorities. We need to redirect our focus and our funds to strengthen the family. While Government's role in preserving the family is limited, it is not insignificant. Perhaps the single most important thing Government can accomplish for families is to lift the economic burdens that can cripple the family.

Over the last 50 years, we have had a lousy track record in doing that. The personal exemption is now just 12 percent of income, where it used to be at 42 percent in 1948 when it was first introduced. Since the end of World War II, it is families that have borne the burden of increased taxes. That burden increased more than 200 percent for families with two children.

Their average after-tax income is below that, even of elderly households, single persons, and couples without children. In my home State of Indiana, the median family income for a family of four is \$30,000 and, of that, nearly \$11,000 is devoted to Federal, State, and local taxes. The average family in Indiana pays more in taxes than it does in housing, food, and clothing expenses combined.

The Gramm amendment completes the budget resolution by addressing not only the Government's budget deficit, but also the deficit and the resources of families to care for their own. It is a deficit created by increased taxation of the family through the erosion of the personal exemption. For too long we have ignored this growing burden and its growing social costs.

Mr. President, the promise of tax relief for the American family is now before us to be fulfilled or to be ignored. At the end of this process, I want to vote on a budget that tackles both threats to the American family—the threat of the budget deficit and an ever-growing threat of a tax burden. I want to support a budget that contributes to a growing economy and builds new momentum for job creation. For too long we have dismissed the needs of families to answer the call of other interests. With this vote, that trend can end.

I urge my colleagues to vote for passage of this critical amendment. Again, the fundamental choice before us is, do we want to leave more money in the hands of Federal bureaucrats to spend in their so-called wisdom on behalf of our families and the needs that are pressing on our society, or do we want to rest that decision with parents and with families?

By cutting spending just an additional three-tenths of 1 percent, we can give that decision to families rather than rest it in the hands of Government bureaucrats. That is the decision before us. We can have both. It is a fundamental choice that we must make. I am pleased to join the Senator from Texas, and I am pleased that he offered this amendment because that presents us and grants us that choice.

If I have any additional time, I know the Senator is pressed for time, I am happy to yield any additional time back.

Mr. EXON. Mr. President, in view of the fact that we have more time left than that side, would the Senator from Texas object to two rather short statements in a row?

Mr. GRAMM. I would not object.

Mr. EXON. Then I would yield at this time 4 minutes to the Senator from Michigan, followed by 2 minutes by the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Mr. LEVIN. Mr. President, I thank the Chair and my friend from Nebraska.

Tomorrow, or the next day, the Senate is likely to approve a budget which would be described as being balanced by the year 2002, although it will not be. It will not be balanced because it relies heavily on surpluses in the Social Security Trust Fund to achieve that so-called balance.

But the proposed budget resolution before us is unbalanced in another important way. The budget blueprint represented here penalizes middle-income working families, reduces our investment in education, and penalizes our senior citizens, in order to provide a tax reduction which will benefit mainly the wealthiest of Americans.

One of the most inequitable aspects of the budget before us is that it raises taxes on working families. The proposal to cut back the earned-income tax credit for working families—in other words, to raise taxes on working families who make less than \$28,000 per year will, according to the Department of the Treasury, raise their taxes, and in the case of a single parent with two children, for instance, who makes \$8,800 a year, raise his or her taxes by \$354. That is a minimum-wage parent making \$8,800. That is a tax increase of \$354, according to the Department of the Treasury, and that is what is in the budget resolution before us.

Now, Kevin Phillips, a conservative commentator, says this about the Republican budget proposal and this particular tax increase on people making \$28,000 or less. He said,

It is the senior citizens, the poor, students, and ordinary Americans who will see programs that they depend on gutted by this proposal, while the richest 1 or 2 percent, far from making sacrifices, actually get new benefits and tax reductions.

President Reagan described the earned income tax credit, which is being cut back in the proposal before us, as "the best antipoverty, best pro-family, best job creation measure to come out of the Congress." That is what President Reagan told us about the earned income tax credit. That is what the proposal before us will cut back. That is the law which benefits families that earn under \$28,000, and that is the proposal before us which will cut back that earned income tax credit so that families earning under \$28,000 will pay more in taxes.

Why are we doing this? Mainly to cut some taxes. And, according to the proposal of the Senator from Texas, most of the tax cut will go to the wealthiest of Americans. Over 50 percent of the benefits in the amendment of the Senator from Texas goes to Americans earning over \$100,000. Now, what a contrast that is.

In the budget proposal before us, if you earn less than \$28,000, you are slated for a tax increase. If we adopt the Bradley amendment, we will cure that unfairness. But then comes along another amendment which compounds the unfairness, and that is the amendment of the Senator from Texas, which then says we ought to take that pot of money created by the cuts on seniors and on students and on working people and give those dollars mainly, over 50 percent, to people earning over \$100,000.

Now, the contrast could not be sharper. It could not be clearer. The unfairness is clear. We can correct that unfairness in two ways, by adopting the Bradley amendment and defeating the Gramm amendment.

Mr. President. I rise to oppose the Gramm amendment which would provide for a \$345 billion tax cut over the next 7 years.

This tax cut provides more than half of its benefits to people making more than \$100,000 a year. It gives a \$20,000 tax break to those who make \$350,000.

On Wednesday or Thursday, the Senate will likely approve a budget which will be described as balanced in the year 2002 although it will not be. It relies heavily on surpluses in the Social Security trust funds to achieve balance. The proposed budget resolution before us is already unbalanced in another important way. The budget blueprint represented here penalizes middle-income working families, reduces our investment in education, and penalizes our senior citizens, in order to provide for a tax reduction which will benefit mostly the wealthiest of Americans.

The Gramm amendment would make the inequities of this budget worse and would remove from conference with the House the possibility that the unfairness might be somewhat reduced. One of the most inequitable aspects of the proposal before us is that to pay for these tax cuts for the most well-off Americans, it raises taxes on working families. The proposal to cut back the earned income tax credit for working families making less than \$28,000 per year would, according to the Department of the Treasury, raise taxes by \$354 on a single parent with two children making only \$8,840 a year. That's minimum wage.

Yesterday, I quoted noted conservative commentator Kevin Phillips, as have a number of my colleagues this week, but his recent public remarks sum up the problems with the Republican budget proposal and this particular tax increase on people making \$28,000 a year very well. He said:



If the budget deficit were really a national crisis instead of a pretext for fiscal favoritism and finagling, we'd be talking about shared sacrifice, with \* \* \* the people who have the big money making the biggest sacrifice. Instead, it's senior citizens, the poor, students, and ordinary Americans who'll see programs they depend on gutted while \* \* \* the richest 1- or 2-percent, far from making sacrifices, actually get new benefits and tax reductions.

The earned income tax credit has a long history of bipartisan support. President Reagan called the EITC, "The best anti-poverty, the best pro-family, the best job creation measure to come out of the Congress." The EITC has played an important role in providing incentives to keep people working who are struggling to get on the lowest rungs of America's economic ladder and to stay off the welfare roles.

And our Republican colleagues do not, look to the \$2½ trillion over the next 5 years in all tax expenditures. There is no effort in this budget to control the growth of corporate tax deductions, no effort to restrain the growing tax breaks for the largest and richest among us. In fact, the Gramm amendment would eliminate the corporate alternative minimum tax, a tax designed to assure that profitable companies have to pay some reasonable amount in Federal income taxes. This is a more than \$25 billion tax reduction for such companies.

Instead, the Republican budget aims a \$21 billion tax increase at the working families with children. In Michigan, this means a \$457 million tax hike over 7 years on nearly 316,000 hard-working taxpayers making less than \$28,000 a year. Over the next 7 years, they'll pay an average of nearly \$1,500 more.

Mr. President, the budget before us has its priorities wrong. The Bradley amendment on which we will vote shortly is a step in the right direction. The Gramm amendment is just wrong. It would provide tax cuts for the wealthiest while leaving intact this tax increase on working families. It's simply a question of fairness.

I urge my colleagues to defeat the Gramm amendment and support the Bradley amendment.

I thank the Chair.

The PRESIDING OFFICER. Under the previous order, the Senator from Minnesota is recognized for 2 minutes.

Mr. WELLSTONE. Mr. President, I would apologize as a teacher for not doing justice to the issues before the Senate. It is just impossible in 2 minutes.

Let me start out by saying that there is an old Yiddish proverb that I think applies to this amendment on the floor. That Yiddish proverb says you cannot dance at two weddings at the same time. Quite frankly, this is a perfect example of that.

On the one hand, we tell people we are serious about deficit reduction. On the other hand, we are talking about \$300 or \$350 billion of tax cuts going

disproportionately to the wealthiest and highest-income citizens.

Mr. President, I just have to say that that does not pass the test of intellectual rigor in the State of Minnesota. People want the Senate to get real with them. They want the Senate to be straightforward with them. They do not believe for a moment that we can have hundreds of billions of dollars of tax cuts while, at the same time, we are pretending to be serious about deficit reduction.

Second of all, Mr. President, and it is very difficult to talk about what the statistics mean in personal terms, but honest to God, when we are talking about severe cuts in Medicare for elderly people, and Medicaid for elderly people, and nutrition programs for children, and support for students to be able to go on to higher education, a higher education that they can afford, and when we give away an investment in education and health care and jobs for people, and we want to do all of this deficit reduction on the backs of these citizens, middle-income citizens, families, working people, all on behalf of hundreds of billions of dollars of tax cuts for the wealthiest people in the United States of America, it not only does not meet the Minnesota standard of rigor, it does not meet the Minnesota standard of fairness.

Mr. GRAMM. Mr. President, I yield the junior Senator from Arizona 6 minutes.

Mr. KYL. I thank the Senator from Texas for yielding. Mr. President, I express my strong support for the Gramm amendment.

This amendment is about keeping our promises to the American people to provide tax relief to the American families. We have heard a lot of criticism about this amendment. It provides a \$500 per child tax credit for the American family. It provides for marriage penalty relief, spousal IRA, a new American dream savings account to allow people to buy a home, provides a credit to families caring for elderly family members.

It keeps faith with our seniors. It does not take a nickel from Social Security. In fact, it raises the Social Security earnings limitation, something that the senior citizens from Arizona have been fighting for since I has been here. It enables seniors to be able to work without having a penalty.

It provides estate and gift tax relief, provides incentive for the purchase of long-term care insurance, something all of our seniors are interested in. This amendment also provides incentives for businesses to grow and create new jobs.

Capital gains tax reform—there is over \$5 trillion in backed-up capital, in pent-up capital, in our society that could be freed with this kind of capital gains tax relief. That means jobs for Americans.

This amendment provides for a home office deduction. For small business expensing. It repeals the corporate alter-

native minimum tax and provides for neutral cost recovery. Balancing the budget, Mr. President, is important, but balancing the budget is not the only goal. At best we will produce a Government that still taxes too much, spends too much, and regulates too much.

With the Gramm amendment we are saying to the American people that we trust them to spend their own hard-earned tax dollars more wisely than the bureaucrats in Washington. They know how to take care of their family and how to invest and create new jobs.

While some here talk of ordinary Americans, we believe that Americans are extraordinary. Given the opportunity, they can improve their own lives and the lives of their families. They just need the resources to do so.

Who cares, Mr. President, more about a child's education than a parent? Give them the \$500 child tax credit. Who spends the money more wisely and efficiently? The St. Mary's Food Bank in Arizona or the Department of Agriculture, that administers nutrition programs? If I had \$500 to contribute to an entity to provide for the poor, I am going to contribute it to a local charity sooner than to the U.S. Government.

Who is a better job creator, the Federal Government or private business? The Gramm amendment means Congress has to prioritize the remaining spending, like American families have to do. By reducing taxes, it provides a chance to stimulate economic activity and produce more revenue for the Treasury.

Mr. President, when a retailer has a sale on a Saturday, does he expect to receive less income as a result of that sale? No. By reducing the rates, he intends to bring more people in and more than make up by increased volume what he has lost in the price that he charges.

The same thing occurs when we reduce taxes rates. We are not producing less revenue to the Treasury. We actually—and experience proves this—produce more revenue to the Treasury by virtue of that reduction.

Finally, Mr. President, I heard some conversation a while ago that basically suggests the liberals in this body believe that this amendment will make it more difficult to balance the budget and deliver. They oppose it. Here is my challenge to all of the liberals who have spoken here. Will they support the budget resolution without this tax increase in it? Do any of our liberal colleagues want to stand up and say yes, they will vote for this amendment, for the budget resolution before the Senate, so long as we do not have the tax increases in it?

The answer, Mr. President, is no. And the reason they will not support the budget resolution even without the tax increases is because fundamentally they do not support a balanced budget.

Mr. GRAMM. Tax cuts, not increases.

Mr. KYL. Mr. President, I am sorry if I misspoke with regard to the tax cuts

being proposed by the Gramm amendment.

The bottom line, the liberals who oppose the Gramm tax cuts do so because they like taxes, because they want the money to spend, not because they are going to support a budget resolution that does not have these tax cuts in it.

If any of our liberal colleagues are willing to stand up and prove me wrong by saying no, they will vote for this budget resolution so long as it does not have the Gramm tax cuts in it, then I will eat these words and say, fine, I accept their vote.

I suggest, Mr. President, that the talk about opposing this amendment, because they are interested in balancing the budget, is just so much talk because in the end they will vote against the budget resolution that balances the budget. They would rather have the tax money to spend. That is why they oppose the Gramm tax cuts.

I hope that our colleagues will support the Gramm tax cuts. Mr. President, I believe if they do so they will be striking a blow for the American economy and for the American family.

Mr. EXON. Mr. President, I yield 5 minutes to the Senator from South Carolina.

Mr. HOLLINGS. Mr. President, I thank the distinguished leader on our side.

Mr. President, the amendment of the Senator from Texas is premised on the idea that both House and Senate budget resolutions balance the budget: Absolutely false. Let me refer specifically to the House budget, page 4: The deficit for the year 2002 is estimated at \$120.7 billion. They make no pretense, they print it in black and white.

Moreover, if we look at the figures on page 4, lines 20 and 21, we will find that the debt increases from 2001 to 2002 by \$192 billion; that is the real deficit under the House resolution.

The real deficit under the Senate budget for the year 2002 is listed on page 7, line 21 as \$113.5 billion. If we turn to page 9, we can see that the debt increases \$177 billion—the real deficit.

So the very notion that we have done a good job, that we have balanced the budget, or that we deserve a reward, is all based on a false premise. Mr. President, the biggest falsity, one perpetrated on both sides of the aisle, is the belief that we can balance the budget through spending cuts alone and without increasing revenues.

I laid out the harsh budget realities in January of this year. I continue to report it, but in the limited time I have, I cannot go through the entire document. Thus, I would ask unanimous consent to have it printed in the RECORD.

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

HOLLINGS RELEASES REALITIES ON TRUTH IN BUDGETING

Reality No. 1: \$1.2 trillion in spending cuts is necessary.

Reality No. 2: There aren't enough savings in entitlements. Have welfare reform, but a jobs program will cost; savings are questionable. Health reform can and should save some, but slowing growth from 10 to 5 percent doesn't offer enough savings. Social Security won't be cut and will be off-budget again.

Reality No. 3: We should hold the line on the budget on Defense; that would be no savings.

Reality No. 4: Savings must come from freezes and cuts in domestic discretionary spending but that's not enough to stop hemorrhaging interest costs.

Reality No. 5: Taxes are necessary to stop hemorrhage in interest costs.

	1996	1997	1998	1999	2000	2001	2002
Deficit CBO Jan. 1995 (using trust funds) .....	207	224	225	253	284	297	322
Freeze discretionary outlays after 1998 .....	0	0	0	-19	-38	-58	-78
Spending cuts .....	-37	-74	-111	-128	-146	-163	-180
Interest savings .....	-1	-5	-11	-20	-32	-46	-64
Total savings (\$1.2 trillion) .....	-38	-79	-122	-167	-216	-267	-322
Remaining deficit using trust funds .....	169	145	103	86	68	30	0
Remaining deficit excluding trust funds .....	287	264	222	202	185	149	121
5 percent VAT .....	96	155	172	184	190	196	200
Net deficit excluding trust funds .....	187	97	27	(17)	(54)	(111)	(159)
Gross debt .....	5,142	5,257	5,300	5,305	5,272	5,200	5,091
Average interest rate on debt (percent) .....	7.0	7.1	6.9	6.8	6.7	6.7	6.7
Interest cost on the debt .....	367	370	368	368	366	360	354

Note.—Figures are in billions. Figures don't include the billions necessary for a middle-class tax cut.

Here is a list of the kinds of non-defense discretionary spending cuts that would be necessary now as a first step to get \$37 billion of savings and put the country on the road to a balanced budget:

Nondefense discretionary spending cuts	1996	1997
Cut space station .....	2.1	2.1
Eliminate CDBG .....	2.0	2.0
Eliminate low-income home energy assistance .....	1.4	1.5
Eliminate arts funding .....	1.0	1.0
Eliminate funding for campus based aid .....	1.4	1.4
Eliminate funding for impact aid .....	1.0	1.0
Reduce law enforcement funding to control drugs .....	1.5	1.8
Eliminate Federal wastewater grants .....	0.8	1.6
Eliminate SBA loans .....	0.21	0.282
Reduce Federal aid for mass transit .....	0.5	0.1
Eliminate EDA .....	0.02	0.1
Reduce Federal rent subsidies .....	0.1	0.2
Reduce overhead for university research .....	0.2	0.3
Repeal Davis-Bacon .....	0.2	0.5
Reduce State Dept. funding and end misc. activities .....	0.1	0.2
End P.L. 480 title I and III sales .....	0.4	0.6
Eliminate overseas broadcasting .....	0.458	0.570
Eliminate the Bureau of Mines .....	0.1	0.2
Eliminate expansion of rural housing assistance .....	0.1	0.2
Eliminate USITA .....	0.012	0.16
Eliminate ATP .....	0.1	0.2
Eliminate airport grant in aids .....	0.3	1.0
Eliminate Federal highway demonstration projects .....	0.1	0.3
Eliminate Amtrak subsidies .....	0.4	0.4
Eliminate RDA loan guarantees .....	0.0	0.1
Eliminate Appalachian Regional Commission .....	0.0	0.1
Eliminate untargeted funds for math and science .....	0.1	0.2
Cut Federal salaries by 4 percent .....	4.0	4.0
Charge Federal employees commercial rates for parking .....	0.1	0.1
Reduce agricultural research extension activities .....	0.2	0.2
Cancel advanced solid rocket motor .....	0.3	0.4
Eliminate legal services .....	0.4	0.4
Reduce Federal travel by 30 percent .....	0.4	0.4
Reduce energy funding for Energy Technology Develop. ..	0.2	0.5
Reduce Superfund cleanup costs .....	0.2	0.4

Nondefense discretionary spending cuts	1996	1997
Reduce REA subsidies .....	0.1	0.1
Eliminate postal subsidies for nonprofits .....	0.1	0.1
Reduce NIH funding .....	0.5	1.1
Eliminate Federal Crop Insurance Program .....	0.3	0.3
Reduce Justice State-local assistance grants .....	0.1	0.2
Reduce export-import direct loans .....	0.1	0.2
Eliminate library programs .....	0.1	0.1
Modify Service Contract Act .....	0.2	0.2
Eliminate HUD special purpose grants .....	0.2	0.3
Reduce housing programs .....	0.4	1.0
Eliminate Community Investment Program .....	0.1	0.4
Reduce Strategic Petroleum Program .....	0.1	0.1
Eliminate Senior Community Service Program .....	0.1	0.4
Reduce USDA spending for export marketing .....	0.02	0.02
Reduce maternal and child health grants .....	0.2	0.4
Close veterans hospitals .....	0.1	0.2
Reduce number of political employees .....	0.1	0.1
Reduce management costs for VA health care .....	0.2	0.4
Reduce PMA subsidy .....	0.0	1.2
Reduce below cost timber sales .....	0.0	0.1
Reduce the legislative branch 15 percent .....	0.3	0.3
Eliminate Small Business Development Centers .....	0.056	0.074
Eliminate minority assistance score, small business interstate and other technical assistance programs, women's business assistance, international trade assistance, empowerment zones .....	0.033	0.046
Eliminate new State Department construction projects ..	0.010	0.023
Eliminate Int'l Boundaries and Water Commission .....	0.013	0.02
Eliminate Asia Foundation .....	0.013	0.015
Eliminate International Fisheries Commission .....	0.015	0.015
Eliminate Arms Control Disarmament Agency .....	0.041	0.054
Eliminate NED .....	0.014	0.034
Eliminate Fulbright and other international exchanges ..	0.119	0.207
Eliminate North-South Center .....	0.002	0.004
Eliminate U.S. contribution to WHO, OAS and other international organizations including the United Nations .....	0.873	0.873
Eliminate participation in U.N. peacekeeping .....	0.533	0.533
Eliminate Byrne grant .....	0.112	0.306
Eliminate Community Policing Program .....	0.286	0.780
Moratorium on new Federal prison construction .....	0.208	0.140
Reduce Coast Guard 10 percent .....	0.208	0.260
Eliminate Manufacturing Extension Program .....	0.03	0.06
Eliminate coastal zone management .....	0.03	0.06
Eliminate national Marine sanctuaries .....	0.007	0.012

Nondefense discretionary spending cuts	1996	1997
Eliminate climate and global change research .....	0.047	0.078
Eliminate national sea grant .....	0.032	0.054
Eliminate State weather modification grant .....	0.002	0.003
Cut weather service operations 10 percent .....	0.031	0.051
Eliminate regional climate centers .....	0.002	0.003
Eliminate Minority Business Development Agency .....	0.022	0.044
Eliminate Public Telecommunications Facilities Program grant .....	0.003	0.016
Eliminate children's educational television .....	0.0	0.002
Eliminate national information infrastructure grant .....	0.001	0.032
Cut Pell grants 20 percent .....	0.250	1.24
Eliminate education research .....	0.042	0.283
Cut Head Start 50 percent .....	0.840	1.8
Eliminate meals and services for the elderly .....	0.335	0.473
Eliminate title II social service block grant .....	2.7	2.8
Eliminate community services block grant .....	0.317	0.470
Eliminate rehabilitation services .....	1.85	2.30
Eliminate vocational education .....	0.176	1.2
Reduce chapter 1 20 percent .....	0.173	1.16
Reduce special education 20 percent .....	0.072	0.480
Eliminate bilingual education .....	0.029	0.196
Eliminate JTPA .....	0.250	4.5
Eliminate child welfare services .....	0.240	0.289
Eliminate CDC Breast Cancer Program .....	0.048	0.089
Eliminate CDC AIDS Control Program .....	0.283	0.525
Eliminate Ryan White AIDS Program .....	0.228	0.468
Eliminate maternal and child health .....	0.246	0.506
Eliminate Family Planning Program .....	0.069	0.143
Eliminate CDC Immunization Program .....	0.168	0.345
Eliminate Tuberculosis Program .....	0.042	0.087
Eliminate agricultural research service .....	0.546	0.656
Reduce WIC 50 percent .....	1.579	1.735
Eliminate TEFAP: Administrative .....	0.024	0.040
Commodities .....	0.025	0.025
Reduce cooperative State research service 20 percent ...	0.044	0.070
Reduce animal plant health inspection service 10 percent .....	0.036	0.044
Reduce food safety inspection service 10 percent .....	0.047	0.052
Total .....	36.941	58.402

Mr. HOLLINGS. Mr. President, government is big. But what is big is the interest costs on the national debt.

I was here when we balanced the budget under President Lyndon Johnson. The gross interest cost at that time was \$4 billion.

Think of it, 36 Presidents, Republican and Democrats, all the wars from the Revolution, World War I, II, Korea, and a good part of Vietnam—the interest costs on the debt were only \$4 billion. The interest costs on this year's deficit and debt are estimated at \$340 billion. The cost of Government as you and I know it, domestic discretionary, is \$275 billion. That is the courts, the Congress, the President, the departments, FBI, DEA and all other non-defense appropriated accounts. Thus, even if you eliminate all of those departments, you still have a deficit.

What you are doing in the Gramm amendment is a charade, requiring people to pay higher interest costs and saying you are giving it to them in a tax cut. We are misleading the people on the idea that the work is done.

I agree that the people are better able to spend their money than we are. But they expect us to come to Washington and to be honest about budget matters. It is time to get out of the wagon and help us pull—the trouble is that we here are in the wagon. It is the children who are doing the pulling.

Mr. DOMENICI. Will the Senator yield?

Mr. HOLLINGS. I will be delighted to yield, on your time.

Mr. DOMENICI. I just want to make three unanimous-consent requests on my time.

Mr. HOLLINGS. I am through with my time. But I would be delighted to get into a debate with my distinguished chairman.

In closing, let me just reiterate that I really am tired of this fraud. The greatest fraud I know exacted on the American people is the idea we have choices. We are broke. And the single biggest government program that we have is the interest costs on the debt that we have to spend year after year. To honestly stop this hemorrhaging we have to freeze, we have to cut, we have to close loopholes and increase taxes. When we finally admit that, we will get on top of the problem.

Mr. DOMENICI. Thank you, Senator. The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I ask unanimous consent that Senator GRAMM be allocated 20 minutes on the Thurmond-McCain amendment, the upcoming amendment, to be subtracted from the Thurmond-McCain time on their amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, this has been cleared by the Democratic leader and by Senator EXON.

I ask unanimous consent that just prior to the final vote on the budget resolution there be 30 minutes for de-

bate to be controlled by the Democratic leader, to be followed by 30 minutes for debate to be controlled by the Republican leader, or the manager, Senator DOMENICI, this in addition to the time allotted under the Budget Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I yield 2 minutes to the senior Senator from Arizona.

Mr. McCAIN. Mr. President, I rise in support of the Gramm amendment. I would direct my remarks to my colleagues on this side of the aisle rather than the other side of the aisle, because, in 1993, the Senator from South Carolina and the Senator from North Dakota and the Senator from Illinois and the majority of those on that side of the aisle who were in the majority at that time voted in favor of the largest tax increase in the history of this country. That was their decision. And, because they were in the majority at the time, that was the will of Congress.

In 1994, however, the American people repudiated that massive tax increase. The American people said they want their taxes cut and they said they want to keep some of the money for themselves.

If the Senator from South Carolina does not think a \$500 per child tax exemption would be appreciated by average Americans in this country, he is free to have his own views. The fact is, the people in Arizona, the families in Arizona, would be more than pleased to have a \$500 a child tax cut and would have money to spend on their own children rather than to send to Washington.

What this amendment is all about is whether we are going to have the status quo where we have accepted the largest tax increase in the history of this country, enacted in 1993, or whether we are going to carry out the message of the American people who said we want less Government, we want less regulation, we want less taxes.

I see the Gramm amendment, frankly, as a real stark choice and perhaps the most important vote we will take in this budget debate, because it will determine basically the future—not of the party on that side of the aisle, but of the party on this side of the aisle—as to whether we intend to keep the commitment and promise we made to the people of this country.

I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, I yield 4 minutes to the Senator from North Dakota.

Mr. DORGAN. Mr. President, in the old western movies we used to see these folks traveling around selling these bottles of tonic they claimed would cure everything from the hiccups to the gout. Of course, the bottle of tonic did nothing of the sort.

This proposal—to cut taxes—reminds me of that. It is really dealing with myths. Let me deal with a couple of facts. People say, "The budget is going to be balanced. Now let us talk about a tax cut." In the budget resolution in this Chamber today on page 7—this is a reproduction of page 7—it says "Deficits." In the year 2002 the deficit is \$113.5 billion. Balanced? Where?

I want one person today on the majority side to come to the floor and tell us what this says, on page 7. It says a \$113 billion deficit after 7 years.

Second, tax cut. Do not take it from me, take it from a Republican, Kevin Phillips, who says,

Spending on government programs [speaking of this budget] from Medicare and education to home heating oil assistance, is to be reduced in ways that principally burden the poor and the middle class while simultaneously taxes are to be cut in ways that predominantly benefit the top 1 or 2 percent of Americans.

Do not take it from me. Take it from a Republican who tells it like it is.

Here is the paragraph of what he is talking about on the tax cuts. They call it middle-class tax cuts. Families under \$30,000 a year get \$120. Families over \$200,000 a year are given \$11,200 tax cut. That is a middle-class tax cut? Not where I come from.

No, this budget is clear. With this amendment calling for tax cuts for the wealthy, this budget says to working families: We are going to make it harder for you to send your kids to college because we do not have enough money but we are going to give a big tax cut to the wealthy. It says to the elderly and poor: We are going to make it harder for you to get health care because we cannot afford it but we are going to give a big tax cut to the wealthy. It says to 2,000 corporations that we will give a \$2 million check to each one of them, because we are going to eliminate the alternative minimum tax.

I do not understand those priorities. Those priorities make no sense at all. The first job in this Chamber is to balance the Federal budget. For those on the other side to stand up and say we do not care about balancing the budget, and then to offer an amendment that says, "By the way, the budget is not in balance now that we have brought to the floor, but we also want to give very big tax cuts to those who need them least in this country and take it out of the hides of other folks who want to send their kids to school or to get health care or to buy home heating fuel in the cold winter," somehow I think those priorities do not sell very well back home, because the people see through them.

This is a curious and tortured claim that is brought to the floor, that somehow if we do not support tax cuts for the rich we do not care about the Federal deficits. We are the ones who care about the Federal deficit. We want to balance this budget, but you do not balance the budget by trotting out

something that is popular, a big tax cut, call it a middle-class tax cut, and butter the bread of the wealthy in this country, and then tell other folks we are sorry, we cannot afford things that are essential for you.

No, this does not fly. This does not make sense. I think the American people will see it for that. This is pure politics, pure politics.

This budget resolution on the floor today does not balance the budget. It does not claim it does. On line 21 of page 7 it says the Federal deficit in the year 2002 is going to be \$113 billion.

Would that those who called themselves warriors in the past debate on the deficit not turn out to be wall flowers on this issue and better serve this country and their constituents by deciding if there is money to be achieved anywhere, any place, on revenue or the spending side, to use it to bring this down to zero and put this country back on track. Really balance the budget, really give us some truth in labeling. Yes, that would better serve this country's interests.

I know it may not be the most popular thing, but I happen to think it is the right thing.

Mr. President, I yield the floor.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER (Mr. GRAMS). The Senator from Texas.

Mr. GRAMM. Mr. President, I have to give our dear colleagues on the left credit for one thing. They do not propose budgets. They do not vote for balanced budget amendments to the Constitution. They never propose cutting anything. But they can stand up in front of God and everybody else and say they are for balancing the budget. It is like Bill Clinton, who feels our pain and does not share with us that he causes it all the time.

I believe that we have a clear and stark choice here. You can support or not support Senator DOMENICI's budget, but he makes the hard choices to balance the budget over the next 7 years. What my amendment does is make more hard choices, cut spending more so that in addition to balancing the budget, we can let the working men and women of America keep more of what they earn.

Mr. DORGAN. Mr. President, will the Senator yield for a question?

Mr. GRAMM. I yield to the distinguished Senator from New Hampshire.

Mr. DORGAN. I wonder if the Senator will yield for a question.

Mr. GRAMM. I will not yield.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH. I thank the Senator from Texas.

Mr. President, in one of his debates, Ronald Reagan said "There you go again." And here we go again. This is a historic debate in this Chamber. At no point in recent times have the differences between the two political parties been more evident than right now. On the Republican side, you have somebody offering tax cuts, spending cuts,

slowing the rate of growth, balancing the budget, and on the other side it is business as usual: More spending, more taxes, no alternatives.

I was in this Chamber for many hours during the debate on the balanced budget amendment, and I heard it over and over and over again, speaker after speaker after speaker: We do not need the amendment. All we have to do is do it. What is the Republican plan? How come you do not tell us how you are going to do it?

Well, here we are. We are saying how to do it. We are saying balance the budget. You would not give us the amendment because you would not give us enough votes. We are now offering the amendment. We are offering the opportunity to balance the budget without the amendment. What are you doing? Talking and walking. That is what they are doing, talking and walking over there.

The Gramm amendment adds one more important component to the underlying Domenici proposal that has been missing, and that is very simply this. Either you want to let working Americans keep more of what they earn or you do not. You want to cut taxes for families and businesses so they can have more money to invest on their kids or in their businesses or you do not. That is what the Gramm amendment is all about. And I wish to commend the Senator from Texas for having the courage to come up with this bold proposal because the Senator from Texas knows that this is the essence of the Republican contract, the Contract With America, that was made with the American people, that put the Republican Senators in the majority in this Senate and put the Republicans in the majority in the House of Representatives. Republicans ought to be on this floor unanimously supporting the Gramm amendment today because without that contract and without that promise to the American people, you would not be in the majority. So if you want to break that contract, then vote against the Gramm amendment.

I am talking to my colleagues on this side of the aisle because I know where my colleagues are coming from on the other side of the aisle. This amendment, the Gramm amendment, allows for a 3-percent growth in the overall budget—not a cut. The Domenici plan is 3.3. So for 0.3 percent, Senator GRAMM is offering businesses and families more money to invest and to provide for growth.

The Gramm amendment makes a statement. It says we need to enact incentives for Americans to save and invest, penalty free withdrawals for homes, for education, medical expenses, marriage penalty tax credit, cut the capital gains rate, and index it for inflation, and a \$500 a child tax credit.

This is the essence of the difference between the two parties, Mr. President, as I said. The tax cuts in the Gramm proposal are paid for with spending

cuts. It does not undercut the Domenici proposal. It simply provides deeper cuts to provide the tax benefits to the American people.

We have seen a lot of polls lately that suggest the American people really do not want tax cuts. They are asked whether we would rather have tax cuts or deficit reduction. Well, of course, people will say we would like to have both, and you can get both right here in this proposal. When it is offered either/or, they will say, fine, balance the budget. We do not need the tax cuts. We will sacrifice. Balance the budget.

This is both. This is both. Ask the American people if they would support a budget that reaches balance and gives them a capital gains tax. Ask the American people if they would support a budget that reaches balance and allows penalty-free withdrawals for education or a downpayment on a loan. Ask the American people if they would support a budget that reaches balance and provides a \$500 tax credit for each child. Ask them that and see what the answer is—not either/or, both. And that is what the Gramm amendment is all about. The choice is not between tax cuts and a balanced budget. The question is are you willing to cut spending enough to do both.

And again, the word "cut" is used very loosely because we are asking our colleagues on the other side of the aisle and some of the colleagues on this side of the aisle to support a proposal that limits the growth of the U.S. Government over the next 7 years to 3 percent. That is what we are asking you to do.

You were out in the Chamber time after time after time during that balanced budget amendment debate saying give us your plan; give us your plan; we do not need an amendment. All right, we did not get the amendment. Where is your plan? You defeated your President's plan 99 to nothing joining with us on the Senate floor. I have not seen yours. I am hearing all this talk, but I do not see any plan.

Frankly, I think the American people are sick of it. They were sick of it in the elections in 1994, and they are going to be even sicker of it after this debate. We have an opportunity here. History shows us that tax cuts create jobs. It is not the Government's money. It is your money. You provide it to the Government. Give the Government less. Leave it in your pocket, and you will create jobs, and you will employ more people, and we will have more tax revenues, and we will balance the budget even more quickly.

In closing, Mr. President, let me just say every Republican Senator and House Member, as I said, voted against that budget, the President's budget. The tax cuts included in the Gramm package total \$173 billion. We are getting \$173 billion back out of the \$250 billion tax increase the President provided us last year. We do not even get as far as cutting taxes as Clinton went

in raising taxes. Now, that is not really too much to ask.

So, Mr. President, let me conclude by complimenting Senator DOMENICI for his courageous decision to meet this head on, and again to compliment Senator GRAMM for adding what I believe is a stronger amendment to this package to balance the Federal budget and to cut taxes, to do what the American people asked us to do when they elected us into the majority in November.

I yield back the remainder of any time I may have.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, I thank him for his patience, and I am pleased to yield 4 minutes to my distinguished colleague, the senior Senator from Illinois.

Mr. SIMON. Mr. President, I thank my colleague.

I am pleased to stand up and say I think this is a bad amendment. Would I like a tax cut? Of course. We would all like a tax cut.

I have three grandchildren. I face the choice of sacrificing a little bit or building a better future for my three grandchildren. That is the fundamental choice. I do not have a hard time making that choice, and I do not think the American people have a hard time making that choice.

Let us move to a balanced budget. I commend PETE DOMENICI for moving toward a balanced budget. I do not happen to agree with the priorities, but he is moving in that direction. But the Gramm amendment would take, over a 10-year period, \$594 billion in tax cuts.

Our history on these things, on legislative answers—and this is why we need the constitutional amendment—is they last for about 2 years, as our friend from Texas knows better than anyone else, and then they blow up in our face.

The danger is the Domenici plan will last 2 years and then we will discard it because it becomes too politically potent and we will keep the tax cut.

When the Senator from Arizona, Senator KYL, says you cut taxes and you get more revenue for the Federal Government, in 1981 we had both a Republican—the Ronald Reagan plan—and a Democratic plan to do precisely that. I voted against both the Republican plan and the Democratic plan. But I can remember Ronald Reagan saying, "If you pass this, by 1984 we are going to have a balanced budget in our country." It did not make sense. This amendment does not make sense now.

And to cut back from the Domenici numbers, \$40 billion in Medicaid—who are Medicaid recipients? Half of them are poor children. Forty billion dollars we are going to get here. If anyone thinks that \$40 billion is not a tax cut, talk to any hospital administrator. That means we are going to cut back on what hospitals get for Medicaid. And what will hospital administrators do? They will shift it to the non-Med-

icaid, non-Medicare payment to the insurance companies, and our insurance rates go up all over the country.

If anyone thinks that is not a tax increase, they are just fooling themselves.

Oh, this is great politics. And my friend from Texas is good at politics. I commend him for standing up frequently on the courageous side of things. But this one is wrong. He is wrong. It is not in the national interest and his amendment should be defeated.

Ms. MOSELEY-BRAUN addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. EXON. Mr. President, I yield 4 minutes to the junior Senator from Illinois.

The PRESIDING OFFICER. The Senator from Illinois.

Ms. MOSELEY-BRAUN. Thank you very much.

Mr. President, at the outset of my remarks, I would like to point out to the sponsor of this amendment that, without this broad-brushing, these issues that a number of us on—the Senator said "on the left"—on this side of the aisle voted for and supported the balanced budget amendment. In fact, Senator SIMON, my senior Senator, who is leaving the floor now, was an original sponsor of the balanced budget amendment and continued to press for that matter over the years. And so, this is not a partisan issue.

Mr. President, we ordinarily consider tax cuts when our economy needs economic stimulus, but economic growth is strong, so strong, in fact, that the Federal Reserve raised interest rates seven separate times to ensure that the economy would not overheat. And unemployment is low; our economy has created 6 million new jobs. Jump-starting the economy, therefore, is unnecessary at this time, and cannot be the motive for this amendment.

What is behind this amendment—as the chart over there indicates—is the notion that the Federal Government is too big. Now, that is something of an arguable point. It is true, for example that national defense consumed \$81 billion in fiscal 1970, and increased to over \$281 billion by fiscal 1994. However, in 1970, the \$81 billion financed over 3 million soldiers, sailors, Air Force personnel, and marines, whereas the \$281 billion we spent last year financed Armed Forces only about half that amount. The large dollar increases, therefore, do not really represent growth at all.

It is true, of course, that as a percentage of the economy, Government has grown. The Federal Government accounted for about 19.2 percent of the economy in 1959, and 22 percent last year. That is an increase of about 14 percent over the past 35 years. Where did that money go. Well, most of it went to Medicare and Social Security. These two programs alone increased from 2 percent of the economy in 1959 to over 7.2 percent in 1994—that is, they

more than accounted for all of the growth in Government over the last 35 years. Everything else—discretionary spending, cash, nutrition, and housing assistance for the poor, agriculture—almost everything else went down. The only other Federal activities to increase in size as a percentage of the economy since 1959 are interest expense and Medicaid.

What these numbers all mean is that, to the extent the Federal Government has grown over the past 35 years, it has grown because Social Security and Medicare have become mature programs over that period. If you ask Americans whether they would prefer a tax cut, or whether they would prefer to reduce their retirement or health care security, the answer is, I think quite obvious.

Now, this amendment does not quite ask that question, but it does raise another one: would Americans rather have a tax cut, and sacrifice long-term medical care for the elderly, and medical care for the poor, and investment in our children's education, or would they rather give up the tax cuts, balance the budget, but continue to make essential public investments in education, and in health. I think the answer to that question is equally obvious. While Americans would very much like to balance the budget, they want to do so in a way that preserves essential investments in our future.

They know that the reason balancing the budget is so important is because we do not want to deprive future generations of their opportunity to live the American dream. And they know that trying to balance the budget in a way that reduces educational opportunity and cuts access to health care does not meet our obligation to our children—and their children. They know that simply is not fair. They know that it hurts both individuals and our country, because our future is diminished if every American does not have the opportunity to strive for the American dream.

And it is not just individual Americans who know that America's future depends on making the right choice. Financial markets know it also. If the Senate adopts this amendment and the tax cuts become law, we will have undermined our commitment to real deficit reduction, and we will have ignored our responsibility to the future of Americans and to America. The results of that will be continued declines in our national wealth, a renewed fall of the dollar, a widening of the gap between rich and poor, and diminished opportunities for many Americans and for our Nation as a whole.

The simple truth is that we are all in this together—we are all Americans—and the way we balance the budget should reflect that fact. A tax cut that is unneeded to stimulate our economy makes no sense. A tax cut that creates confusion in the minds of financial markets as to whether the United States is committed to deficit reduction makes no sense. And a tax cut

that undermines the essential purpose of balancing the budget in the first place—protecting future opportunities for our children and our country—is not what Americans want and must be defeated.

I would point out, my previous colleague made the point that fiscal year 2002 still has a deficit here of \$113 billion. It seems to me that a \$113 billion deficit is like being just a little bit pregnant. I believe we should focus our attention on deficit reduction instead of irresponsible promises of a chicken in every pot to make political points.

I urge my colleagues, therefore, to defeat this amendment.

The PRESIDING OFFICER. The Senator's time has expired.

Who yields time?

Mr. GRAMM. Mr. President, I yield 10 minutes to the distinguished Senator from Mississippi.

The PRESIDING OFFICER. The Senator from Mississippi is recognized for 10 minutes.

Mr. LOTT. Mr. President, I want to thank the distinguished Senator from Texas for yielding me this time.

I rise in support of the Gramm amendment to the 1996 concurrent budget resolution. I have said on the floor of the Senate before that, along with balancing the budget, which is very important, we need to provide some tax relief for all Americans, especially families.

Slowing the rate of growth in Federal spending is not just a political exercise or an accounting endeavor. The Federal Government is financed by the hard work of the people. If Government is to be made smaller and, thus, costs less, then Americans should be able to keep more of their hard-earned cash.

As I listened to the debate here in the Senate, it seemed to me that there are Senators or a Senator that will speak for almost every group in the country, many times for good reasons: whether it is education or Medicare or the elderly or the defense program. But rarely do we have people that stand up here in the Senate and speak up for the working taxpaying Americans.

Who among us is willing to do that? Senator GRAMM of Texas is willing to do that.

It seems to me if we are going to control the rate of growth in the Federal Government spending by over \$1 trillion over the next 7 years, should not the people that are paying the bills, carrying the load, doing the work, get just a little bit of the relief?

And I want to ask my colleagues: What is it you object to in this list of tax cuts? I felt very strongly that we should have had these tax cuts in the body of this resolution. I am pleased that we have the dividend that is designated for tax cuts. But I really think we should make it clear that we want some of these changes. And what we are talking about is some tax cuts that will encourage growth.

Whatever happened to the idea that one of best ways to reduce the deficit is

to have growth in the economy? We have heard that for years. President Clinton has even talked about that.

And the economists all indicate they are worried about savings. How about the idea of letting the people get a little consideration to encourage them to save more?

So let us encourage investment and growth and savings. That is what these tax cuts do.

And, also, how about a little more fairness in the Tax Code? There are so many problems with the Tax Code you cannot begin to enumerate them all. But when you start talking about things like allowing wives working in the home to be able to have an individual retirement account, who is against that? That is fundamental fairness. Everybody can have an individual retirement account at certain levels of income, but not the spouse working in the home. To me, correction of this is just basic fairness.

How about the marriage penalty credit? For years, Congress has talked about how we need to get rid of this marriage penalty, and yet it just lives on. This tax cut would deal with that problem.

What about the idea of our elderly? We have a lot of our elderly who would like to keep working. But now if they keep working, many times when they need it and when we need them, they get penalized.

These tax cuts would include, among other good things, raising the Social Security earnings test threshold. We should do that. I would like to eliminate it, but this proposal would take the threshold up to \$30,000.

So you see, we are talking about some things that will help families and wives, married couples, small businesses and our elderly in a real way.

We have a provision in here that would provide small businesses estate and gift tax relief. The people who own small businesses run the risk of losing everything they have or affecting what they do because of these tax penalties.

And we should have the capital gains tax rate cut. When I go home and I ask the people of all backgrounds and economic stations in life, should we have a capital gains rate cut, "Absolutely," they say, we should do that. It never ceases to amaze me that in Washington, DC, a capital gains tax rate cut is fought. But out where people are creating the jobs and when they want to be able to sell timber or timberland, they understand that a capital gains tax rate cut would help them and would help the economy and would create jobs. But not in Washington, no.

What about the \$500 tax credit per child? Why do we not want to let the families with children keep a little bit more of their own money, let them decide how they want to spend money for clothing and schools and food for their children? Oh, no, it is much better to have a program from Washington that does it for you or tells you how you must do it. This would allow the deci-

sions to go back to the families with children. Let them decide how to spend their money.

I want to point out that this is not an insignificant consideration either. It really would make a difference in the family income. I would like to have printed in the RECORD, Mr. President—it may have already been done, but I want to make sure it is in here—an article in the Washington Post on May 16 by James K. Glassman entitled "Yes, Cut Taxes." I ask unanimous consent that that be printed in the RECORD.

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

YES, CUT TAXES

(By James K. Glassman)

Critics of the Republican budget in the press, Congress and the White House may be drastically underestimating the power—both political and economic—of those tax cuts the House passed in April. I know I did.

First, a little history. The Republicans won the November congressional elections, using a contract that pledged a balanced budget and a tax cut.

President Clinton figured they couldn't do it, so his strategy was to sit back and let them take the heat for overreaching. His February budget opted for the status quo, which means annual deficits of \$200 billion-plus forever.

Now, the Republicans are offering their official budget plans, and—whaddaya know?—they show they can indeed balance the budget by their target year, the palindromic 2002. And they can do it by increasing spending in each year by an average of \$45 billion.

But skeptics see two problems. The first is Medicare. Republicans want to increase spending on the program by about 6 percent annually instead of 10 percent. In Washington parlance, this is a "cut" of \$280 billion, so it's not expected to be easy to sell.

The second problem is tax cuts. Sen. Pete Domenici (R-N.M.), who heads the Senate Budget Committee, said Sunday, "We don't have a tax cut until we balance the budget." But his House counterpart, Rep. John Kasich (R-Ohio), thinks, the country can have both at the same time.

The trouble with tax cuts is that they're hard to justify at the same time you're ordering painful limits—and some outright reductions—in spending. Also, it's likely that a total restructuring of the tax system (a flat tax or a national sales tax) will be a big issue in next year's presidential election. So why piecemeal changes now?

In the past, I made these same arguments in urging Congress to shelve the tax cuts. But that was before I did something that most journalists (and even politicians) still haven't done: I took a close look at the tax bill.

Now I'm changing my mind. The tax changes are a political plus—and likely an economic plus as well. Once Americans understand them (and few do now) they're apt to become very, very enthusiastic. Reluctant politicians risk being trampled.

The two main provisions of the tax bill, H.R. 1215, are these:

(1) Nearly every family with children can reduce its final tax bill by \$500 per kid.

For example, the average household headed by a married couple has an income of about \$50,000 a year. If that family has three children, its current federal income tax bill, according to a study by Price Waterhouse, is \$4,643.

But if H.R. 1215 becomes law, the family's tax bill will be reduced by \$1,500—to \$3,143, a



cut of a whopping 32 percent. Such a family with two children would save 20 percent, with four children, 47 percent.

These are huge cuts, perhaps unprecedented in U.S. fiscal history. Yet I doubt that most Americans know much about them. The press coverage of H.R. 1215 earlier this year was dominated by a specious controversy over whether tax relief benefited the wealthy. Of course, it does—but only if the rich are willing to invest their money, not spent it. Which brings us to the second element . . .

(2) Taxes on capital gains will be cut dramatically.

This is the part that's meant to encourage investing, and it's a fact that most investing is done by families with higher incomes. But the capital gains cuts in H.R. 1215 aren't a replay of the Reagan tax cuts, which didn't work as advertised.

Those 1986 cuts lowered the tax rates on income (salaries, bonuses, interest on bonds) but actually raised the rates on capital gains (profits from the sales of assets like stocks and real estate). As a result, the changes encouraged consumption, but not investment. In fact, the paltry U.S. savings rate actually fell.

The changes in the tax bill the House passed in April are directly targeted at investment—and they're extremely powerful.

The bill does two things: First, it reduces a family's capital gains rate to one-half of its income-tax rate. So, if you're in a 28 percent bracket (taxable income of \$38,000 to \$92,000 for a couple filing jointly), you'll pay just 14 percent on your stock profits.

Second, the bill indexes capital gains, which means that you only pay taxes on real profits, not on inflation. Indexing can produce huge tax savings—but only for long-term investors. And long-term investors are what the U.S. economy desperately needs; they provide the capital that creates good jobs.

Consider a family with taxable income of \$80,000 a year that buys 200 shares of Wal-Mart at \$25 a share, holds the stock for six years, then sells it for \$50 a share—a profit of \$5,000.

Right now, taxes would be \$1,400 (28 percent of \$5,000). But under H.R. 1215, if inflation over those six years averaged about 3 percent, the family would pay tax only on its "real" (non-inflationary) gain—on \$4,000 rather than on \$5,000. And the rate would be just 14 percent. So the tax bill would be \$560 instead of \$1,400, a reduction of 60 percent.

Would capital gains cuts of that magnitude entice Americans to save and invest rather than to consume? It's a good bet.

The tax changes in H.R. 1215 would mean that the Treasury would receive about \$80 billion less revenue in 2002 than it now expects. That's a shortfall of about 4 percent that would have to be met with extra spending restraint. Is the trade-off worth it? It's more and more clear the answer is yes.

Mr. LOTT. Mr. President, I quote from that article I think the most pertinent part:

(1) Nearly every family with children can reduce its final tax bill by \$500 per kid.

For example, the average household headed by a married couple has an income of about \$50,000 a year.

Not rich folks; these are middle-income, working people.

If that family has three children, its current Federal income tax bill, according to a study by Price Waterhouse, is \$4,643.

But if—

This amendment is added to the budget resolution—

The family's tax bill will be reduced by \$1,500—to \$3,143, a cut of a whopping 32 per-

cent. Such a family with two children would save 20 percent, with four children, 47 percent.

This is a significant move to help families with children.

So, Mr. President, when I look down the list of provisions in this tax cut, I ask—in fact, I challenge—Senators to come out here and tell me which one of these they are against.

Are you against providing tax incentives for the purchase of long-term care insurance? How about a home office deduction for small business men and women, individual entrepreneurs that work out of their homes? Everybody else gets a deduction for office expenses but not if you work in your home. More and more Americans are doing that, are able to do that, or are going to have to do it in the future.

So I think there are many good provisions in this legislation. I urge the Senate to support it. It does have the support of a number of groups that are interested in encouraging growth and savings in the business community. The Heritage Foundation indicated that 490,563 children in my State of Mississippi would be eligible for the per child credit that I spoke of a moment ago. That means almost \$245.3 million of this hard-earned cash would be returned to the families in my State.

In President Clinton's home State of Arkansas, there are 458,547 children who would benefit from the per child tax credit. That is about \$229 million more than Arkansas families will get back without this tax credit.

So I think, Mr. President, we have an opportunity to really help the economy and to help the families in this country. We should add this amendment to the resolution. Then, when we go to conference, while there still would be some differences, we could work out those differences and have tax relief in this very important legislation.

So I urge the support of the Gramm amendment.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I ask unanimous consent to print a series of letters in the RECORD in support of the amendment by the National Taxpayers Union, by Citizens for a Sound Economy, by the Christian Coalition, by Traditional Values Coalition, by the Family Research Council, by Concerned Women of America, by the Business and Industrial Council, and by the National Federation of Independent Business.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

NATIONAL TAXPAYERS UNION,  
Washington, DC, May 22, 1995.

DEAR SENATOR: The 300,000-member National Taxpayers Union (NTU) strongly supports the FY 1996 Budget Resolution (S. Con. Res. 13) as reported by the Senate Budget Committee. A vote FOR the Committee's Budget Resolution will be scored as one of the most heavily-weighted pro-taxpayer votes in our 1995 Rating of Congress. NTU op-

poses any attempts to increase the spending projected in the Budget Resolution. "No" votes on such amendments will likewise be included as pro-taxpayer votes in our Rating.

We are pleased that for the first time in fifteen years the Senate Budget Committee has reported a Budget Resolution to balance the budget without raising taxes. While the Budget Committee has outlined significant spending cuts, the final proposals will be drafted by the authorizing and appropriations committees. The Committee has made suggestions that NTU has supported for many years, including the termination or privatization of many government programs. It also begins the long-overdue process of reforming Medicare, which is headed for bankruptcy in a few years.

Unless current trends change soon, funding increases in major entitlement programs will slash the after-tax income of the average American worker by almost 60% over the next 45 years. After-tax income would plunge from \$19,000 in 1995 to \$7,821 in 2040. As bleak as this projection may seem, it is based on an optimistic assumption that pre-tax incomes will rise faster over the next 45 years than they have over the past 20. This spending growth is not sustainable, and if allowed to grow unchecked will permanently damage our children's hope for a better future.

In the world economy, the advent of the Information Revolution will give a huge advantage to efficient governments. Because computers allow most economic transactions to occur literally anywhere, competition between jurisdictions expands by the day. That necessitates a revolution in the way government is financed and a radical downsizing of its activities. The budget restraint in this resolution will force necessary reexamination and reform of many government programs.

While we fully support the Budget Resolution, we are disappointed that it does not project passage of the important tax reduction proposals that the House passed last month. Therefore, we support an amendment by Senator Phil Gramm and others that would further restrain spending growth, accommodate most of the House-passed tax cuts, and still balance the budget by 2002. It is vitally important that Congress also reduce the tax burden on middle-class taxpayers and the present tax disincentives for savings, investment, and economic growth. The typical American taxpayer has to work until May 6 this year just to pay his federal, state, and local taxes. Overburdened taxpayers expect and deserve substantial relief from this crushing tax load. A vote for the Gramm amendment will be included as pro-taxpayer vote in our Rating.

Through almost 200 years of American history, our leaders strove to follow Thomas Jefferson's wise advice: "We shall consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves." Passage of the Budget Resolution is essential if Congress hopes to restore a fiscally sound future for the next generation.

Sincerely,

DAVID KEATING,  
Executive Vice President.

CITIZENS FOR A  
SOUND ECONOMY,  
Washington, DC, May 17, 1995.

Hon. PHIL GRAMM,  
U.S. Senate, Washington, DC.

DEAR SENATOR GRAMM: I am writing on behalf of the 250,000 members of Citizens for a Sound Economy (CSE) to register our support for your proposal to balance the budget by 2002 by cutting taxes and slowing federal spending growth.

In order to encourage a growing economy that creates new, high-paying jobs and rising living standards for our children and grandchildren, we must bring federal spending under control. Your proposal does this by limiting federal spending increases to 3.3 percent per year. Cutting taxes and capping the dollars available for the federal government to spend would mean more dollars for American families to spend. Letting Americans spend and invest their money as they like, instead of allowing the government to spend their money for them, is one of the best things Congress could do to strengthen our economy.

Americans are faced with chronic federal budget deficits because of ever-increasing government spending. CSE strongly supports your plan because it would cut taxes and help bring federal spending under control, thereby resulting in the first balanced budget in a generation.

Sincerely,

PAUL BECKNER,  
*President.*

CHRISTIAN COALITION,  
CAPITOL HILL OFFICE,  
Washington, DC, May 8, 1995.

DEAR SENATOR: On behalf of the 1.5 million members and supporters of the Christian Coalition, I am writing to urge your support for Senator Phil Gramm's proposed substitute amendment to the Concurrent Budget Resolution for FY '96 when it comes to the floor next week. This amendment will provide for tax relief and growth incentives as promised in the Contract With America.

The American family has repeatedly been promised tax relief, only to see those promises broken. That is why the recent passage by the House of Representatives of the family tax relief promised in the Contract With America was particularly gratifying. But the American people do not make differentiations between the House and the Senate—they only know that Republicans campaigned on the Contract With America and that the 1994 elections were a mandate to the Republican party to pass the Contract. That is why we are writing today to urge the Senate to stick with the tax relief promised in the Contract With America.

Although all Americans have been impacted by today's high taxation level, families with children have particularly felt the impact due to the diminished value of the personal exemption. The personal exemption protected 68 percent of the average family of four's earnings from taxation in 1948, but it has not kept up with inflation and higher income. If it had done so, it would today be between \$7,000 and \$8,000. The American family pays more in federal, state, and local taxes, than it does for food, clothing, and housing combined.

It is important to remember that in asking for the \$500 per child tax credit, families are not asking for a new subsidy, a new entitlement, or a new spending program from the government. They are asking to keep more of their own hard-earned income in order to raise their families.

We urge the Senate to put families first and support the Gramm substitute amendment when it comes to the floor next week. This is the family dividend of budget reduction. Thank you for your attention to our concerns.

Sincerely,

RALPH E. REED, JR.,  
*Executive Director.*

TRADITIONAL VALUES COALITION,  
May 12, 1995.

Hon. PHIL GRAMM,  
U.S. Senate, Washington, DC.

DEAR SENATOR GRAMM: Next week the Senate will begin consideration of the budget

resolution. On behalf of Traditional Values Coalition's 31,000 member churches I am writing to urge you to support Senator Phil Gramm's amendment.

For too long special interests have had more clout and control over the budget process than working families. In addition, over the last few decades Washington has shown a lack of financial discipline, forcing working families to shoulder the burden of increased government spending and higher taxes. Traditional Values Coalition believes that it is now time for Congress to change its priorities and focus by providing tax relief to the parents of 52 million children. With the passage of the Contract with America, the Houses has acknowledged this injustice toward working families. I hope the Senate will as well.

Senator Gramm's amendment will restrain the growth in federal spending by \$94 billion over five years and provide desperately needed tax relief for 29 million hardworking families. TVC believes cuts in wasteful government spending will pay for the family tax relief. These spending cuts should come from eliminating hundreds of programs ranging from the Uranium Enrichment program (\$1.6 billion) to the National Endowment for the Arts and Humanities (\$1.4 billion) and by privatizing the Corporation for Public Broadcasting (\$1 billion).

In the 1950's, the average American family paid 3% of their income in federal taxes. Today, the average family sends 25% of its income to Washington. It is outrageous that the average working family pays more to the tax man than it spends on shelter, food and clothing.

Traditional Values Coalition believes that working families are better equipped to make decisions on how to spend their own money than bureaucrats in Washington. Working families are not asking for anything special or an entitlement. They are simply asking for the government to return what rightfully belongs to them—their hard earned money.

Traditional Values Coalition considers Senator Gramm's amendment pro-family and pro-growth. Last year Congress put spending first, this year put families first.

Sincerely,

REV. LOUIS P. SHELDON,  
*Chairman.*

FAMILY RESEARCH COUNCIL,  
Washington, DC, May 10, 1995.

DEAR SENATOR: I am writing to express my support for an amendment Senator Gramm plans to offer to the budget resolution when it reaches the Senate floor later this month. The amendment would significantly reduce the tax burden on America's families by adopting a \$500 per-child tax credit and a variety of other tax measures (including a deduction for adoption expenses, spousal IRA benefits, etc.) which are very much needed.

The Gramm proposal allows the Senate to adopt the "crown jewel" of the House GOP's Contract With America. It recognizes that the electoral revolution that occurred last November 8 was driven in no small part by a desire on the part of the American people to see the size of government reduced and the amount of disposal income available for their use increased.

As you know, the 1986 White House Working Group on the Family that I chaired for President Reagan had as its central recommendation a dramatic increase in per-child tax benefits. The Senate has an historic opportunity to address this long overlooked area of tax law and to demonstrate to the American people that it is working to make the kinds of changes Americans voted for last November.

While I recognize that some legislators perceive tax relief to be at odds with the im-

portant goal of deficit reduction, it is important to point that the Gramm proposal—like the House GOP Contract—provides both significant tax relief and significant deficit reduction. As such, it recognizes that these two important goals are not mutually exclusive.

I urge you, therefore, to enthusiastically support Senator Gramm's efforts. Please let me know if you would like additional information about this subject from me or any member of my staff.

Sincerely,

GARY L. BAUER,  
*President.*

CONCERNED WOMEN  
FOR AMERICA,  
Washington, DC, May 12, 1995.

Hon. PHIL GRAMM,  
Russell Senate Office Building, Washington, DC.

DEAR SENATOR GRAMM: Concerned Women for America is the nation's largest pro-family women's organization with over 600,000 members. For many years CWA has worked on legislative efforts to allow American families to keep more of their hard-earned money. Thus, we have worked diligently in favor of the \$500-per-child tax credit, homemaker IRA equity, and tax credits for adoption expenses.

We are very disturbed by the increased tax burden on families which often compels both parents to enter the work force in order to make financial ends meet. In 1948 the median family of four paid only two percent to of its income to the federal government in taxes. However, in 1989 the same family paid nearly 24 percent in federal taxes. Adding on state and local taxes, over one-third of that family's income will be spent on taxes.

Families in your state need you to stand firm on their behalf. The House GOP "Contract With America" was passed because the voters made their voices heard last November. Tax relief for families was a vital component that helped to spark that revolution. Now it is time for the Senate to do its part to fight for families. Otherwise, the Senate will shoulder the voters' outrage and become the weak link in the fight for smaller government and less taxes.

CWA cannot compromise on this principle. This issue is not about class warfare. It is arrogant and baseless to assert that government cannot afford to allow families to keep more of their own money. Families should not have to suffer for the appalling lack of discipline and will in Congress to cut federal spending!

Please join Concerned Women for American in supporting the Gramm amendment to the Senate Budget. CWA members in your state, and all America's families, will remember your vote.

Sincerely,

BEVERLY LAHAYE,  
*President.*

UNITED STATES  
BUSINESS AND INDUSTRIAL COUNCIL,  
Washington, DC, May 16, 1995.

Hon. PHIL GRAMM,  
U.S. Senate, Washington, DC.

DEAR SENATOR GRAMM: In recent testimony to the Congressional Joint Economic Committee, Milton Friedman has calculated the aggregate cost of direct and indirect government expenditures at a staggering 50 percent of national output. About half of the

U.S. Gross Domestic Product is taken in taxes by the government at the federal, state, and local levels, including the costs of complying with excessive government regulations. Moreover, the Institute for Policy Innovation states that 50 percent of the average family's budget goes to pay taxes to all levels of government. Clearly, the federal government is far too big and is taking too much from our economy. The Congress needs to drastically cut spending and also cut taxes.

USBIC strongly supports your proposed amendment to the Senate Budget Resolution which would cut spending further in order to achieve the crucially important tax cuts already passed by the House as part of the Contract with America. Your amendment would combine the savings from lowering non-defense discretionary spending (\$117 billion over seven years) beyond the reductions already in the Senate Budget Committee Resolution, with Medicaid savings derived from accelerating the decrease in the rate of growth in Medicaid. In addition, your amendment would use the "dividend" projected by the Congressional Budget Office resulting from balancing the budget by 2002. All of these additional spending cuts and savings would be combined to pay for \$173 billion in tax reductions over five years. We are delighted that your amendment would preserve the following crucial tax cuts already in the Contract—capital gains tax reduction and indexing, small business estate and gift tax relief, small business expensing, and repeal of the corporate alternate minimum tax. USBIC believes that the capital gains tax cut alone, if scored dynamically rather than statically, will increase revenues by \$150 billion over five years, thereby in-and-of itself almost paying for all the other tax cuts yet a second time.

We represent 1000 small and medium-sized, mostly family-owned businesses nationwide. As you know, such businesses employ half of our nation's workforce and create two thirds of all new jobs. Such businesses are the bedrock of the nation's economy, yet they are being severely squeezed by high taxes and excessive regulations. Your amendment preserving the vitally needed House tax cuts will strongly improve the nation's economy by stimulating investment, growth, and new jobs.

Sincerely,

KEVIN L. KEARNS,  
*President.*

NATIONAL FEDERATION OF  
INDEPENDENT BUSINESS,  
Washington, DC, May 16, 1995.

Hon. PHIL GRAMM,  
U.S. Senate, Washington, DC.

DEAR SENATOR GRAMM: On behalf of the more than 600,000 members of the National Federation of Independent Business (NFIB), I am writing to support your amendment, the Contract with America Tax Fairness and Deficit Reduction Act, to the FY 1996 Budget Resolution.

For the first time in decades, the Congress is debating a resolution that puts the federal budget on a permanent path to a balanced federal budget. Your amendment would make possible significant tax relief for American families and small businesses while balancing the budget by the year 2002. It returns hard-earned money to families and small businesses who know best how to spend it.

NFIB members strongly support a balanced federal budget and believe their taxes should be reduced. High taxes consistently rank at the top of the list of concerns for small business owners in surveys conducted by the NFIB Education Foundation.

Important tax relief for small business includes: small business and family farm es-

tate tax relief, incentives for retirement savings, and capital gains tax reduction and indexing. Your plan includes all of these proposals and more.

We applaud your efforts and look forward to working with you.

Sincerely,

JOHN J. MOTLEY III,  
*Vice President,*  
*Federal Governmental Relations.*

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, I yield 4 minutes to the Senator from Connecticut.

The PRESIDING OFFICER. The Senator from Connecticut is recognized for 4 minutes.

Mr. DODD. Mr. President, I thank my colleague from Nebraska.

Let me just begin by stating something that may put me within the minority here. I am opposed to all tax cuts in this bill, not because I am opposed to tax cuts. I think they ought to all be postponed—that is my own view—whether they come from one source or another. If we are honestly dealing with deficit reduction, tax cuts ought not be on the table.

But I do want to rise and express my opposition to the particular proposal being offered today because I think it is particularly egregious and creates serious problems for our country.

My colleague from Texas, with whom I serve on the Banking Committee, has often and very colorfully talked about who is in the wagon and outside the wagon. I raise here a picture of the good old chuck wagon. I call it the Republican tax cut wagon.

I am going to use the wagon metaphor to explain to people, if I can, what we are talking about with this proposal. The wagon metaphor is a potent one.

If we apply it to the Contract With America's tax cut, I think people will get a clear picture of what we are talking about. If you take off the wagon's cover and show what is inside this tax-cut wagon, you get a clear picture of what is occurring.

More than 51 percent of those riding in this tax-cut wagon are the wealthiest 12 percent of our population in this country earning more than \$100,000 a year. In fact, the richest 1 percent, the best off of the population, of those earning over \$350,000 will reap, under this proposal, an average windfall of \$20,000 in tax breaks. People earning over \$200,000 will receive a tax break in excess of \$11,000. Is it any wonder that a recent Wall Street Journal article described the House GOP tax-cut package, much of what we are voting on today, in these words, and I quote the Wall Street Journal:

Don't do anything yet, but start salivating. The tax bill passed Wednesday by the House of Representatives could turn out to be the biggest tax-saving bonanza in years for upper-income Americans.

While the tax-cut package represents a bonanza to the very well off, families earning \$20,000 to \$30,000—this area

down here, Mr. President—will have their tax cut by only \$247 per year. Those earning \$30,000 to \$50,000 will get a tax cut of \$569 a year. That is about \$1.50 a day.

Collectively, these families, shown in orange on the chart, represent 35 percent of all American families, but they will receive less than 15 percent of the benefits under this tax cut.

The least affluent, 25 percent of American families, earning less than \$20,000 a year, shown in red, Mr. President, this thin column here, will receive a tax cut of \$20 to \$90 a year.

Now that we have a better understanding of who is riding in the wagon, let us take a look at who is truly pulling the weight. The contract's tax cut package will cost \$345 billion over 7 years and \$639 billion over 10 years. How is this going to be paid for? By some of the most draconian, in my view, cuts presented on the floor of this body. Medicare recipients who have a median income of \$17,000 will pay an additional \$3,200 in the next 7 years.

I do not argue the fact that Medicare needs to be addressed, but we might be more creative in solving that problem than using those dollars to pay for a tax cut, as I pointed out earlier, that goes to upper-income people. After decades of hard work, the seniors face retirement years full of anxiety—all of us know it—and squeezed by medical bills. Medicare problems are a symptom of a larger problem. It did not create the problem. More than 12 million working families will have to pay higher taxes because of the Republican proposal to cut some \$21 billion from the earned income tax credit, a program that President Ronald Reagan called "one of the best programs we can possibly have to offer to the working poor in this country."

In Connecticut, these cuts will increase taxes on 87,000 working families by an average of \$1,400 over 7 years. College students, Mr. President, will see the cost of a diploma rise by anywhere from \$2,000 to \$5,000 as a result of cuts in the student loan interest subsidy and other programs.

Mr. President, in my opinion, it is the height of hypocrisy to bemoan the fact that some Americans are riding in the wagon while others are pulling and then turn around and offer a massive tax cut and ask working families, students, and seniors to foot the bill for a tax break for the more affluent in our society.

Mr. President, I just feel, here again—and I say this with all due respect to my colleagues that are proposing this—this is not a time for this kind of a tax cut here at all. We cannot afford it. Deficit reduction ought to be the name of the game. If we are going to have deficit reduction, if we are going to ask people to pay, then to offer 12 percent of the American population to become a beneficiary of 51 percent of this break, it seems to me ill-advised and wrongheaded.

My hope is that this amendment will be rejected and we will come together around a sound budget alternative. I thank my colleague from Nebraska.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I would like to say to my dear colleague from Connecticut that that is a fine looking wagon.

Mr. DODD. Not if you look on the inside of it.

Mr. GRAMM. It is beautiful both inside and out.

I would like to make a couple of simple points. No. 1, our colleagues always get confused when we are talking about tax cuts. They are always thinking about welfare. So they cannot understand when we cut taxes that people who do not pay any taxes do not get a tax cut. Those people are already riding in the wagon. I did not see 40 million people on welfare riding in that wagon. I did not see \$350 billion taken away last year from working people to give to the people riding in the wagon.

When our colleague says that someone with a certain income level only got a \$120 tax reduction, since the credit is \$1,000 for a two-child family, that means they were only paying \$120 in taxes. Tax cuts are for people who are paying taxes. In terms of all this business about rich people, I go back to my point: How can we be a country that loves jobs and hates the people that create them? The only way rich people will benefit from the capital gains tax rate is to invest money and be successful. If they invest money and they are successful and they do create jobs and the Federal Government takes a substantial portion of what they earn, why should they not benefit? What is wrong with profits? Is America the only country in the world as we are going into the 21st century where capitalism is a dirty word?

This is something I do not understand. This is a different perspective on America than I have ever seen. Again, I think it does clearly define the vision that I am talking about versus the old and tired vision which has dominated American Government for 40 years. It is almost as if it is better to have people in misery as long as we can rub everybody's nose in it, rather than trying to create incentives for economic growth. Redistributing wealth does not solve poverty. Creating wealth does solve it, and that is what the debate is about.

I reserve the remainder of my time.

Mr. EXON. Mr. President, I yield 4 minutes to my colleague from Arkansas.

Mr. BUMPERS. Mr. President, I thank the distinguished floor manager. Let me say, first of all, capitalism is not a dirty word. Crazy budgeting is what is crazy. It is not dirty, but it is crazy. Everybody in this body is always saying, "This is what the people want. They want term limits, and they want a constitutional amendment to balance the budget."

Let me show you what 70 percent of the people in this country want. This chart shows a USA Today poll which asks, "Do you prefer deficit reduction or tax cuts?" Seventy percent say that if we are going to cut spending, we should apply it toward deficit reduction. That's almost three times the number of people who prefer tax cuts.

So what are we doing here? We are thwarting the obvious will of the people. The amendment of the Senator from Texas reminds me of turning a child loose in a candy store. I cannot think of anything in this amendment that I would not love to vote for, except the very regressive part of the tax which rewards the rich and takes from the poor. The Senator's amendment has a new IRA, it has a deduction for caring for the elderly. It has all kinds of tax breaks that I would love to vote for. But Mr. President, we cannot afford this, and the people of this country do not believe it is possible to have these tax cuts and balance the budget, too.

When I ride home on an airplane, I talk to the people around me, and they say, "Senator, the thing that troubles me about you Democrats is you engage in class warfare." I hear that very often. I suppose Rush Limbaugh has talked about it, otherwise, so many people would not be talking about it.

But who is really engaging in class warfare here? Look at what the amendment of the Senator from Texas does. It gives a whopping \$124 a year to people who make zero to \$30,000 a year. That is a pizza every third Friday night. And when you take away the earned income tax credit, they pay a lot more. They not only do not get the \$124, they wind up losing a substantial amount every year. But what about people who make over \$200,000 a year? What kind of tax cut would they get out of this amendment? They would get a cut of \$11,266. Why, Robin Hood would be whirling in his grave—taking from the poor to give to the rich.

They say, "You Democrats talk too much about class warfare." If that is not class warfare, I do not know what is.

Mr. President, the last time we had a balanced budget was when Lyndon Johnson dumped the Social Security trust fund into the budget. And since that time, we have had integrated budgets. Social Security has been counted. Otherwise, the deficit would have been much, much bigger. So what do we do under this budget? We are going to take \$600 billion of Social Security funds over the next 7 years to pretend to the American people that we have achieved a balanced budget. And the Senator from Texas comes with an amendment that will only cost \$350 billion—talk about *deja vu*. I heard all of this in 1981, \$3.5 trillion ago, how we can cut taxes and balance the budget.

Mr. President, I divinely hope our colleagues will not accept this amendment. I yield the floor.

Mr. EXON. Mr. President, I have one or two speakers scheduled to come. I will make a few comments before recognizing those who indicated they would like to speak on this subject.

Let me say that the debate has been very interesting and very challenging. I will simply say that I hope all Senators will realize and recognize that this is a very key amendment that we must defeat if we are going to truly balance the budget and not try to fool the American people.

Time and time again, it has been said that we cannot have a tax cut and balance the budget, too. I reference once again the fact that I was hearing the same story on the floor of the Senate in the early 1980's when a massive tax cut was proposed at the same time the President of the United States was going to balance the budget in 4 years.

Now, I think the President of the United States at that time was just not well informed. I happen to think that the numbers simply will not add up. I think most realistic people will say, while it would be nice—this Senator and everyone on this side and certainly everyone on that side would like to have the opportunity to provide a tax cut—the overriding problem in America today is the deficit.

Certainly, this Senator would be the first one to join the bandwagon for a tax cut that was targeted at middle-income America. Certainly, the \$500 credit for school-age children would be one that I would be attracted to.

I have to say, as a fiscal conservative, and I think no one can question that, as one who voted for the balanced budget amendment, the last big vote we had in the Senate with regard to who wants to get things done, I simply say that I believe the measure being offered by the Senator from Texas, which is an incorporation of Speaker Gingrich's crown jewel of America, as far as the Contract With America is concerned, is simply unrealistic. I hope very much it will be defeated.

Mr. DORGAN. Mr. President, I wonder if the Senator will yield to me for a question.

Mr. EXON. I am happy to yield.

Mr. DORGAN. Mr. President, I used this chart a while ago and the Senator from Texas did not yield for a question. This chart is page 7 of the budget resolution that is before the Senate.

I ask the Senator from Nebraska if this is not accurate. I notice that the Senator from Texas says, "With this plan of ours, the budget is balanced. So now, we will go give tax cuts." Of course, tax cuts for the wealthy but, nonetheless, tax cuts.

Page 7 of the budget resolution says "Deficits." On line 21, the year 2002, a \$113 billion deficit remaining in the year 2002.

Is it not true that this budget resolution does not come to the floor saying we balanced the budget; it comes to the floor saying we have a \$113 billion deficit in the year 2002?

Mr. EXON. Mr. President, I answer my colleague from North Dakota by

saying he is absolutely correct. The figures that he cites are in the budget resolution.

What I think the Senator from North Dakota fails to recognize is that the tooth fairy is going to take care of that deficit. With that explanation, I am sure that the Senator will be fully satisfied.

I reserve the balance of my time.

Mr. GRAMM. I guess one of the things that is always frustrating about political debate is that it is so seldom that we will really talk about the issues that are involved. So we have drifted far afield from those issues.

I would like to go back and try to set them all in perspective. I am going to reserve my final moments to conclude the debate, and I will allow the Democrats to speak until their time has expired.

First of all, this is not a debate about balancing the budget versus cutting taxes. I am not proposing to cut taxes, except to the degree that spending is being cut beyond the level contained in the budget resolution.

I am proposing, if we look at this chart, very simply to do this: The red line here starts off with the Federal Government spending roughly \$1.5 trillion this year. It shows how much the Government can spend over the next 7 years and still balance the unified budget of the United States of America.

What I am proposing is to cut spending below that level so that rather than the Federal Government investing in the education of our children, families can invest in the education of our children; only the families will know the names of the children they are investing in. Only the families will have a stake directly in those children.

My proposal is to cut Government spending on things like Government subsidies to business, so we can cut the capital gains tax rate, so that we can provide incentives for investment decisions to be made by people who are going to benefit or lose in those investment decisions, so that the marketplace, based on competition and efficiency, can make investment decisions.

With regard to the debate about the income level of the people paying the taxes, the point is if we give a \$500 tax credit per child in America, if someone is not paying \$500 worth of taxes, they do not get the tax credit.

But then what we are trying to do is to deal with a problem that in 1950, the average family with two children was sending 1 out of every \$50 it earned to Washington for the Congress to spend; today the average family in America with two children is sending \$1 out of every \$4 to Washington for the Congress to spend. I want to let families spend more of their own money on their own children for their own future. That is what this debate is about.

If we ask people if they want to balance the budget or cut taxes, they say balance the budget. I agree. If we ask do I want my children to be healthy or

do I want them to go to college, I want them to be healthy. When their health is secured, I then want them to go to college. I do not have only one objective for my children.

We have set out a budget that balances the budget. What I am proposing to do is to cut Government spending further, eliminate the Federal Department of Education, reduce subsidies to business and cut taxes by that amount so that families can invest more of their own money rather than having Government spend their money for them, and cut the capital gains tax rate and let businesses invest their money as they see fit, rather than us subsidizing businesses to invest money where we would like it to be invested.

That is what this debate is about. I reserve the balance of my time.

Mr. EXON. Mr. President, I yield 6 minutes to the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey is recognized for 6 minutes.

Mr. LAUTENBERG. Mr. President, I thank my friend and colleague, the ranking member of the Budget Committee.

I think we are getting down to where this debate is all going to be in the RECORD and the decisions will have been made. It focuses or centers around a couple of fairly narrow issues, as I see them.

We can discuss forever whether there were tax cuts intended when the Budget Committee passed the resolution on the floor, or whether there were not; and at times, it was said in the slip of a tongue that, yes, they were for tax cuts; no, they were not for tax cuts because the Finance Committee was going to be making its decision. It was just going to be kind of set aside, \$170 billion set aside that would be there to provide savings, but everybody knew it was there, but for the wink of an eye was reserved for tax cuts.

Today we have heard a debate about the real thing. We have come face to face, finally, with what the issue is. The issue, very simply, is whether or not we are going to deprive people of programs that are essential; that is, to take care of those seniors who are beneficiaries of Medicare, to make sure that Medicaid has the funding so that in places like Newark, NJ, and throughout this country, hospitals that derive 60 percent, 70 percent, 80 percent of their income from Medicaid because they serve a poverty-stricken population will not have to close.

We want to do that, as I hear the argument today, so that we can take care of the tax cuts that benefit primarily those in the upper income levels.

As a matter of fact, roughly, for every person earning \$350,000 it is estimated by Treasury that there will be a \$20,000 reduction in taxes. That is a pretty hefty present at the end of the year, \$20,000, while they are asking senior citizens who, on average, 75 percent of them, make \$25,000 a year or less,

who are totally dependent on \$25,000 a year or less for their income and, on top of that, are having to supplement their Medicare Program with about 20 percent of their income, or roughly \$5,000, for that group that is at the \$25,000 level. It does not leave much for ordinary living. And heaven forbid that a nursing home long-term care program is involved. That is the end of it.

But we want to do that so we can take care of the tax cut, a tax cut primarily for those who are at the top of the income ladder.

The question resolves itself very much, whose side are you on? On this side of the aisle we are on the side of the working Americans, the people who are doing their darnedest to try to keep home and family together, to try to provide for the education of their children, to give them a hand up so when it is their turn to takeover family responsibilities and leadership in the country they are prepared to do it.

An America falling behind competitively is not a sight that is pleasant to see. An America whose health, whose longevity is declining compared to other nations in the world is not a pleasant sight to see. An America who is 25th among nations in foreign aid—25th among the 25 most advanced nations in this world. They leave us behind. When there are not only important diplomatic objectives to be gained but important commercial objectives to be gained as well.

We see what happens. We need border guards. We know the State of Texas likes to see more border guards to help curb illegal immigration. We need more FBI agents, as we have seen very recently.

We have to change the way we deal with security issues. But, no, all of those things are put on hold so we can take care of a tax reduction for those who in many cases do not need it.

Yes, when you get to the middle class Americans, when those who are in the level of income where they need all the help they can get, that is a worthwhile consideration. But for someone who is making \$150,000 a year, \$350,000 a year, or more? That is not necessary, in my view, when it comes to considering the price that is paid for it.

The statement was made just a few minutes ago about whether we would like to see our children healthy or educated? I could not agree more with what the Senator from Texas said. I would like to see the kids healthy first. But I also want my kids to be secure. I want them to know in the next century that instability within our society was not created by the elimination of some programs to give people job training, a decent education, an opportunity for full participation in our society. Instead of pretending we are going to be able to shield off some of the problems that we have.

The PRESIDING OFFICER (Mr. KYL). The 6 minutes of the Senator has expired.

Mr. LAUTENBERG. I close with the question very simply put on this chart,

and that is: Whose side are we on? We here are on the side of the average American and our friends on the other side of the aisle want to take care of those who have enough, who have enough power, to give them an extra edge they do not need.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. EXON. Mr. President, what is the remaining time on each side?

The PRESIDING OFFICER. The Senator from Nebraska has 2 minutes and 22 seconds. The Senator from Texas, 4 minutes.

Mr. EXON. Is the Senator from Texas ready to yield back his time?

Mr. GRAMM. No, I am going to be the final speaker. I intend to use my last 4 minutes.

Mr. EXON. Mr. President, winding up the debate, I just want to reiterate, if I might, some very fundamental points that have been made over and over again.

First, we have high hopes that this particular amendment that is universally opposed on this side of the aisle is also substantially opposed on that side of the aisle and, therefore, this might well be the first victory that we have had in the whole series of debates on the budget, inside the Budget Committee and on the floor of the Senate.

I hope my optimism about this vote is not ill founded, because if the amendment offered by the Senator from Texas comes to pass and is agreed to by this body, I think it is going to cause such havoc that the conference with the House of Representatives would be essentially meaningless. If we pass this what I think is an ill-advised amendment, regardless of the fact that it passed in the House of Representatives, regardless of the fact that it is the so-called crown jewel of the Contract With America, regardless of the fact that I see no reasonable person could sit down and pencil out the figures and come up with any conclusion that we could possibly balance the budget by the year 2002 then if we proceed not to vote down the amendment offered by the Senator from Texas, the House and the Senate in conference would be placed in a position to where I think it would be nearly impossible to work out anything that would be halfway reasonable.

I think under those circumstances it would be a foregone conclusion that whatever system eventually passes through the authorization and through the appropriations process would be vetoed by the President of the United States.

This is the time for reason. This is the time for reality. Let us vote down the amendment offered by the Senator from Texas.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Texas.

Mr. GRAMM. Mr. President, if this amendment is adopted, both the House and the Senate will have adopted the

tax cut in the Contract With America. We will have cut the growth in spending sufficiently to balance the Federal budget and to let working men and women keep more of what they earn to invest in their future, to invest in their children, to invest in their businesses. If we reject this amendment we will have a budget in the Senate that spends \$175 billion more on nondefense spending over the next 7 years than the House budget does, and by not reducing spending as much, we will not give a tax cut to working families, we will not cut the capital gains tax rate, we will not transfer spending authority back to parents. We will continue to take the position, as this budget does, that the Congress of the United States knows better how to spend \$175 billion than parents would know how to spend it, if they got to keep it to invest in their own children; that we, by spending \$175 billion more than the House in this budget, believe we can do more to help the economy through Government subsidies than the private sector can do by cutting the capital gains tax rate and by having real investment in the private sector of the economy.

A new day is dawning in the House of Representatives. They did something virtually unheard of in the modern era of American politics. They set out in black and white what they would do if we gave them a majority in the House of Representatives, as we did in the Senate, and then they did it. What we are doing here is fulfilling only half of our contract.

Now, I know from having talked to enough of my colleagues that the fix is in, that there is talk about coming up with a compromise. There is discussion of cutting a deal so that we can go on in the Senate spending substantially more than the House is spending and yet we are going to act as if we are giving a tax cut, possibly in some kind of temporary tax-cut proposal.

I do not believe that is what Americans had in mind when for the first time in 40 years they gave us a majority in both Houses of Congress.

I think they believe that we were going to change the way our Government does our business. This amendment gives us a very, very clear choice. If you support the Contract With America, if you want to control spending so we can balance the budget and so that we can let working men and women keep more of what they earn to invest in their own children, in their own businesses, in their own future, then vote for this amendment and guarantee that the Contract With America will be embodied in the final budget we adopt.

But if you want the Senate to be able to spend \$175 billion more than the House budget, if you think we can spend money better than the people who earn it, then you want to vote no. I think that coming back later with some temporary tax cut, with some cut-a-deal proposal, undermines what we committed to the American people

we would do, and I am opposed to it. I support this amendment, and I urge my colleagues to vote for it.

The PRESIDING OFFICER. The time of the Senator has expired.

All time on this amendment has expired.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I understand under the sequencing that the next amendment is Senator Exon's amendment, and I ask unanimous consent that time on the Exon amendment be limited to the following: 15 minutes under the control of Senator Exon, 5 minutes under the control of Senator DOMENICI, and there be no second-degree amendments in order to the Exon amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. At this time I would like to yield for purposes of a statement on the budget to the Senator from Montana for 10 minutes. And then we will proceed, if it is all right with the manager of the bill, with the Exon amendment.

Mr. DOMENICI. I thank the Senator.

Mr. President, let me just ask, if I could, we have made some commitments that after the Senator from Nebraska we have a defense amendment. Then after that the Senator has told us Senator FEINGOLD—The Senator has no plan beyond that?

Mr. EXON. No plan.

Mr. DOMENICI. We would like very much to try to reduce the time. We are going to have Senator THURMOND reduce the time to one-half hour and maybe we can start doing half hours or less regularly. But that will be the next one after this.

I thank the Senator.

Mr. EXON. Mr. President, with regard to the vote on the Gramm amendment, I ask unanimous consent that the vote in relation to the Gramm amendment occur in the stacked sequence at a time to be announced by the two leaders and that no second-degree amendment be in order thereto.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DOMENICI. I should have made that request. I failed to, and I thank the Senator for making it for me in my behalf.

Mr. EXON. I yield 10 minutes to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I rise to discuss the Budget Resolution.

#### PROTECTING THE AMERICAN DREAM

The Budget Committee has given us a sound accountant's budget. It calls for the downsizing or elimination of many programs that have outlived



their usefulness. It uses much more realistic assumptions than the House budget.

It would put us on the path toward a balanced budget. That is a goal I strongly support. And I hope we will write it into the Constitution by passing the balanced budget amendment.

But, as we work to live more within our means, it is more important than ever that we set the right priorities.

A budget is, after all, more than numbers and programs. It is people. It is middle class Americans working harder than ever just to make ends meet. It is middle class parents who scrimp and save in order to realize the dream of sending their kids to college.

It is our seniors—that generation of Americans who worked so hard to build our economy while, at the same time, winning World War II and the cold war. They have earned a right to live with the independence and dignity that Medicare and Social Security help provide.

And it is our farmers—the families who have worked so hard and so successfully to feed America and the entire world.

For me, the ultimate test of any budget is how it affects these ordinary middle class Americans. Are they being treated fairly? And, if they work hard and play by the rules, will they share in the American dream of building a better life for themselves and for their children?

At the outset, let me provide one example where I firmly believe this budget sets the wrong priorities. It proposes to cut just over \$10 billion from the farm program. This will make American agriculture less competitive in foreign markets and cause serious financial hardship for our farmers.

At the same time, it recommends funding an even greater amount for the NASA space station—a scientific boondoggle that has a long history of cost overruns. It is time to get our priorities back down to Earth by eliminating the space station and restoring funding for the farm program.

While I believe there is room to make such commonsense changes to this budget, it contains a more fundamental flaw. While the very wealthy get a free ride—and maybe a big tax break—working families and the elderly are called upon to sacrifice.

The commentator Kevin Phillips—a Republican—recently pointed this out. Here is what Mr. Phillips had to say about this budget process:

[This] legislation . . . especially as put forward by the House of Representatives—has major overtones of special-interest favoritism and income redistribution. Spending on government programs—from Medicare to home-heating oil assistance—is to be reduced in ways that principally burden . . . the middle-class while, simultaneously, taxes are to be cut in ways that predominantly benefit the top one or two percent of Americans. . . . We should be talking about shared sacrifice. Instead, it's senior citizens . . . and ordinary Americans who will see programs they depend on gutted while busi-

ness, finance and the richest one or two percent—far from making sacrifices—actually get new benefits and tax reductions.

Over the past 25 years, the rich in this country have gotten a lot richer. Back in 1969, the wealthiest 1 percent of Americans controlled about 20 percent of our national wealth. Yet today, this figure has skyrocketed to nearly 40 percent. And that leaves a smaller piece of the pie—a smaller piece of the American dream—for the middle class.

Wealth is no crime. We should encourage risk taking and investment by business. But it is time for the most wealthy Americans to get out of the wagon and help the rest of us—seniors, working families, farmers, and students—pull it across the line to a balanced budget.

#### MONTANANS ARE ALREADY PULLING THE WAGON

And most Montanans are already doing all they can to pull this wagon.

Montana is a great place to live. But it can be a tough place to make a living. The average Montana family works hard, but takes in less than \$25,000 each year.

That is not a lot of money to put food on the table, to pay the mortgage, to make the car payment, and to save for the kids' education.

And, with each passing year, things get even tougher. Prices rise; but wages stay flat. Last year, for instance, working Montanans just barely kept pace with inflation. And, if you lived in a fast-growing community with skyrocketing housing prices—places like Missoula, Bozeman, Hamilton, or Kalispell—you almost certainly lost ground.

It is every bit as difficult for most of our senior citizens. All too often, Montana seniors living on fixed incomes just cannot make it. When you go into a fast-food restaurant or convenience store in Montana, you are just about as likely to be waited on by a senior citizen as you are by a teenager.

It is not that Montanans are afraid of hard work. In good times and bad, we have always done what it takes to make ends meet and build a better life for our children.

But we cannot do that when the Government keeps reaching into our wallets and gives nothing back in return. And, when you get to the bottom line, that is what this budget means to most Montanans. It is a tax; a tax on our seniors; a tax on our property owners; a tax on our parents; a tax on our students; a tax on our consumers; and a tax on our working families:

The cuts in Medicare are a back door tax on Montana seniors who will end up paying an additional \$900 each year for health care. And, sadly, some seniors living on fixed incomes will be forced to rely on their children and grandchildren to make up the difference.

The cuts in education are a back door tax on Montana students, parents and property owners. This budget would eliminate 33 percent of the Federal investment in educating our children.

Consequently, States and local school districts are bound to face the prospect of raising local property taxes in order to make up the difference.

Beyond this, the proposed increased costs for the student loan program amount to nothing more than an increased tax on our students and parents working to send their kids to college. For example, the costs of a \$17,000 undergraduate student loan are estimated to increase by almost \$5,000 over the life of the loan. And if you are a teacher in a rural Montana school district making—let us say—just \$17,000 a year, that translates into a large chunk of your monthly paycheck just to pay off your student loan.

And, finally, this budget includes an expensive surprise for electric ratepayers in eastern and central Montana. The proposed sale of the Western Area Power Administration [WAPA] will increase their electric bills, probably by about a third. And, ironically, WAPA is not subsidized. It is a program that protects ratepayers while also making money for the Government.

#### FORGET POLITICS: USE A LITTLE COMMON SENSE

Despite these flaws, I believe this budget could be salvaged. Many of the cuts it proposes make sense. All it would take is agreement—bipartisan agreement—to rethink our priorities and find a way to protect rural America and restore funding to education and Medicare.

If we put partisanship aside, we could get the job done. All it would take is a little common sense.

First, let us bring our priorities down to Earth. Let us kill the space station and protect the family farmer. The costs are about the same. But the benefits of providing a stable supply of food and fiber for America and the world are far greater.

This budget also sets aside \$170 billion to eventually provide tax relief—most of it probably going to the very wealthy. It is just common sense that we should use these funds to protect Medicare and education. If we did that, this budget would be a good start; something I could work with.

Unlike some in my political party, I do not believe we should spare just about every domestic program and take a meat ax to the defense budget. There must be real cuts in a broad range of Federal programs.

Here are seven areas where we can make a good start:

First on my list is foreign aid. I am sick and tired of seeing the United States pay more than its fair share to support wasteful organizations like the United Nations and the World Bank. It is high time we demand that other countries pay their fair share of the U.N. budget. Moreover, I was pleased to see that this budget calls for a significant cut in funding for the U.S. Agency for International Development.

Second, I am tired of seeing the United States spend billions of dollars for the defense of countries like Korea and Japan. While those countries do all

they can to keep our products out of their market. It is time that they share more in the burden of their own national defense.

Third, I also agree with the Budget Committee's call to abolish the Arms Control and Disarmament Agency. We do not need to spend an additional \$60 million on this agency when we already have the Defense, State, and Energy Departments to do the same thing. It is time to get rid of it.

And the same is true of a boondoggle called TV Marti, a wasteful Federal program that attempts to broadcast sitcom reruns to Cuba.

Fifth, I was encouraged to see that the Budget Committee recommends the abolition of the Department of Commerce. This bureaucratic behemoth—a mish-mash of agencies ranging from the National Institute of Standards and Technology to the National Marine Fisheries Service—has long lacked a clear mission.

Let us move those Commerce programs that are worth saving—like the Economic Development Administration that just helped create over 700 high-wage jobs in Butte—to other departments. And let us scrap the bureaucratic overhead and the Commerce programs that have outlived their usefulness.

Sixth, I also believe the Budget Committee missed another opportunity to clean house by abolishing a second Cabinet Department. There is no better example of a failed Great Society program than the Department of Housing and Urban Development.

HUD's history is one of scandal, waste, and failed housing projects; places where drug dealers and other criminals intimidate and prey upon women and children. I believe we can find ways, through block grants and tax incentives, to promote good, affordable housing without HUD's expensive and too often failed bureaucracy.

And seventh—last but certainly not least—welfare is another place we must make savings. I intend to work on the Finance Committee to bring the costs of this program down. And, just as importantly, we must restore the value of the American work ethic to our welfare program. I hope Democrats and Republican can work together to make this happen.

#### CONCLUSION

In closing, we all need to make sacrifices. We need to bring the budget into balance and give our children some relief from debt.

I go home just about every weekend. And I hear it time and time again, Montanans are willing to do their part to bring down the deficit. In order to get this done, they are willing to make great sacrifices.

They ask only one thing in return: fairness. They want to know that no one region or class of people is getting a free ride; that we are all pulling the wagon together toward a balanced budget.

I wish that were the case with this budget resolution. But it is not. We can

do better. We can be fair. We can set the right priorities. And we owe the people we represent nothing less.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. BAUCUS. I thank the Chair and I thank the Senator from Nebraska.

The PRESIDING OFFICER. Who yields time?

#### AMENDMENT NO. 1124

(Purpose: To restore funding for seniors, education, agriculture, working families, veterans, and other Americans, using amounts set aside for a tax cut)

Mr. EXON. Mr. President, I send an amendment to the desk on behalf of myself and Senators LAUTENBERG, HARKIN, KENNEDY, MURRAY, BREAUX, DASCHLE, and DODD, and ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, the Gramm amendment is temporarily set aside.

The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Nebraska [Mr. EXON], for himself, Mr. LAUTENBERG, Mr. HARKIN, Mr. KENNEDY, Mrs. MURRAY, Mr. BREAUX, Mr. DASCHLE, and Mr. DODD, proposes an amendment numbered 1124.

Mr. EXON. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 74, strike beginning with line 12 through line 12 on page 77 and insert the following: "budget, the appropriate budgetary allocations, aggregates, and levels shall be revised to reflect—

"(1) \$100,000,000,000 in budget authority and outlays of the additional deficit reduction achieved as calculated under subsection (c) for legislation that reduces the adverse effects on medicare and medicaid of—

"(A) increased premiums;

"(B) increased deductibles;

"(C) increased copayments;

"(D) limits on the freedom to select the doctor of one's choice;

"(E) reduced quality of health care services caused by funding reductions for health care providers;

"(F) reduced or eliminated benefits caused by restrictions on eligibility or services;

"(G) closure of hospitals or nursing homes, or other harms to health care providers; or

"(H) other costs to beneficiaries;

"(2) \$18,000,000,000 in budget authority and outlays of the additional deficit reduction achieved as calculated under subsection (c) for legislation that reduces the adverse effects on discretionary spending on education and \$12,000,000,000 in budget authority and outlays for legislation that reduces the adverse efforts on direct spending for education;

"(3) \$10,000,000,000 in budget authority and outlays of the additional deficit reduction achieved as calculated under subsection (c) for legislation that reduces the adverse effects on direct spending within the jurisdiction of the Committee on Agriculture;

"(4) \$17,000,000,000 in budget authority and outlays of the additional deficit reduction achieved as calculated under subsection (c) for legislation that restores the full current law earned income tax credit under section 32 of the Internal Revenue Code of 1986;

"(5) \$3,000,000,000 in budget authority and outlays of the additional deficit reduction achieved as calculated under subsection (c)

for legislation that reduces the adverse effects on programs for veterans; and

"(6) \$10,000,000,000 in budget authority and outlays of the additional deficit reduction achieved as calculated under subsection (c) which shall be subject to allocation by the Committee on the Budget, by majority vote. The amounts provided by paragraphs (1) through (6) shall be proportionally adjusted based on any increase or decrease in the projected allowance of \$170,000,000,000.

"(b) REVISED ALLOCATIONS AND AGGREGATES.—Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on such legislation (if a conference report is submitted), the Chair of the Committee on the Budget of the Senate may submit to the Senate appropriately revised allocations under sections 302(a) and 602(a) of the Congressional Budget Act of 1974, discretionary spending limits under section 201(a) of this resolution, budgetary aggregates, and levels under this resolution, revised by an amount that does not exceed the additional deficit reduction specified under subsection (d).

"(c) CBO REVISED DEFICIT ESTIMATE.—After the enactment of legislation that complies with the reconciliation directives of section 6, the Congressional Budget Office shall provide the Chairman of the Committee on the Budget of the Senate a revised estimate of the deficit for fiscal years 1996 through 2005.

"(d) ADDITIONAL DEFICIT REDUCTION.—For purposes of this section, the term "additional deficit reduction" means the amount by which the total deficit levels assumed in this resolution for a fiscal year exceed the revised deficit estimate provided pursuant to subsection (c) for such fiscal year for fiscal years 1996 through 2005.

"(e) CBO CERTIFICATION AND CONTINGENCIES.—This section shall not apply unless—

"(1) legislation has been enacted complying with the reconciliation directives of section 6;

"(2) the Director of the Congressional Budget Office has provided the estimate required by subsection (c); and

"(3) the revisions made pursuant to this subsection do not cause a budget deficit for fiscal year 2002, 2003, 2004, or 2005.

#### "SEC. 205. SCORING OF EMERGENCY LEGISLATION.

"Notwithstanding section 606(d)(2) of the Congressional Budget Act of 1974 and beginning with fiscal year 1996, the determinations under sections 302, 303, and 311 of such Act shall take into account any new budget authority, new entitlement authority, outlays, receipts, or deficit effects as a consequence of the provisions of section 251(b)(2)(D) and 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985."

Mr. EXON. Mr. President, this amendment is very concise; it is very clear. We have cut down the time to 15 minutes on our side and 5 minutes for the opposition.

Essentially, this amendment would take \$160 billion from the \$170 billion reserved in the Republican budget for tax cuts for the rich and redistribute \$100 million to Medicare and Medicaid; \$30 billion to education; \$17 billion to the earned income tax credit; \$3 billion to Veterans Affairs; and \$10 billion to agriculture.

The largest part of this amendment has been offered in part or in total in previous amendments to alleviate the hit that we think is unfair on many of the programs as they were produced out of the Budget Committee.

We have discussed at length the distribution of taxes contained in the House Republican passed tax bill. It provides a \$20,000 tax cut for taxpayers earning over \$350,000. Fully 51 percent of the Republican tax cuts go to Americans with incomes over \$100,000.

We have to get our priorities back on track and that is what my amendment does.

Let me walk my colleagues through the reasons for the redistribution of the \$170 billion contingent fund.

First is Medicare and Medicaid. My amendment restores \$100 billion of the overall cut in Medicare and Medicaid is intended to reduce the adverse effects of increased premiums, deductibles and co-payments on beneficiaries.

Most, if not all, of these add-backs would affect part B of the program and would not—I repeat—would not worsen the solvency of the HI trust fund.

My amendment states that any add-backs will be structured in such a way to ensure that the fund remains solvent for the same time period attained through cuts made in this year's reconciliation bill.

I am restoring these reductions in order to protect the 1 in 4 Medicare beneficiaries who rely on Social Security for their only source of income.

Second is Medicaid. Two-thirds of all Medicaid dollars are spent on seniors and disabled people. This is the only program which pays for long-term care.

Many middle-income people who develop disabling conditions—like Alzheimer's or Parkinson's—end up spending all of their incomes for care. They often have nowhere else to turn but Medicaid.

Under the Republican budget, nearly 1 million seniors and disabled people could lose their coverage. This amendment would add back funding to reduce the hit on that population.

The funding in my amendment could also be used to reduce the cuts to children.

Third, is education which would receive \$30 billion through this amendment. Over 500,000 graduate and professional students currently receive subsidized loans. Nearly 50 percent of full-time, full-year students rely on the subsidized loans to pay for their education.

Eliminating the in-school interest subsidy means graduate and professional students could have their total debt increase by \$3,000 to \$6,600 depending on how long they are in school. The subsidy is critical for these students, most of whom are independent and going back to school to pursue higher learning that is critical to the future of our Nation.

My amendment also helps restore some of the Republican budget cuts to the impact aid program.

Impact aid is a critical program that provides funds to school districts that educate children of military personnel, children who live on Indian lands, and children who live in federally subsidized housing.

For school districts with large areas of Federal property within their boundaries, raising sufficient revenue to provide for the education of these children is a daunting challenge. Federal land is exempt from local property taxes—the mainstay of local education finance—causing a greater tax burden on the residents and owners of non-Federal land.

In my own State of Nebraska, Bellevue School District relies upon impact aid funding for almost 25 percent of its annual operating budget. Cuts in impact aid would be devastating to the quality of education for children of military personnel in Bellevue. My amendment softens the blow.

Fourth is the EITC which would receive \$17 billion. The EITC helps keep working families off of welfare. It also assists middle-class families who have sudden losses of income.

The Republican budget cut for the EITC is particularly cruel since real wage growth has been slow, and many people are having to take lower-wage jobs as a result of downsizing and restructuring.

Fifth, is veterans. My amendment adds \$3 billion back to veterans programs.

This Republican budget is a sad tribute to America's men and women who have worn their country's uniform.

Let us be clear, by funding the VA's medical system at the 1995 level for the next 7 years, the Republicans are dramatically cutting access to health care services for veterans' across the country.

The Republican budget also increases veterans' contributions for GI bill education benefits. It increases the co-payment for prescription drugs for higher-income vets.

Finally is agriculture. Mandatory agriculture spending is already projected to decline by 17 percent over the budget resolution timeframe. The Republican budget would cut an additional 20 percent from these programs primarily CCC commodity programs.

This amendment would ensure that farm programs make a fair contribution to deficit reduction without devastating the entire farm economy and severely hampering the ability of the Agriculture Committee to draft a workable farm program and a workable farm bill in the future.

Finally, it would reduce the reconciled cut to the committee by \$10 billion and thus lessen the overall projected cuts from farm commodity programs from \$12 billion to \$2 billion.

Finally, I would note that if the CBO scores this surplus differently, the numbers provided would be adjusted accordingly.

The amendment does not allocate \$10 billion of the projected \$170 billion tax cut now in the Republican budget.

I intend to leave that amount open to be used to restore cuts in other programs that may have been unfairly hit. Or, it could be used as a cushion to further reduce the deficit and help us reach a balanced budget.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. DOMENICI. Is the Senator finished with his time?

Mr. EXON. No, I have time.

The PRESIDING OFFICER. The Senator from Nebraska has 5-½ minutes remaining, and the Senator from New Mexico has 5 minutes.

Mr. DOMENICI. Actually, I only want to use 2 minutes. If the Senator will let me do that in wrap-up, I will let him finish and I will use only 2 minutes.

Mr. EXON. Mr. President, I believe the arguments can be made pro and con and have been made pro and con on this amendment. Very simply in the time remaining—I will consider yielding back after making these closing statements.

Once again, we are not attempting to change the date that we would balance the budget as prescribed in the Republican budget, we are not adding to the deficit, we are not adding to the national debt. We have been staying, as we have through all of these amendments—all of these amendments—with in the parameters laid down, the overall figures of the Budget Committee.

What we are simply saying is that rather than provide a kitty, if you will, in the Senate budget, which is clearly earmarked for tax cuts and is so established by the chairman of the committee in this resolution, an earmark of \$170 billion dollars which could come, according to CBO, if we balance the budget by the year 2002, to simply take a portion of that \$170 billion and, instead of cutting taxes, cut the hit on these programs that I have outlined. This amendment merely alleviates the substantial and unfair cuts in each and every one of them.

I reserve the remainder of my time and may be in a position to yield back after the Senator has made his statement.

Mr. DOMENICI. Mr. President, how much time do I have?

The PRESIDING OFFICER. The Senator from Mexico has 4-½ minutes.

Mr. DOMENICI. Let me speak very briefly, after which when time has been used up on the amendment, Senators should know that I plan to raise a point of order.

Mr. President, what we have now is, as I view this, we have the budget resolution produced by the gallant 12 budgeteers from the Republican side. We have a budget resolution that gets to balance. In that, we decide that many programs have to be reformed, changed, some eliminated, but we say we are going to stop spending in the red. We are not going to charge our children with our bills any longer. In 2002, we stop that.

Now it just so happens, Mr. President, I say to fellow Senators, that in 2002, according to the Congressional Budget Office, according to their economists and other economists, that

essentially when you put down a balanced budget and you make it enforceable and you pass a whole batch of laws that change current entitlements so less is spent and they certify that for you and say you have a balanced budget, there is a dividend—the dividend could be in the neighborhood of \$170 billion—an economic dividend for doing what is right.

What is right? What is right is to get in balance by the year 2002. So by doing what is right, the Republicans on the Budget Committee, and Republicans and hopefully some Democrats, when they vote for this budget resolution, have earned something for the American people. What have they earned? They have earned reduced long-term interest rates for starters—very significant for homeowners, auto buyers, for everyone, including business people and mothers and fathers sitting around talking about student loans. If they are affluent enough to pay their own student loans, there is less interest on those loans. That is what we get from that side.

Indeed, there is a bonus of \$170 billion that is kind of a surplus sitting there. We are now in the black and we have this surplus. What the Republicans say at this point in time is that we should transfer that \$170 billion from a reserve fund to the tax writing committee and say to them, give the American people a modest dividend by cutting some taxes. Now, not rich people, not \$300,000 earners. We have said in this budget resolution that it will go—90 percent—to middle-income Americans. That is the Senate's position if they adopt ours.

Let me say that, in a nutshell, Senator EXON would then say instead of doing that with that \$170 billion, let us spend it. So we have a balanced budget and my good friend from Nebraska says, now, spend \$100 billion of it on Medicare, spend \$30 billion on education, spend \$10 billion on agriculture, spend it on et cetera, et cetera. We hardly get to balance and we hardly get the dividend for Americans that they are entitled to, because most of them say, "Give us a balanced budget." They are entitled to a bonus when we do what they have been telling us to do. So we say leave it there for a possible tax cut for Americans.

Senator EXON would say for all of these good things, let us spend it, and all of a sudden we start spending again after we got in balance, and we add \$170 billion in spending.

The purposes are good. Senators pick some very, very interesting programs that Americans are interested in but everybody is worried about. He says, use the dividend for them. We have explained them in detail. We believe we are going to make the Medicare trust fund solvent. We believe education is not going to get harmed under our assumptions. We believe we have been fair to agriculture, and on down the line.

So I do not believe we ought to adopt the amendment. It is out of order

under the Budget Act. When my time comes, I will so move.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. How much time do I have remaining?

The PRESIDING OFFICER. The Senator has 3½ minutes.

Mr. EXON. I will be very brief. I simply want to say that I have listened once again to my good friend and colleague from the State of New Mexico, my chairman. We do not happen to agree on this matter, but we happen to agree on many, many things. Time and time again, I have heard that those of us who realize that these programs are taking a considerable hit are being accused of being spenders if we do not try to alleviate some of the unfairness that I see in the Republican budget.

When this debate first started, I complimented my talented friend from New Mexico for the courageous job he has done. Time and time again, I have said that we in the amendments that we offered in the committee, and the amendments we have offered on the floor, have not done anything to reach the goal that the Senator from New Mexico is espousing. We are simply asking, do we honestly feel that we should make some changes in the approaches on certain programs? I do not believe it is fair to say, nor do I think the American people are particularly concerned because their main worry is balancing the budget and keeping it balanced and to quit borrowing more money, which is crippling America with the interest we are paying on that borrowing. Suffice to say that we really believe that we can work with the Republicans, with Senator DOMENICI, if they would just listen to some of our pleas.

I really think that the people of America would be most satisfied if we realistically face the challenge that we have to balance the budget and reduce the deficit. That is primarily the only thing that most of them are looking for. With that, I yield the remainder of my time and urge support of the amendment.

Mr. DOMENICI. Mr. President, I yield myself 30 seconds off the bill.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Mr. President, it would be interesting to search the souls and hearts and minds of those on that side of the aisle to see, if this amendment were adopted, if they would vote for this budget resolution. It is most interesting. Take the dividend created through all of this hard work, tell us now here is how we would like it spent, then prevail on that and watch the budget go down in flames, because clearly we would not get very much support from that side of the aisle. We might get Senator EXON, but I will not even ask him.

Mr. EXON. If the Senator will yield—

The PRESIDING OFFICER. The Senator has yielded himself 30 seconds.

Mr. EXON. Off of my time. The Senator has made an interesting proposition. I would say to him that with all of the reservations that I have, if he will accept this amendment, he will at least get one vote on this side and, I think, considerably more. That may be a partial answer to his question, and I am acting in very good faith.

Mr. DOMENICI. I agree. We may get one.

Mr. DASCHLE. Mr. President, the Exon-Daschle amendment would reorder and re-balance the spending priorities in this proposed budget.

Specifically, the amendment would shift funding from a proposed tax cut for the wealthiest Americans to several key programs upon which our national interests depend. The Exon amendment would restore \$100 billion to Medicare, \$30 billion to education, \$17 billion to the earned income tax credit, \$3 billion to veterans' programs, and \$10 billion to agricultural programs. The amendment would also exclude the proposed sale of the country's Power Marketing Administrations, including the Western Area Power Administration, from the budget. All of these are important priorities for our Nation and, especially, for rural America.

This amendment, like the amendments we offered yesterday, are completely paid for. It does not add one penny to the deficit.

Yesterday I spoke of the importance of the restoration of Medicare funding, and, earlier today, I referred to the importance of the earned income tax credit. So, today, I will focus on the other elements of this amendment.

First, the amendment would restore \$30 billion in education funds. The underlying budget resolution proposes to balance the budget at the expense of educating our youth. That is unacceptable. It is myopic, and it is a false economy. The next generation cannot afford to be shortchanged in this manner. Educational investments are one of the best investments this country can make, especially as our youth prepare for the 21st century.

This amendment, which provides \$30 billion to restore funding for critical education programs, will help young Americans and their families by restoring funding in student loans and education programs.

The \$30 billion restores funding for the student loan in-school interest subsidy and other critical programs such as Title 1, Pell grants, Impact Aid, special education, and Safe and Drug-free Schools.

Impact Aid is especially important to South Dakota. Last year the program received a \$70 million reduction in fiscal year 1995 funding. Further reductions are intolerable. These funds—which represent the money the Federal Government is obligated to pay to reimburse local school districts for Federal displacement of the local tax

base—are absolutely critical to over 50 schools in my State, and hundreds of schools throughout the country, that depend on Impact Aid to meet our children's basic educational needs.

The Impact Aid program provides critical dollars to over 50 schools in South Dakota. These payments are not a Government subsidy. Quite simply, their purpose is to compensate school districts for the loss of taxable revenue from what once was local taxable land. The message in the continued trend of decreased funding is that Congress has decided we do not need to uphold our obligation to the school districts that rely so greatly on these funds.

In the McLaughlin school district in South Dakota the Impact Aid funds represent approximately 37 percent of the school's budget; in the Lake Andes school district, 20 to 25 percent of their budget comes from Impact Aid monies; 30 percent of the Dupree school's general fund revenue budget is generated by Impact Aid funds; in Smeee, South Dakota, if Impact Aids funds continue to dwindle, they will be unable to operate; in Pollock, South Dakota, they would have to close their doors if this funding is eliminated.

The list goes on and on, Mr. President. This means that teacher pay, books, facilities, desks, buses—everything it takes to run a school—is dependent on whether this Congress lives up to the commitment that was made to these schools when the lands in their districts were taken.

I simply ask this question of my colleagues. Is it fair to eliminate a program that was designed to help alleviate a very clear Federal burden that was imposed on certain local communities and school districts because the Federal Government decided to acquire land in their particular district? The answer is no. This is a Federal responsibility, not a Federal subsidy.

The Exon-Daschle amendment would also restore \$3 billion in funding for veterans' programs, including veterans' health care. In light of the budget's proposed Medicare cuts, the cuts in VA funding are especially egregious, for reduced Medicare funding will undoubtedly lead to increased pressure on, and a shift in costs to, the VA health care system. As my colleagues know, the VA health care system is an already overburdened and underfunded one, so I fail to understand how the majority justifies this proposal.

The \$3 billion in this amendment would ease some of that pressure and help us ensure that our fundamental commitment to the men and women who have served this Nation is fulfilled. To do otherwise sends exactly the wrong message to veterans and the men and women who currently serve in the Armed Forces.

While Senator EXON and I will talk more about the budget resolution's treatment of agriculture tomorrow, when we will offer an amendment to restore some of the agricultural funding cut in the Republican budget, I want to

take a moment to speak on that issue today. This amendment would restore \$10 billion of the agricultural funding cut in the budget proposal.

The amendment directs the funding where it is most needed—to farmers who struggle each year to stay on the farm, to keep producing America's food and fiber supply, and to families who strike a rough patch when there is job loss or other bad luck, people trying to put food on the table and keep their families together.

The Republican budget, on the other hand, raids rural America to aid the comfortable. The Republican budget proposal would cut \$45.9 billion out of the Agriculture Department over the next 7 years. That is likely to translate to around \$12 billion in direct cuts to farm programs. It is a 20-percent cut in farm spending. It will contribute to the further deterioration of the economic and social fabric of rural America. No other sector of American life is being asked to absorb such a hit. We can not have a prosperous urban America riding on the back of an impoverished farm America. Yet that is what Republican budget cuts will provide.

Farmers in South Dakota would see a devastating decline in their income of over \$57 million. Other rural States will suffer similar pain. This budget is short-sighted for rural America and self-interested for the best-off. It is not a balanced, fair proposal. It is not a budget that sustains the American tradition of building a strong farm sector, a tradition that has enjoyed bipartisan support until this Republican majority.

Finally, this amendment would prevent the budget resolution from counting the sale of the power marketing administrations and other assets toward deficit reduction. This would remove the incentive to sell the Power Marketing Administrations [PMAs] in order to balance the budget, and would help ensure that decision is made on the basis of what would be the best policy for the United States. Since the sale of PMA's makes no economic sense, this amendment would substantially hinder their sale.

I have been concerned because the Clinton administration has announced plans to sell three of the five PMA's, including the Western Area Power Administration [WAPA], which markets power from the main stem dams on the Missouri River to South Dakota utilities and cooperatives. The administration has stated it intends to sell WAPA in 1998.

Despite the fact that the administration stated in the budget that "the proposal will provide customer protection from significant rate increases," I am deeply concerned that if this plan is approved by Congress and goes forward, then significant rate increases will be inevitable, affecting consumers and the overall economies of rural states such as South Dakota.

The PMA's are an example of a Government program that works well. South Dakota, the Western Area Power

Administration, which markets power from the main stem dams along the Missouri River, has ensured a consistent and affordable supply of electricity. The program is being run on a sound financial basis, as it recovers all expenses relating to its annual operation and the initial construction expenses, with interest. By providing low-cost power, the PMA's have substantially assisted in the economic development of many States.

Any one-time savings from the sale of WAPA would be offset by long term revenue losses. The administration and the Republicans expect a one-time budget savings from the sale, that over the long-run, will not save the Federal Government any money at all. Since the operational and capital costs of the program are more than paid back currently, the sale simply allows the Federal Government to collect the debt faster. But since the debt is being paid back with interest now, there is no long-term financial benefit to the Government. Long-term revenue losses from the sale offset the near-term revenue gains.

Some claim that the power marketing administrations can be sold without causing substantial rate increases. In reality, today's rates are set at the lowest possible level, while still ensuring that the debt is paid off. If the power marketing administrations are sold, then it is likely that rates will increase substantially. Those who buy the PMA's will attempt to maximize the return on their investment. And electric rates for existing Federal power customers will rise as a result. Some predict rate increases as much as 300 percent for some communities.

This sale will not only affect the economy of South Dakota or a few western States. Power marketing administrations sell power in 34 States across the country. I would ask all of my colleagues from these States to consider the impact of the sale of PMA's before they cast their vote.

In conclusion, Mr. President, we need to reduce the deficit. No one argues that point. This amendment restores essential funding—upholding our obligation to rural America, children, and the elderly—and is completely offset with the reserve fund set aside by the GOP to pay for tax breaks for the wealthy. Again, the amendment does not contribute one penny to the deficit.

I urge the adoption of the amendment.

Mr. DOMENICI. The pending amendment is not germane to the provisions of the budget resolution pursuant to section 305(b)(2) of the Budget Act. I raise a point of order against the pending amendment.

Mr. EXON. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive section 305 of the act for the purpose of the pending Exon amendment.

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.

Mr. DOMENICI. I ask unanimous consent that this amendment also be stacked pursuant to the previous order, subject to leadership control on when we vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. EXON. Can I inquire of my friend at this time?

Mr. DOMENICI. Yes.

Mr. EXON. We have stacked a series of votes now. I do not believe we have indicated when we might start our voting so that everybody would be properly advised. Are we going to start voting in an hour, 2 hours, 3 hours? Could the Senator give us some information on that?

Mr. DOMENICI. That is a very good question. I thank the Senator. We are, hopefully, going to get through with the Thurmond-McCain amendment, which is next, and then we will start voting about 4 p.m. That is the best I can give you at this point.

Mr. EXON. I thank my friend from New Mexico.

The PRESIDING OFFICER. Who yields time?

Mr. DOMENICI. I understand Senator THURMOND is next. I yield to him to offer his amendment.

AMENDMENT NO. 1125

(Purpose: To restore adequate defense budget levels and to provide for offsetting reductions from nondefense discretionary spending and nondefense spending in the defense budget)

Mr. THURMOND. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from South Carolina [Mr. THURMOND], for himself, Mr. MCCAIN, Mrs. HUTCHISON, Mr. WARNER, Mr. COATS, Mr. INHOFE, Mr. KEMPTHORNE, Mr. LOTT, Mr. SMITH, Mr. COHEN and Mr. SANTORUM, proposes an amendment numbered 1125.

Mr. THURMOND. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

- On page 11, line 7, increase the amount by \$9,600,000,000.
- On page 11, line 8, increase the amount by \$4,000,000,000.
- On page 11, line 14, increase the amount by \$15,900,000,000.
- On page 11, line 15, increase the amount by \$8,300,000,000.
- On page 11, line 21, increase the amount by \$17,700,000,000.
- On page 11, line 22, increase the amount by \$10,800,000,000.
- On page 12, line 3, increase the amount by \$15,100,000,000.
- On page 12, line 4, increase the amount by \$11,700,000,000.
- On page 12, line 10, increase the amount by \$11,300,000,000.
- On page 12, line 11, increase the amount by \$11,500,000,000.
- On page 12, line 17, increase the amount by \$11,400,000,000.

- On page 12, line 18, increase the amount by \$11,600,000,000.
- On page 12, line 24, increase the amount by \$11,300,000,000.
- On page 12, line 25, increase the amount by \$10,000,000,000.
- On page 54, line 20, decrease the amount by \$9,600,000,000.
- On page 54, line 21, decrease the amount by \$4,000,000,000.
- On page 55, line 2, decrease the amount by \$15,900,000,000.
- On page 55, line 3, decrease the amount by \$8,300,000,000.
- On page 55, line 9, decrease the amount by \$17,700,000,000.
- On page 55, line 10, decrease the amount by \$10,800,000,000.
- On page 55, line 16, decrease the amount by \$15,100,000,000.
- On page 55, line 17, decrease the amount by \$11,700,000,000.
- On page 55, line 23, decrease the amount by \$11,300,000,000.
- On page 55, line 24, decrease the amount by \$11,500,000,000.
- On page 56, line 5, decrease the amount by \$11,400,000,000.
- On page 56, line 6, decrease the amount by \$11,600,000,000.
- On page 56, line 12, decrease the amount by \$11,300,000,000.
- On page 56, line 13, decrease the amount by \$10,000,000,000.
- On page 65, line 14, increase the amount by \$9,600,000,000.
- On page 65, line 15, increase the amount by \$4,000,000,000.
- On page 65, line 17, decrease the amount by \$9,600,000,000.
- On page 65, line 18, decrease the amount by \$4,000,000,000.
- On page 65, line 21, increase the amount by \$15,900,000,000.
- On page 65, line 22, increase the amount by \$8,300,000,000.
- On page 65, line 24, decrease the amount by \$15,900,000,000.
- On page 65, line 25, decrease the amount by \$8,300,000,000.
- On page 66, line 3, increase the amount by \$17,700,000,000.
- On page 66, line 4, increase the amount by \$10,800,000,000.
- On page 66, line 6, decrease the amount by \$17,700,000,000.
- On page 66, line 7, decrease the amount by \$10,800,000,000.
- On page 66, line 10, increase the amount by \$15,100,000,000.
- On page 66, line 11, increase the amount by \$11,700,000,000.
- On page 66, line 13, decrease the amount by \$15,100,000,000.
- On page 66, line 14, decrease the amount by \$11,700,000,000.
- On page 66, line 17, increase the amount by \$11,300,000,000.
- On page 66, line 18, increase the amount by \$11,500,000,000.
- On page 66, line 20, decrease the amount by \$11,300,000,000.
- On page 66, line 21, decrease the amount by \$11,500,000,000.
- On page 66, line 24, increase the amount by \$11,400,000,000.
- On page 66, line 25, increase the amount by \$11,600,000,000.
- On page 67, line , decrease the amount by \$11,400,000,000.
- On page 67, line , decrease the amount by \$11,600,000,000.
- On page 67, line 6, increase the amount by \$11,300,000,000.
- On page 67, line 7, increase the amount by \$10,000,000,000.
- On page 67, line 9, decrease the amount by \$11,300,000,000.

On page 67, line 10, decrease the amount by \$10,600,000,000.

On page 68, after line 12, add the following new paragraph:

(3) It is the sense of the Senate that the Senate should waive all points of order that would preclude increasing non-defense spending in any one fiscal year by up to \$2 billion and, at the same time, decreasing defense spending in any one fiscal year by up to \$2 billion, from the levels of discretionary spending in this section. It is further the sense of the Senate that defense spending may not be reduced by more than a total of \$10 billion and non-defense spending may not be increased by more than a total of \$10 billion over the seven years of the resolution, from the levels of discretionary spending in this section.

Mr. THURMOND. Mr. President, I have been asked "What do Americans expect of their Armed Force?" I believe Americans expect a capable and ready force, ready to meet our Nation's security needs, able to safeguard our national interest and maintain our position as a world leader. The budget resolution from the Senator from New Mexico was a good effort. It required many hard decisions. The problem remains that the planned defense budget, as offered in the budget resolution, does not meet the needs of our Armed Forces or give us the ability to meet our global commitments.

We live in a dangerous world. It is our responsibility not to repeat history and drastically reduce defense. This path will leave our forces in a dangerously unprepared state, and we will pay the price in the future. The international environment requires the United States to maintain a strong defense to deter aggression and maintain our vital interests. The Armed Services Committee has already received indications that the Defense Department is planning further end strength reductions to pay for needed modernization. The Bottom-Up Review described a minimum force, said to be necessary to support our military strategy. This review was not based on strategy. Force structure levels were too low, and the required modernization was mortgaged.

Over the last year, the Armed Services Committee has continued to hear testimony concerning present and future readiness problems. Lack of funds is placing combat readiness in danger. The ability of our commanders in the field to maintain their forces is being jeopardized by an underfunded program. GAO and other sources have estimated shortfalls in defense to range from \$20 billion to \$150 billion over the next 6 years. Defense spending has been reduced every year since 1985, and as a percentage of gross domestic product is at pre-World War II levels. Modernization and procurement accounts remain at 50-year lows as modernization projects are continually pushed farther into the future or canceled all together. This is a trend that cannot continue. The defense budget, in the budget resolution, simply does not provide the minimum resources necessary to sustain our force or meet the Department's pressing needs.



At the same time, requirements for our service men and women have not decreased. Instead, contingency operations and other deployments have increased requirements for American forces, placing greater stress on our service members, family members, and their equipment. These deployments have a price and are taking a toll on our force readiness. We must support our forces and not cripple our Nation's defense.

Our responsibility is to ensure that the bill for these funding shortfalls is not paid for by the sacrifice of men and women in our Armed Forces. These young Americans have been asked to live without proper housing and barracks, to make do with constrained training, and do without new systems and technology, because we cannot afford it. Quality-of-life programs have been ignored to support increasing operating tempos. Benefits are continually under review for further reductions. We should expect increasing recruiting and retention problems, if we do not support these young Americans who are serving our Nation.

I am strongly in favor of cutting Federal spending and reducing the deficit, but we must meet our national security needs. The first responsibility of government is to provide for its defense. This amendment reverses a dangerous trend and provides for that commitment. It does not increase the deficit in Senator DOMENIC's budget resolution. The amendment improves the balance between current and future readiness. We provide for an adequate quality of life for service members and their families. We can take care of shortfalls in important new systems such as national and theater missile defense systems. We must not allow our Nation's defense needs to be decided by purely fiscal considerations. If we do, then sooner than we may realize, a bill is going to come due. Hopefully, that bill will not be paid with the lives of our service men and women, and great harm to the Nation.

Mr. President, how much time is remaining?

The PRESIDING OFFICER. The Senator from South Carolina has consumed 5 of the 7 minutes.

Mr. THURMOND. Mr. President, I reserve the remaining 2 minutes.

I yield to the Senator from Arizona, Mr. McCAIN.

Mr. McCAIN. I thank my distinguished leader and chairman of the Armed Services Committee, Senator THURMOND, and I also want to thank my colleague from Texas, Senator HUTCHISON, for their leadership, especially Senator THURMOND's leadership, on this very important amendment.

Mr. President, I am sorry we are short of time. This amendment deserves a great deal more consideration if Members believe, as I do, that the first priority of any government is to preserve the security of its citizens.

Senator THURMOND has described the amendment. I would just like to re-

mind my colleagues for 2 years, Republicans have charged that the administration has failed to maintain a defense adequate to confront the myriad challenges we face in this period of instability. Now it is our responsibility to correct that failing.

I am disappointed that the budget resolution submitted to this body by Republicans is the Clinton numbers, the same numbers that we attacked so vociferously for 2 years.

Mr. President, no decade in this century began more auspiciously than the 1990's. That gross impediment to human liberty, the Berlin Wall, was breached by the stronger forces of human yearning. The central security problem of our time, the possible clash of East and West on the plains of Germany, was resolved by the dissolution of the Warsaw Pact, the reunification of Germany, and the collapse of the Soviet Union.

The euphoria that accompanied these events anticipated the imminent arrival of a new world order of independent democracies engaged only in peaceful commercial competition with one another.

The resurrection of ancient conflicts and hideous barbarism in the Balkans; the reappearance of other incidents of irrational nationalism that had been sublimated by the cold war; the haunting familiarity of Zhirinovskiy's odious appeal to perverse patriotism; the accelerating proliferation of weapons of mass destruction; and the waging of over 50 conflicts around the world have dimmed our hopes for a more just and tranquil world, and reminded Members that we have interests and values that are still at risk in this promising but uncertain world.

The world is still a very dangerous place. American vigilance and struggle are required now more than ever. There are numerous potential threats to our national security in the world today:

In North Korea, one of the world's remaining Communist dictatorships seeks to acquire nuclear weapons, and this administration has failed to exercise the decisive leadership necessary to halt, once and for all, the threat of nuclear warfare on the Korean Peninsula.

In Asia, China has laid claim to the entire South China Sea and enhanced its claim with a massive buildup of its armed forces, including the acquisition of new submarines, marine forces, and aircraft carriers.

In the Middle East, Iran poses a serious threat to the security of the region with their own efforts to acquire nuclear weapons, their longstanding support of terrorist movements, and their aggressive military buildup in the Straits of Hormuz.

Iraq remains a potential trouble spot as Saddam Hussein maintains a stranglehold on political and economic power in that state.

Russia's involvement in its "near abroad," the ongoing horrible conflict in Chechnya, and its advocacy of

changes in stable arms control agreements causes serious concerns.

Ethnic conflicts continue to rage from Sri Lanka to Rwanda.

And in Bosnia, United States military personnel may soon be sent in harm's way to assist in extracting international forces from the failed U.N. peacekeeping effort in that State.

These and many other examples of instability in the world today make it imperative that we support an adequate national defense posture in this Nation.

Mr. President, the defense budget has declined 35 percent in real terms between 1985 and 1994. President Clinton promised in his State of the Union Address in January of 1994, " \* \* \* we must not cut defense further." Yet, his fiscal year 1996 defense budget submission cuts defense for 4 more years, totaling another 10 percent decline by 1999.

Mr. President, what we are faced with is a Hobson's choice. We are spending money to maintain a ready force. That money is well spent, and we still have the finest and highest quality men and women this Nation can recruit and maintain in our Armed Forces. However, in exchange for that, we are sacrificing totally, the modernization of our force.

In 1985, we procured 325 tactical aircraft; in 1996, we will procure 289. In 1985, we procured 80,000 missiles; in 1995 we procured 3,000. In tanks, in 1985, we procured 2,680 tanks and other vehicles; in 1995, 34 tanks and vehicles. Ships, in 1985, we procured 34; in 1996, we will procure 3.

Mr. President, we cannot—we cannot—maintain the capability that won the Persian Gulf with the kind of lack of modernization that is part and parcel of this proposal.

The PRESIDING OFFICER. The Senator from Arizona had 5 minutes, and has 4 minutes remaining.

Mr. McCAIN. Mr. President, I, not unlike other Members of this body, am a student of history. I am certainly a confirmed believer in the old adage that those who ignore the lessons of history are doomed to repeat them.

In 1917 the United States of America was not prepared to go to war. In 1941, on December 7, America was not prepared to go to war. In June of 1950, when North Korea attacked across the 38th parallel, the United States was not prepared to go to war. In the 1970's, when we had a hollow Army, the United States was not prepared.

We must understand that what we are doing here is mortgaging the blood and treasure of America by adopting a proposal which cannot meet our national security requirements and needs. It is an enormous responsibility of this body, to assume a responsibility in contravention to the knowledge, wisdom and advice of our military leaders and all objective observers, and that is that we cannot modernize our forces so victory, if conflict comes, can only be purchased through enormous

expenditure of treasure, and far more important than that, American blood.

Mr. President, I reserve the remainder of my time. I will use it at the end of the debate.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. How much time does Senator THURMOND or MCCAIN have remaining?

The PRESIDING OFFICER. The Senator has 27 minutes and 45 seconds remaining.

Mr. DOMENICI. I am in control, technically, of the time in opposition. But, frankly, I want to give that opposition time to the distinguished Senator from Nebraska for his side. They are going to have the time in opposition, not the Senator from New Mexico.

But I will reserve, now, before I give that over—I will keep 10 minutes for myself and Senator LOTT. He, I understand, will not be able to fit in, in the time allotted. I will arrange to give him that time, not in opposition but in favor. Is that correct?

Mr. LOTT. That is correct.

Mr. THURMOND. I yield 3 minutes to Senator WARNER.

Mr. WARNER. Mr. President, over the past several days, I have listened closely to the debate over this budget resolution which, I believe, has the potential to set our Nation on the road to fiscal responsibility. I want to commend the Senator from New Mexico, Senator DOMENICI, for his courageous proposal which will balance the Federal budget by the year 2002. I support what he and the other Republicans on the Budget Committee intend to do with this budget resolution—eliminate the Federal deficit and relieve the enormous burden of debt that we are currently loading on the backs of our children and grandchildren. However, I take exception with the spending levels for defense included within the budget resolution before the Senate.

Mr. President, I am concerned about the security of our Nation and the risks we face in a world that—despite the demise of the cold war—remains a very dangerous and unpredictable place. As we speak, our Armed Forces are preparing for the possibility of a mission to assist in the withdrawal of U.N. forces from the former Yugoslavia. Whether or not you believe that we should put U.S. forces at risk to carry out this mission, I am certain that every Senator in this Chamber would support funding to ensure that our forces are trained and equipped to facilitate the rapid accomplishment of this mission with minimal risk to the lives of U.S. military personnel. We learned in Operation Desert Storm that well-trained troops equipped with modern weapons and equipment suffer fewer casualties.

Today we are facing a world proliferating with new threats based on centuries-old ethnic, racial and religious hatreds.

The problem with preparing our forces to defend against threats in this

new world of disorder is that we may not be able to anticipate where and whom we will have to fight. We will have to be prepared for the unexpected, for major regional crises that arise suddenly—in other words, for contingencies. The case in point is the gulf war. Prior to August 1990, no one ever expected we would end up in a major land war against Iraq.

Fortunately, we had a superior military capability that was more than a match for Iraq. But, in the past, this has not always been the case. The outbreak of World Wars I and II and Korea found us woefully unprepared, and the result was many thousands of Americans lost in the opening days of those conflicts. Consequently, in an era of uncertainty, combined with multiple potential dangers, the No. 1 threat could be our own unpreparedness.

Mr. President, the administration's ways of dealing with these uncertainties was to conduct a Bottom-Up Review which resulted in a force structure that is supposed to be able to fight and win two nearly-simultaneous major regional contingencies. It is highly questionable, however, whether or not this planned force will be capable of meeting this requirement. There is also general agreement that the administration's future years defense plan [FYDP] is inadequate. The General Accounting Office estimated that the FYDP may be underfunded by as much as \$150 billion.

The administration has made readiness a high priority at the expense of modernization of our military. They have kept personnel and readiness accounts funded at high levels, but because the overall budget is underfunded, modernization—the R&D and procurement accounts—have paid the bills. Procurement is at intolerably low levels. A Marine Corps general officer testifying at an Armed Services Committee hearing recently stated that the Marine Corps procurement budget was only about one-third of what it should be for the third straight year. "You can't modernize on pocket change," he told the committee.

I should also point out that even with all of the administration's emphasis on readiness, significant readiness problems have occurred within our military over the past year.

Last September, three Army divisions reported readiness levels of C-3. Not since the days of the Carter administration, have that many divisions reported such poor readiness levels.

Overall readiness for active Navy aviation squadrons declined from about 75 percent in fiscal year 1990 to 61 percent last year.

Funding shortfalls in the 2d Marine Air Wing's flying hour program resulted in 11 of 30 squadrons reporting in the two lowest readiness categories (C-3 or C-4) for the 4th quarter of fiscal year 1994.

Admiral Boorda, the Chief of Naval Operations stated recently, "We have gone to the well and it is dry. We must

fund training if we are to prevent a 'hollow force.'"

Mr. President, I believe it is clear that our military services are underfunded in the administration's proposed budget and future years defense plan. For the past 2½ years, members of the Armed Services Committee have been expressing that view. Every Republican on the Armed Services Committee signed a letter to the chairman of the Budget Committee recommending that fiscal year 1996 funding for defense be frozen at last years level, adjusted for inflation. This would result in a \$12.5 billion increase over the President's request for fiscal year 1996.

Unfortunately, the Budget Committee's proposal accepts the administration's recommended budgets now and in the outyears for defense. If we accept the administration's budgets, then the responsibility for shortfalls in defense funding and the resulting deficiencies in our Armed Forces will lie with those of us in the Congress.

Mr. President, in his State of the Union Address in 1994, the President implored the Congress not to cut defense further—that defense had been cut enough. Then, this year, in his budget request for fiscal year 1996, the President recommended \$5.7 billion less than he recommended last year—in real terms, this is over \$13 billion less than last year. Mr. President, that sounds like a cut to me.

There are those who state that defense should pay its fair share. Mr. President, I maintain that defense has already paid more than its fair share—that defense has already been cut too deeply. Fiscal year 1996 represents the 11th consecutive year of declining defense budgets—the longest continuous decline in post WW II history. DOD spending as a share of the Federal budget has declined from 42 percent in 1968 to 18 percent in 1994 and continues to decline.

As I indicated earlier, Defense procurement spending has suffered greatly under the Clinton administration. During the hollow force days of the mid-1970's, procurement spending was only about \$46.7 billion; in 1985, at the height of the Reagan buildup, procurement spending reached \$120 billion; in 1995, procurement spending is down to \$39.4 billion—representing a 67-percent decrease from fiscal year 1985 and 16-percent less than the mid-1970's low point.

Mr. President, when we fail to modernize our forces with new weapons and equipment, we not only cause maintenance and operating costs to rise, but more importantly, we condemn our future soldiers, sailors, airmen, and marines to fight their battles with obsolete weapons and equipment.

Mr. President, when I asked an old Marine sergeant, who was a combat veteran of several wars, why he was so sure there would be another war, he replied, "There always has been." It is certain that our forces will be called upon again to go into battle. The time

may be sooner than we think. I hope the Congress will not put our servicemen and women at greater risk because we cannot find additional funds from a budget of almost \$1.3 trillion.

I support the Thurmond-McCain amendment and urge my colleagues to vote for it also.

Mr. DOLE. Mr. President, I rise today in support of the Thurmond-Stevens-McCain amendment. I commend my colleagues for their efforts to ensure an adequate defense budget. Under this amendment, defense spending would be increased to meet the levels approved by the House last week. However, the measure is deficit neutral in each year of the resolution, and keeps us on path to achieve a balanced budget by the year 2002.

We are committed to cutting Federal spending. But we must ensure that our military is prepared to meet future challenges. Over the past few years, the Clinton administration has sacrificed the readiness and modernization of our forces. However, around the world, potential enemies are increasing and modernizing their military capabilities.

For the past 2 years, the administration has justified its reduction-in-force structure by promising to provide our troops with the most modern technology available. During last year's hearings on the fiscal year 1995 budget, General Shalikashvili stated, and I quote:

The structure is adequate only if we stick with two linchpins: We must improve our capabilities, and we must improve and maintain our readiness.

Unfortunately, this has turned out to be empty rhetoric. Procurement spending and procurement rates are at their lowest levels in 45 years. Despite promises to enhance force capabilities, modernization has come to a virtual standstill. The result is that our Armed Forces are smaller, but not more capable.

Where President Clinton has failed to recognize the long-term needs of the military, we in Congress must take the lead. Our defense budget must balance our need to maintain near-term readiness and our need to provide enhanced capabilities for the future. It must prepare us for tomorrow's challenges. Failure to do so will jeopardize the security of this Nation. I urge my colleagues to support this amendment.

Mr. COHEN. Mr. President, much of the debate over the defense budget in recent weeks and months has been based on misperceptions and half-truths.

A good example can be found in one editorial entitled "Grasping the Obvious," which lashed out at defense spending, claiming that President Clinton wanted to increase the defense budget and that:

The Defense Department has somehow become untouchable, taking a place alongside Social Security and Medicare in the pantheon of sacrosanct Federal enterprises.

The editorial went on to argue that defense budgets should be reduced just

as much if not more than other areas of Federal spending, and that the Pentagon and the White House would have to realize that in a time of "diminishing military threats," deep cuts would have to be made.

The writer is not alone in failing to grasp the obvious. The post-cold-war period has seen a proliferation of efforts to cut American defense budgets dangerously deeply. These efforts have been accompanied by accusations that, in an era of budget balancing and deficit reduction, the military is not absorbing its fair share of cuts.

Nothing could be further from the truth.

Far from being placed on a pedestal, protected from America's budget cutting zeal, defense spending has already been subjected to a frenzy of profound and often damaging reductions. The defense budget has been cut every year for the past decade, for an overall real decline of some 35 percent. In contrast, real spending on Medicare and Social Security over the same period has increased 63 and 23 percent, respectively.

The portion of the defense budget used to buy weapons and other equipment has already suffered a reduction of more than two-thirds over the past decade:

A decade ago we purchased 720 tanks a year. Today, we buy none.

Annual purchases of ships and aircraft have declined 80 and 87 percent respectively.

Dozens of major weapons programs and more than a hundred smaller ones have been terminated.

As the nonpartisan Congressional Budget Office has put it, the Pentagon has entered a "procurement holiday."

For the past decade, it has been defense that has borne the blows of the budget cutting axe as domestic spending has steadily grown.

The very real reductions in defense budgets over the past decade may not seem important from the vantage point of defense spending critics, but for those whose job it is to ensure military readiness and to guarantee American security, the cuts have already made their tasks difficult to the point of being almost impossible. The question for these professionals is whether minimum levels of reliability and readiness can be ensured, given current spending cuts.

Earlier this year, Gen. Carl Mundy, Commandant of the Marine Corps, warned:

We are stretched thin. Actual operational commitments over the past 3 years have actually grown steadily and have greatly exceeded those predicted by either the Marine Corps assessment or the Bottom-Up Review \* \* \*. We have not to date received sufficient resources to fund \* \* \* minimum essential requirements \* \* \* to provide a reasonable assurance that we can meet our commitments with operationally ready and effective forces, not only today, but throughout the program years.\* \* \*

This assessment has been echoed by senior officers in all of the Nation's armed services. It illustrates the well-

founded concerns of those who understand the importance of readiness and modernization in military planning, especially in today's uncertain world.

The past few years have shown that the end of the cold-war standoff with Soviet Russia has not simplified and brought harmony to the world, rather it has increased uncertainty and made the world more susceptible to a host of festering regional conflicts. Many of these conflicts have the potential for escalation, spillover, and major destabilization in areas critical to the security and interests of the United States and our closest allies.

While the United States is not the world's policeman, we are the only global power, and we have global interests that can be threatened by regional powers, great and small. Defending our interests requires us to station forces abroad and to be able to project power around the globe.

A brief glance around the world shows the variety of dangers the United States must be prepared to meet:

Russian troops are turning Chechnya into a wasteland and Russian neighbors into colonies, while Russian engineers prepare to build nuclear reactors in the terrorist theocracy of Iran and Russian officials threaten the independence of the Baltics;

China also plans to sell Iran nuclear reactors and seems intent on becoming a regional hegemon, claiming sovereignty over the strategic South China Sea, extending its coastal defense perimeter 10-fold out to 2,000 miles, and backing these claims up with military deployments;

Iran is aggressively pursuing nuclear weapons while also deploying Russian-built submarines and Chinese- and North Korean-built missiles in order to gain control of the Persian Gulf and dominate its neighbors;

North Korea has violated last October's nuclear agreement and continues to mass troops and artillery on the DMZ, making an Asian nuclear arms race and another Korean war real possibilities.

NATO is edging closer to intervening in Bosnia in order to rescue the U.N. troops deployed there, which would put some 25,000 United States troops in the midst of a seemingly intractable war.

Those who view this as merely a list of hypothetical risks unlikely to require American military deployments would do well to recall that since the end of the cold war, U.S. Armed Forces have been sent into action repeatedly on some 2½ dozen operations.

While members of the Armed Services Committee are on record as favoring increases in the defense budget, this amendment would merely slow the decline in defense spending over the next 7 years. Even if this amendment is adopted, defense spending will continue to decline in real terms for another 7 years, resulting in 17 straight years of cuts in the defense budget.

Given the tremendous cuts imposed on the defense budget in recent years

and the great uncertainty we face around the world, we cannot continue to gut America's Armed Forces. The military is already strained by the unprecedented number of peacetime operations it is being ordered to undertake.

Mr. President, listening to the leaders of our Armed Forces and looking around the world, we are compelled to conclude that putting the brakes on military spending cuts is not merely a wise position, it is a national security imperative.

I urge my colleagues to support the Thurmond amendment.

Mrs. MURRAY. Mr. President, I rise in strong opposition to the Thurmond-McCain amendment, which seeks to increase defense spending by \$68 billion over the next 7 years, and pay for that increase by making further cuts in domestic programs.

In this era of shared sacrifice where no one is spared the budget ax—not children, seniors, nor veterans—I fear that those who would now ask the Senate to increase the level of defense spending simply do not understand the true war this country is fighting.

Mr. President, it is America's families who are on the front lines today, fighting to find a safe place to live, a sound education for their children, affordable health care, and job security.

It is the war against crime, poverty, ignorance, and AIDS that needs to be this country's priorities as we approach the next century.

During the cold war, Americans made sacrifices here at home so that our national resources could be used to defeat communism around the globe. The Berlin Wall fell in 1989, and with it, the Warsaw Pact. The Soviet Union officially dissolved in 1991. We fought the war, and we won.

In the aftermath of the cold war, I believe American families deserve to live in a safer and more stable world. They deserve to know that more of their tax dollars are going to educate their children and police their streets.

The Republican budget before us today, which outlines their spending priorities for the next 7 years, makes deep cuts in programs for children, the poor, veterans, and the elderly, while insulating defense spending from cuts.

And now we are asked to support an amendment which would add \$68 billion more in defense spending, and to pay for that increase, American families would have to accept yet deeper cuts in domestic programs.

Even without this amendment, let us remember what the Republican budget is asking of American families.

Teachers and students are asked to accept dramatic cuts in education spending, worker training programs, and student loan assistance.

Preschoolers and their parents must accept a 30-percent cut in Head Start funding, which will deny as many as 100,000 low-income children the benefit of a preschool education.

Rural Americans will be asked to accept 20-percent cuts in mandatory agriculture spending.

Children and the elderly will be asked to shoulder \$400 billion in Medi-

care and Medicaid cuts. In America today, one in four children, and one in three infants, are covered by Medicaid.

The earned income tax credit, a program to help keep working families off welfare, will be cut by 11 percent.

Our Nation's scientific community must accept \$25 billion in cuts for basic research.

The budget blueprint before us increases the veterans' contribution for GI bill education benefits, and freezes funding for the VA's medical system at the 1995 level for the next 7 years, cutting access to health care for veterans around the Nation. Under the Republican proposal, the VA will be forced to close the equivalent of 35 of its 170 hospitals and deny care to over 1 million of our Nation's vets.

And if we accept the amendment now pending before the Senate, American families would be asked to accept even deeper cuts in education funding, crime control, and other important domestic programs.

Proponents of this amendment point to recent declines in defense spending with alarm. While spending for our military is down from the mid-1980's level, we must keep this trend in perspective. The United States today has the largest military budget and the most powerful military force in the world.

The combined military budgets of Russia, Iraq, China, North Korea, Libya, Iran, Syria, and Cuba total \$95 billion annually. That is one-third the level of U.S. defense spending. Each year, the United States spends more than the next nine of the world's biggest military spenders combined.

In fact, this country spends so much for defense, even the Pentagon can't keep track of it all. According to the GAO and the Pentagon's inspector general, as well as the Pentagon's Controller John Hamre, billions of defense dollars are lost year after year due to poor recordkeeping and lax accounting practices at the Department of Defense.

According to GAO, each year the Pentagon pays private contractors up to \$750 million it does not owe them—with businesses often paid twice for the work they have done. And at this point, according to the Pentagon, there is really no way to retrieve these lost funds, or to stop the massive overpayments.

Billions of dollars simply lost in the system, Mr. President, in an era when we are saying no to university scientists looking for cures to devastating diseases.

Billions of dollars lost in the system when we are saying no to preschoolers who need HeadStart programs.

Billions of dollars lost in the system, when we are saying no to our Nation's elderly, who thought they could rely on Medicare in their final years.

Billions of lost dollars when we are saying no to basic scientific research, which has fueled our economy for decades.

At the very least, Congress should hold defense spending to the President's level until the Pentagon can fix

their payment procedures and bring some accountability to the system. We owe that much to the Nation's taxpayers.

Our debate today is about deficit reduction—which requires hard choices. Under the Senate budget plan, the United States will continue to maintain the strongest military in the world. Today the military's share of the gross domestic product is 4.6 percent, which is higher than the entire Federal domestic discretionary budget combined 3.7 percent.

And in the current international climate, where the United States remains the only military superpower, we are also the dominant economic and political actor on the stage. In this role, we must increasingly emphasize non-military solutions to global conflicts—diplomatic negotiations, multilateral efforts, and regional responses.

But most of all, in order to project strength abroad, we must gain strength here at home. Our national security, in my view, will not be strengthened by yet more guns and missiles. We need to restore global economic leadership. We must invest in our children and their future—in their education and their health. We must rebuild our cities and our infrastructure, and invest in technology and scientific research.

We must ensure that the economy our children inherit in the next century is sound and growing.

Mr. President, I will end with a quote from Dwight Eisenhower, who observed in 1953,

Every gun that is fired, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. The world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children.

General Eisenhower had it right. Mr. President, I urge my colleagues to defeat the Thurmond-McCain amendment.

Mr. COATS. Mr. President, I am a supporter of this historic budget. But I want briefly to comment on the level of defense spending it recommends—a level I believe is clearly inadequate to retain our long-term readiness and the quality of life of our men and women in uniform.

Balancing the books is one of the most important duties of Government. But it is not the first duty of Government. That duty is the defense of our country, this means more than defending our borders. It means shaping a security environment that will be favorable to America in the future. It means providing our troops with the training they need and the equipment they require.

The Armed Services Committee has spent a good deal of time and effort this spring, through hearings and briefings, exploring the current and future needs of our military.

Although the cold war is over—we have found that the demands we place on our military have not diminished. If anything, they have expanded—into quick deployments, in high-risk situations, under tremendous danger and strain. For example:

Our shrinking forces in Europe—from 314,000 prior to the fall of the Berlin wall and now rapidly approaching 100,000—have been deployed in more missions in the last 5 years than in the previous 45 years.

The average soldier now spends approximately 138 days each year away from home on extended, short notice deployments. This must be combined with extensive training to maintain key skills.

Our Navy surface ships, and the men and women who man them, are deploying and training at tempos that keep them away from home in excess of 130 days per year, on average.

The Marines currently have 24,000 people deployed overseas carrying out 911 fast reaction assignments. Just to give you some concept of the pace of change in the Marines, the total manning level for the Marines has been stabilized at 178,000. During the last 5 years, the Marine Corps downsized 24,000 personnel—the same figure which is currently deployed.

The Air Force has gone from 18 active fighter wings to 13 wings resulting in a four-fold increase in deployment obligations over the last 7 years—while drawing down the overall end strength by one third. These commitments have required a quadrupling of the total number of people deployed over the last 5 years.

My point is this: A serious gap is opening between the military mission we define and the level of funding we provide. Unfortunately, the budget resolution before us continues this dangerous trend, which may leave our forces without the tools, training or equipment to fulfill future tasks we will ask of them.

The Gulf war is our benchmark of American military success. It is an effort we must be able to duplicate, well into the future. But even that war was conducted under the most favorable circumstances.

We had 6 months to move equipment and troops into the region. It is very unlikely we will enjoy that sort of advantage in other situations.

Our training and logistics were given extensive time to put into place.

Our opponent had inferior technology, and no known weapons of mass destruction.

All the surrounding countries in the region were friendly.

The international community was solidly behind us.

As we plan for the next war—a war we hope will never come—it would be foolish to base our strategy on advantages we enjoyed in the last one. And I am deeply concerned we have squandered some of the advantages we can control.

If we attempted today to engage in a major regional conflict, I believe we have placed artificial handicaps on our ability to project American power. Future enemies have gained from the lessons learned by Iraq, and will not allow a protracted buildup to take place. We would not be able to conduct such a war because the shortfalls in air and sea lift capabilities would prevent it.

The drawdown in personnel over the last 4 years is another critical element in this debate. The proposed budget levels will not allow us to adequately address these shortfalls. We need additional funding in defense to develop capable and modern equipment, and allow our men and women to do the job assigned to them.

In addition, with this continued decline of our defense, we are sending the wrong message to the world, especially to our allies—a message of retreat and withdrawal. America has world-wide commitments and national interests which must be maintained. Our ability to back-up those obligations, with a strong and viable military, should be one of our highest priorities.

If we build our economic security but cripple our military capability in the process, then we will have failed both our children and our Nation. Maintaining America's national strength is our best assurance of peace—and that peace is worth the price.

Mr. President, I support the Thurmond amendment. It is an effort to reverse a dangerous trend, and restore a national resource—the strength of our Nation. I urge the Senate adopt the amendment from the Senator from South Carolina.

Mr. THURMOND. Mr. President, before the Senate votes on this amendment, I want to be sure that my colleagues on both sides of the aisles understand the importance of this vote.

If the Senate elects not to support an increase in defense spending, then the responsibility for underfunding defense for the last 2½ years will no longer rest with the administration. By accepting the Budget Committee recommendation to accept the administration's proposed defense budgets we, the Members of the Senate, must bear full responsibility for decreasing readiness and the lack of modernization in our Armed Forces.

The Armed Services Committee has received a large number of letters requesting assistance and support for items in the defense budget or funds to be added in the authorization process. I want to make it clear that it will be very difficult to include any new programs or proposals that add money to existing defense programs without the increase in funds this amendment provides. Furthermore, resources to provide additional equipment for the National Guard and Reserves will not be available. Programs within the budget that are already at jeopardy such as the third Seawolf submarine are at greater risk without the increase this amendment provides.

Mr. President, this is not a threat but reality. I hope all my colleagues will consider this amendment carefully and vote to provide the funds needed for an adequate defense for our Nation.

Mr. ABRAHAM. Mr. President, I rise in support of the Thurmond-McCain amendment to increase the level of defense spending to a reasonable level. Throughout my campaign, I promised the voters to oppose additional cuts in defense, and sufficiently fund important weapons systems modernization programs needed to ensure our forces' technological supremacy. Although there may no longer be a monolithic threat to our existence, there are a myriad of threats and strategic interests which warrant a United States military force level capable of protecting them.

In defining and protecting the U.S. strategic interests, the Clinton administration has been negligent. It has consistently failed to request the funds necessary to field, maintain and train the forces necessary to carry out its own National Security Strategy. Estimates of this budget shortfall range from almost \$50 billion to over \$480 billion during the next five years. In fact, the President's budget will allow military spending to fall below the anemic levels provided to the hollow forces of the Carter administration. From 1985 to the end of the Clinton administration's budget in 2001, critical procurement modernization programs will fall over 57 percent, while research and development spending is cut by almost 40 percent.

Therefore I believe our military capability is seriously compromised. Senator McCAIN's February 1995 Report on Military Capabilities and Readiness stated that although smaller forces can still be militarily effective, they must also be "continually enhanced through modernization." The former service Chiefs of Staff who conducted this study found military modernization at a standstill, while procurement and research and development budgets were insufficient to maintain our force's technological superiority.

Mr. President, in light of these conditions, I find it imperative to support the amendment proposed by Senator THURMOND. This amendment would increase defense spending by \$67.9 billion over seven years and finance it by an equivalent reduction in non-defense discretionary spending. As I mentioned during the debate on the Gramm tax cut amendment, I agree that it is possible to reduce discretionary spending further than what is proposed in the budget resolution. However, I do not think it is prudent to do so on a proportionate across-the-board basis. In my judgement, additional program eliminations and consolidations in targeted areas of the budget is the proper course to follow.

In closing, providing for the Nation's defense is the Federal Government's first and primary responsibility. To

allow the President to deplete our military below that level necessary to protect our strategic interests is irresponsible and ill-advised. We must increase the funding to the National Defense account and we must do it now.

The PRESIDING OFFICER (Mr. ABRAHAM). Who yields time?

Mr. DOMENICI. Mr. President, I think the time is getting out of balance in terms of those in favor and those opposed. Do we have any people who might speak in opposition?

Mr. EXON. We will have somebody in just a moment.

There has been some misunderstanding on time. At the present time, will the Chair advise the Senate how much time is allocated and remaining to the proponents of the amendment, and what is the split on the time with regard to the other side?

The PRESIDING OFFICER. The proponents have 25 minutes remaining. The opponents, the Senator from Nebraska, would have 50 minutes.

Mr. EXON. Mr. President, I did not hear the time in answer to my question.

The PRESIDING OFFICER. I am sorry. The proponents would have 25 minutes remaining. Senator DOMENICI would have 10 minutes. And you would have 50 minutes remaining.

Mr. EXON. I thank the Chair.

Mr. DOMENICI. Did Senator THURMOND want to yield some time or did he want to wait?

Mr. THURMOND. I will wait and let them speak.

Mr. DOMENICI. I think that would be fair.

Mr. EXON. I inquire of the Senator from Iowa, [Mr. GRASSLEY], who asked for some time, is he prepared to offer his remarks at this time?

Mr. GRASSLEY. Yes, I am.

Mr. EXON. How much time does the Senator from Iowa wish?

Mr. GRASSLEY. Could I have 5 minutes for the moment. I may want some time later on.

Mr. EXON. I yield 5 minutes, and if the Senator needs more time I will be glad to yield it.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, this is a battle that is mainly being fought on the Republican side. There are Republicans who are bent on pumping up the defense budget once again. There are a lot of Republicans on this side who are of the opinion that that should not be done. They may not speak as well about that issue, so I am going to do what I do quite often, oppose the efforts by my distinguished colleagues on the Republican side of the aisle, to make sure that we do not spend any more money on defense than what is in the very well-crafted compromise put together by the distinguished chairman of the Budget Committee, Senator DOMENICI.

The proposal to pump up the defense numbers makes no sense at all. I think it defies all reason and all under-

standing. I am baffled by their proposal; more important, baffled by the number of \$92 billion, higher than anything I had heard spoken of behind the scenes over the last month that might come up at this particular time.

What they are doing is starting back on the slippery slope towards higher defense budgets that is a license for further waste and mismanagement. Not only that, but the world situation does not call for spending more money at this particular time. The Soviet threat is gone. The cold war is over. But the debate in Congress for spending more for defense is reminiscent of that era.

There has been a dramatic decrease in the primary threat to our national security as we knew it. We have rewritten our national security goals, but the budget that my colleagues want the increase for is defined in those cold war terms.

The defense budget is coming down, and it should be coming down. So why do they say that it needs to go up? Why and for what? There is no good reason. The bureaucrats at the Pentagon say that they need more money, and they say they need it right now. That is the reason. That happens to be the only reason.

Once again I wish to remind my colleagues what happened on May 2, 1985. The Reagan administration was trying to continue the pumped up defense numbers that had been in existence for 3 years at that particular time. They were trying to push defense spending from around \$255 billion in fiscal year 1985 to around \$300 billion in fiscal year 1986, and then to \$400 billion, and then to \$500 billion in the years beyond.

Now, that was at the height of the cold war and the height of Soviet military power. The rise in the Soviet military power was the principal driver behind the plan to push the Pentagon budget to \$500 billion by the year 1990. But on May 2, 1985, the Senate rejected this Reagan defense budget buildup even in the face of massive Soviet military power.

This measure, the fiscal year 1986 budget resolution, put a brake on that, effectively ending the planned growth of the Pentagon budget. If we rejected a defense budget buildup to those numbers in 1985 when we were confronted with a serious military threat, why would we now move to pump up the budget when that threat has literally evaporated? Why would we do that?

As we learned back in the 1980's, higher defense budgets only bring higher costs, more overhead, and more waste, as long as the Department of Defense management leadership remains AWOL. More money for defense when the threat to our national security has decreased dramatically cannot be justified. The numbers before us in this amendment then cannot be justified.

May I have 2 more minutes?

Mr. EXON. I yield 2 additional minutes.

Mr. GRASSLEY. The international situation today as we know it points to decreasing threats and a call for defense numbers to stay flat. If we pump up the budget now, we will be buying weapons that we do not need, weapons like the *Sea Wolf* submarine, the F-22 fighter, more B-2 bombers, *Comanche* helicopters, all designed to defeat a threat that no longer exists. The *Sea Wolf*, the F-22, the B-2 and the *Comanche* are all cold war relics. The cold war warriors are trying to buy cold war weapons on a post-cold war budget. That is the only reason we are having the debate on this amendment today.

This kind of defense policy will give us another hollow force like we had in the 1970's. We will end up with another hollow force because the cold war warriors have to rob the readiness accounts to pay for the cold war relics. They have to rob the readiness accounts because all the cold war weapons are underfunded. They are underfunded because this outrageous price tag cannot be justified in the absence of a Soviet military threat.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. I yield 12 minutes to the Senator from West Virginia.

The PRESIDING OFFICER. The Senator from West Virginia is recognized.

Mr. BYRD. Mr. President, I thank the distinguished Senator from Nebraska. I congratulate him on his excellent work on this measure.

Mr. President, a number of recent newspaper articles, in the Washington Post and the Baltimore Sun, have reported on the extent of financial mismanagement in the Department of Defense. These reports indicate that this mismanagement has resulted in at least \$28.8 billion lost in overpayments to defense contractors or simply unaccounted for over the past decade. Unbelievably, this amount is down from \$48.7 billion in 1993. The current Department of Defense comptroller, Mr. John Hamre, has had the unenviable task of trying to sort out the extent of the problem and the multiple causes for it. He is to be commended for his diligence and honesty in dealing squarely with this issue, and he deserves our support as he attempts to correct the underlying morass of multiple and confusing payment and accounting systems that created the current crisis. But the fact is, the Department of Defense cannot adequately safeguard the roughly \$260 billion that it is entrusted with each year. Yet the amendment before us would increase the money entrusted to the Department of Defense by \$92 billion over 7 years. This amendment would cut deeper into the shrinking accounts for energy, agriculture, education, and law enforcement programs—programs that directly benefit every American citizen—in order to pour more money into



a defense money bucket that has so many holes in it that it might better be described as a money sieve.

According to the press reports, which also cite Department of Defense Inspector General and the General Accounting Office reports, basic accounting and record-keeping procedures, required of even the smallest private office, are not widely followed in the Department of Defense and the military services. Invoices and payment records are not reconciled, yearly tracking of funds spent on equipment or programs is not done, and program managers are authorized to write checks on the Department of Defense account without checking the balance in the central registry. And the Department of the Treasury covers the Department of Defense's bad checks, so no one is ever held accountable for their profligate spending. Charles A. Bowsler, the Comptroller General of the United States for the General Accounting Office, has stated in written testimony before the Appropriations Subcommittee on Defense that "none of the military services or major DoD components have produced reliable financial statements since the passage of the CFO [Chief Financial Officers] Act of 1990."

According to the DoD Inspector General, \$14.7 billion cannot be accounted for with invoices, so the Department of Defense cannot say that it is not buying unneeded or unnecessary items. Over \$7 billion worth of goods and services were purchased by military offices in excess of the amounts authorized by Congress. Every year, the Department of Defense overpays defense contractors by \$500-750 million. According to the General Accounting Office, while contractors generally notify the Department of Defense when they are overpaid, they may not return the payments unless instructed to do so. As of July 1994, a sample of large and small defense contractors were holding approximately \$231.5 million in contract overpayments, including one that had been outstanding for about 7 years, costing the government about \$5 million in interest. This is not a system that needs more money added to it.

While many of these appalling examples of waste are due to the problems inherent in antiquated and confusing accounting systems, 19 different payroll systems, and over 200 different contracting systems, there are also troubling examples of potential fraud that are being investigated. One involves an investigation into whether Air Force officials used money from various weapons programs to construct a golf course. In today's difficult fiscal environment, it is essential that every defense dollar goes toward maintaining the readiness of our fighting forces and is not diverted to golf courses or to purchasing items in excess of defense needs because we cannot keep track of our money.

Secretary of Defense Perry and Mr. Hamre have made great progress in

correcting this mess, which stretches back over decades but was exacerbated during the defense buildup in the 1980's. The number of accounting programs are being reduced, the financial staff is being halved and consolidated from 300 offices nationwide to 25, and a system is being implemented to check all payments against invoices. The number of different military and civilian pay systems have also been reduced.

These are important steps, and they are necessary steps. In his written testimony before the Senate Appropriations Defense Subcommittee this morning, Mr. Hamre estimated that through the consolidation and standardization of its financial systems and operations, the Defense Finance and Accounting Service will achieve substantial savings in its own operating costs, on the order of \$57 million in fiscal year 1997. I would hope that these savings would be put to use further upgrading and consolidating the Department of Defense accounting systems into a smoothly functioning system. Improvements in financial management at the Department of Defense should whittle down the current \$28.8 billion in so-called "problem disbursements." These savings should fund increases in defense programs, not false savings brutally carved with a meat axe from already lean energy, agriculture, education, and law enforcement programs.

Mr. President, I urge my colleagues to vote against this amendment, and I say that with all due respect to the cosponsors thereof.

Mr. President, I ask unanimous consent that the articles to which I referred in my statement be printed in the RECORD.

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

[From the Baltimore Sun, May 17, 1995]

PENTAGON UNABLE TO ACCOUNT FOR \$28.8 BILLION; ERROR-PRONE PAYMENT SYSTEM CITED  
(By Gilbert A. Lewthwaite)

WASHINGTON.—The Pentagon is facing an accounting gap, with discrepancies on its books totaling \$28.8 billion, its top financial officer told Congress yesterday.

The problem includes a \$13 billion imbalance between checks the Pentagon has written over the past 10 years and the vouchers it can produce to account for those payments. The other \$15 billion is from a variety of bookkeeping shortcomings.

Pentagon comptroller John Hamre said \$1 billion worth of "problem" disbursements were being made monthly without being properly matched to invoices.

"We got into this sad state of affairs because we designed a system where you pay now and account later," he told the Senate Armed Services subcommittee on readiness. "It isn't that we have wicked people trying to screw up, it's that we have a system that's so error-prone that good people working hard are going to make mistakes."

The Pentagon's finances are in such bad shape that Sen. Carl Levin, a Michigan Democrat, said the Defense Department may need the sort of financial control board imposed on the District of Columbia.

"This is totally unacceptable. There is a lot of money here which is going through the

sieve," said Mr. Levin, adding that voters experienced "frustration, disappointment, indeed, anger" over reports of continuing Pentagon waste, fraud and abuse, particularly at a time when Congress was ordering major spending cuts in other programs.

Mr. Hamre, in an effort to explain the accounting difficulties, said the Pentagon each month processes 2.5 million invoices, spends \$9.2 billion and issues 10 million paychecks.

"So that's 10 million times to get things screwed up," he said.

His own pay, he said, had been miscalculated six times in the 18 months he has spent in the department, adding: "And it's really bad when you screw up your boss' pay. And I've done that a couple of times."

Mr. Hamre's boss, Defense Secretary William J. Perry, has made financial reform a priority in an effort to save money, which can be spent on improving the combat readiness of the armed forces.

The Perry plan calls for reducing the 250 accounting systems the Pentagon operates, halving of the financial staff of 46,000 to 23,000 in five years, and consolidating 300 accounting offices nationwide into 25 financial centers.

To phase out the practice of paying first and accounting for the payment later, beginning July 1 any Pentagon payment of more than \$5 million will have to be checked against an invoice, said Mr. Hamre. After October 1, the new rule will apply to payments of more than \$1 million. Eventually it will apply to all payments.

The military pay systems for uniformed personnel has been reduced from 18 in 1991 to six today, and will be down to two in 1997. Civilian pay systems have been reduced from 18 to 10. By 1998 there will be a single civilian pay system.

Mr. Hamre said the Defense Department was also screening its retirement rolls after 1,000 military pension recipients in the Philippines failed to turn up at the U.S. Embassy to confirm their status. They were then struck from the rolls.

The Senate panel heard that in fiscal 1994 the Pentagon was accountable for more than \$1 trillion in assets, 3 million military and civilian personnel, and \$272 billion in expenditures—approximately equivalent to 50 percent of the federal government's discretionary spending.

"It's big bucks," said Sen. John Glenn, a leader in the decade-old campaign to reform the Defense Department's accounting systems. "If any of the civilian agencies on the chopping block had [the Pentagon's] record on financial management, they would probably be at the top of the hit list."

Charles A. Bowsler, U.S. comptroller general and the top federal financial watchdog, said the Perry blueprint for financial reform was "a good overall plan," but he added that only "modest progress" had been made in implementing it.

Asked about overpayments of an average \$750 million yearly to defense contractors, Mr. Bowsler said that frequently it was the contractors themselves who revealed the overpayments to the Pentagon.

An accounting firm, hired by the General Accounting Office to check on 5,000 defense contracts since 1990, found \$285 million in overpayments. To date the Pentagon has demanded repayment of \$133 million, but has actually collected only \$85 million, a GAO official said.

Mr. Bowsler also pointed to the "Byzantine" process of obtaining a military travel voucher, which involved 40 transactions costing the defense department 30 cents for every travel dollar. Administrative charges in the private sector were down to 1 cent for every dollar, he said.

[From the Washington Post, May 14, 1995]  
BILLIONS GO ASTRAY, OFTEN WITHOUT A  
TRACE

(By Dana Priest)

Each year, the Defense Department inadvertently pays contractors hundreds of millions of dollars that it does not owe them, and much of the money is never returned.

In addition, the department has spent \$15 billion it cannot account for over the past decade.

And Pentagon purchasing agents appear to have overdrawn government checking accounts by at least \$7 billion in payment for goods and services since the mid-1980s, with little or no accountability.

Unlike the infamous \$7,600 coffee pot and \$600 toilet seat pricing scandals of years past, these problems, and many more, are the result of poor recordkeeping and lax accounting practices that for years have characterized the way the Defense Department keeps track of the money—\$260 billion this year—that it receives from Congress.

According to a series of investigations by the department's inspector general and the General Accounting Office, and ongoing work by Pentagon Comptroller John J. Hamre, the Department's systems of paying contractors and employees are so antiquated and error-prone that it sometimes is difficult to tell whether a payment has been made, whether it is correct, or even what it paid for.

Just how much money does the poor accounting waste?

Former deputy defense secretary and new CIA Director John M. Deutch wouldn't hazard a guess. "Lots," he scribbled recently on a reporter's notebook in response to a question.

For months after he took the job as chairman of the Joint Chiefs of Staff in late 1993, Gen. John Shalikashvili received paychecks for the wrong amount. In the last year and a half, Comptroller Hamre counted six problems with his own pay.

A paper-based system in which items frequently are misplaced or lost and computers that often cannot talk to each other are part of the problem. But there are other major systemic weaknesses. A lack of basic accounting procedures—such as matching invoices and payment records, or keeping track of money spent on a given piece of equipment from one year to the next—has made it impossible to determine how billions of dollars have been spent by each of the service branches.

In addition, Hamre explained, tracking the money has been nearly impossible because 300 different program directors—the Air Force F-16 fighter program director, the commanding officer of an aircraft carrier, the head of a maintenance depot, for example—have had separate checkbooks, each one free to write checks without regard to the balance in the Pentagon's central registry.

The U.S. Treasury has always paid the bills, even when there was no money in a given project's account, because it assumes any error was unintentional and someday would be corrected, said Pentagon officials and inspector general investigators.

"There's this huge pot of money over there in the Treasury that you can keep drawing down," said the Deputy Inspector General Derek J. Vander Schaaf. "As long as your [overall] checkbook's good," he said, meaning the Treasury, "nobody screams."

The problems were created over several decades and made worse during the 1980s Reagan administration defense buildup during the latter days of the Cold War, when there was little political will to scrutinize the record sums being spent.

Today, however, even ardent defense hawks have become disturbed over the mis-

managed flow of funds. Some Republicans who looked deeply into the matter are suggesting a freeze on military spending until the Pentagon's corroded payment system can be permanently fixed.

"The defense budget is in financial chaos," said Sen. Charles E. Grassley (R-Iowa), who is advocating a freeze. "The foundation of the defense budget is built on sand."

A Senate Armed Services subcommittee is scheduled to hold a hearing on the problems Tuesday. It will be chaired Sen. John Glenn (Ohio), a Democrat, who was authorized by Republicans to conduct it because of his long-standing interest in the subject.

Among the problems detailed by the Defense Department, the Pentagon inspector general and the GAO:

Of the 36 Pentagon departments audited by the inspector general (IG) in the last year, 28 used "records in such terrible condition" as to make their annual financial statements—an accounting of money collected and money spent—utterly worthless, said Vander Schaaf.

Financial officials cannot account for \$14.7 billion in "unmatched disbursements," checks written for equipment and services purchased by all military units within the last decade. This means that accountants know only that a certain amount of money was spent on the overall F-16 jet account, for example, but not how much was spent on F-16 landing gear or pilot manuals because they cannot find a purchase order from the government to match the check.

"You don't know what you're really paying for," Vander Schaaf said.

The \$14.7 billion represents "hard-core problems" where department accountants have tried but failed to find the records. "We could be paying for something we don't need or want," said Russell Rau, the IG's director of financial management.

In the last eight years, various military offices appear to have ordered \$7 billion worth of goods and services in excess of the amount Congress has given to them to spend. These "negative unliquidated obligations" may indicate that a bill has been paid twice or mistakenly charged to the wrong account because bookkeepers at hundreds of maintenance depots, weapons program offices and military bases did not keep track of payments they made, said Vander Schaaf.

Of the \$7 billion "the government has no idea how much of this balance is still owed," Rau said.

Hamre has threatened to take part of the \$7 billion out of the military services' current operating budget if they cannot find documentation for the expenditures by June 1.

Every year the Defense Department pays private contractors at least \$500 million it does not owe them, according to Vander Schaaf. The GAO believes the figure is closer to \$750 million.

The payment system is in such bad shape that the Pentagon relies on contractors to catch erroneously calculated checks and return them. Many of the overpayments are due to errors made on a paper-based system in which harried clerks are judged by how quickly they make payments. And because there is no adequate way to track the amount of periodic payments made on a contract, businesses often are paid twice for the work they have done.

Defense Department finance officials believe they are recouping about 75 percent of the overpayments, although they admit they have no way of knowing exactly how much is being overpaid.

Today, after an 18-month struggle by Hamre to turn the situation around, the department still has 10 payroll systems and 200 different contracting systems.

Hamre, who wins praise from Republicans and Democrats for his efforts, has undertaken a major consolidation of payroll and contracting offices. He has opened more than 100 investigations into whether individual program managers or service agencies violated the law by using money appropriated for one program for something else or for paying contracts that exceeded their budget.

He has frozen 23 major accounts and has stopped payment to 1,200 contractors whose records are particularly troublesome. In July, clerks will be prohibited from making payments over \$5 million to any contractor "unless a valid accounting record" of the contract can be found. By October, the amount drops to \$1 million, which means it will affect thousands more contracts.

According to Hamre and Rau, a number of cases are under investigation for possible violations of the Anti-Deficiency Act, the law that governs how congressionally appropriated money must be spent. Penalties range from disciplinary job action to criminal prosecution. Investigators are trying to determine:

Why there is an unauthorized expenditure of around \$1 billion on the Mark 50 torpedo, and the Standard and Phoenix missiles. Hamre and Rau suspect that Navy officials used money appropriated for other items or wrote checks on empty accounts to pay contracts from 1988 and 1992.

Whether Air Force officials used money from various weapons programs to build a golf course at Wright-Patterson Air Force Base in Ohio beginning in 1987.

What happened when some programs ran out of money. "There are some [cases] in the Air Force now that really stink," Hamre said. When money for the Advanced Cruise Missile ran out, Air Force officials simply terminated the existing contract and re-wrote another, more expensive one the following day, Pentagon investigators recently concluded. In order to pay for cost overruns associated with the new C-17 cargo plane, contract officials simply reclassified \$101 million in development costs as production costs.

Hamre said the services allowed such money mingling to go on partly because of the complexity of the yearly congressional appropriations process. "People want to find an easier way to get the job done," he said. "They are trying to get some flexibility in a very cumbersome system."

But, he added, some services also have resisted correcting problems and punishing wrongdoers. "I'm very frustrated by it," he said. "In the past, they just waited until people retired. It was the old boy network covering for people."

The Defense Department is unlike any government agency in scope and size. It sends out \$35 million an hour in checks for military and civilian employees from its main financing office in Columbus, Ohio. And it buys everything from toothbrushes to nuclear submarines; about \$380 billion flows within the various military purchasing bureaucracies and out to the private sector each year.

It takes at least 100 paper transactions among dozens of organizations to buy a complex weapons system. Some supply contracts have 2,000 line items and, because of the congressional appropriations process, must be paid for by money from several different pots.

Fixing the problems without throwing the entire system into chaos, Hamre said, "is like changing the tire on a car while you're driving 60 miles per hour."

But some argue it has never been more important to make the fixes quickly.

"Here we are in a period of reduced spending, it's critically important today that we

get a bigger bang for the buck," said Sen. William V. Roth Jr. (R-Del.), chairman of the Government Affairs Committee, where many of the current problems were first revealed. "We've got to put pressure on to expedite it. At best, it will take too long."

But in the world of Defense Department financing, time is not always a solution, as one small example illustrates.

In 1991, because of a computer programming error, the department's finance and accounting service centers erroneously paid thousands of Desert Storm reservists \$80 million they were not owed. When officials realized the mistake, they began to send letters to service members to recoup the overpayments. Many veterans complained to Congress, which then prohibited the Pentagon from collecting any overpayment of less than \$2,500 and made it give back money collected from people who received less than that amount.

To comply, the Defense Finance and Accounting Service (DFAS) payment centers in Cleveland, Denver, Indianapolis and Kansas City created new computer programs to cancel the debts and issue refunds. But they did not adequately test the new programs, IG and GAO investigators found.

As a result, the appropriate debts were not canceled, and improper amounts of refunds were issued, often to the wrong service member. The DFAS center in Denver, for example, canceled \$295,000 that service members owned it for travel advances. In all, the botched effort to follow Congress's direction cost taxpayers an additional \$15 million, Pentagon officials said.

"It isn't possible now" to recoup the money, Hamre said. "We can't reconstruct the records. We admit we're really, really bad. We don't do it again." The IG's office has agreed that it would be too costly to reconstruct the records and recoup the loss.

As he often does when he testifies about these matters on Capitol Hill, Hamre confessed to the Senate Armed Services Committee recently: "We've made a lot of progress. But we've got a long way to go."

Mr. BYRD. I yield back the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. THURMOND. Mr. President, I yield Senator NUNN 5 minutes.

Mr. NUNN. I thank my friend from South Carolina.

Mr. President, I rise in support of the Thurmond-McCain amendment to increase the defense spending levels in this budget resolution.

For over 2 years, I have been expressing my concern that projected defense budgets are not sufficient from four standpoints: First, to maintain the current readiness of our forces; second, to provide the standard of living that military personnel and their families expect and deserve; third, supporting the force structure necessary to carry out the full range of missions that we expect our military forces to be able to perform; and fourth, to provide for the modernization that is the key to the future capability of those forces. The modernization of our forces, which is essential to future readiness, is an area of increasing concern, Mr. President, and this is an area where we are most deficient today.

The men and women in the military continue to perform superbly every time they are called on, and we are

calling on them all the time. We owe it to them to give them the support they need to do their job. We also have to ensure that the men and women who will be called on 5, 10, or 20 years from now will have the same advantages vis-a-vis their opponents that our forces have today, including the technological superiority that played such a key role in Operation Desert Storm and plays such a key role everywhere our forces are deployed today.

While I am encouraged by the funding for readiness, military pay raises, and quality of life initiatives Secretary Perry has recommended in the President's budget, I think there are clearly insufficient funds going into modernizing the force. Modernization, for the most part, is delayed into the outyears under the current future years defense program. We all know how illusory these budget projections become 4 or 5 years down the road.

Under the current budget, 1996 and 1997 will be the second and third straight years during which the Air Force will not purchase a single new fighter aircraft. The Air Force has no bomber program. Our leading standoff weapon program has been canceled, yet the budget, at this stage, contains no funds to replace that capability. The number of navy ships is not nearly enough to replace even a 300-ship Navy, and the Marine Corps is years away from having a replacement for its aging amphibious assault vehicles. It would not take long to list the Army's modernization programs, but it would take a long time to list the deficiencies in that program.

The fiscal squeeze on the defense budget is already intense. As we seek to balance the budget, and properly so—especially if we try to enact tax cuts, which I think are ill-advised, and which I hope this body will vote against this afternoon—if we do that, however, the pressure is going to get more and more intense on the defense budget. This gives me even less confidence in the outyear funding predictions that show funds for defense modernization increasing.

In my view, we need to increase the defense topline now particularly in the outyears, to restore the balance to our defense program. We also need to reinstate the firewalls.

And I congratulate the chairman of the committee and the members of the Budget Committee for doing this in the resolution. That is enormously important to protect any defense increases we are able to achieve and to provide some stability in the defense budget. Firewalls have not and will not mean that defense cannot be cut. What it does mean is that these cuts will not be shifted to other programs, and that means that if there are defense cuts and the firewalls are in, then the cuts will go to deficit reduction. I believe that is appropriate, and I think that is the way that defense is best protected.

We have been reducing the defense budget for a long time. The current

buildup started during President Reagan's second term, even before the fall of the Berlin Wall, and continued, accelerated, throughout the Bush administration and the current administration. I believe the time has come to stabilize the defense budget as much as possible, since the defense budget has already made a greater contribution to deficit reduction than any other part of the budget; I might add, than all of the budget combined.

In my judgment, the administration needs to restore some balance to the defense program but Congress' recent action are a good news/bad news story.

The good news is that the House budget resolution provided an increase for the defense budget. This amendment would do the same in the Senate budget resolution. And the Senate budget resolution, unlike the House version, contains firewalls. But there has been bad news for defense as well.

THE SENATE RESOLUTION DOES NOT INCREASE  
DEFENSE

First, although there have been a lot of statements that the President's defense budget and Bottom-Up Review force structure are inadequate, this resolution as reported out by the Budget Committee contains no increase for defense above the levels proposed by the administration—in fact in the final 2 years it is lower than the administration's plan.

And while the House version of this resolution does increase defense, the House voted earlier this year in their tax cut bill to pay for the tax cut largely by cutting discretionary spending, which includes defense, and the House did not include firewalls in either the tax cut bill which reduced the discretionary caps or in their budget resolution. So the House has put discretionary spending on the table to pay for cutting taxes, which certainly makes it more difficult to find the money to increase the defense budget.

REQUIREMENT THAT DOD ABSORB THE COST OF  
CONTINGENCIES

Second, despite the frequent complaints about the cost of contingency operations and their effect on readiness, the defense supplemental enacted earlier this year required the Department of Defense to absorb almost the entire cost of these contingency operations—the very practice that had been criticized in the past. In fact, the House leadership wrote to the President earlier this year stating their intention that as a matter of policy all future supplementals would have to be offset.

This resolution would essentially adopt that same approach by requiring 60 votes for any future emergency supplementals, instead of a majority vote as has been the case in the past. Of course this only applies to discretionary funding, since entitlement programs could continue to increase without even requiring votes, let alone supermajority votes.

Mr. President, I have several concerns with the approach the Congress

has taken on supplementals so far this year. The defense supplemental did not provide the net increase in defense spending for readiness that was requested by the Clinton Administration, despite the concerns many of my colleagues have expressed about readiness. The cost of these contingencies were made up almost entirely by cutting elsewhere in the defense budget, and those cuts came in modernization.

So the scorecard on this new Congress is that the defense budget, as it now stands, counting the supplemental, is below what President Clinton had asked for. So to those in the Congress of the United States who are saying the Clinton defense budget is too low, and people on both side of the aisle are saying that, I say to them we are cutting below the President's budget, not in this resolution, but in the overall supplemental and that approach.

I am also troubled by the impact that a policy of making DOD absorb the full cost of these contingencies could have on the defense budget and on defense management. It largely defeats the purpose of having supplementals, and I can already predict some of the problems we are going to have with this policy.

I am not sure we have really thought through the impact of what we may be doing to the military with this 100 percent offset approach. Earlier this year, Gen. Gordon Sullivan, the Chief of Staff of the Army, told the Armed Services Committee that if the Congress adopts a policy of forcing the military to completely offset the costs of any contingency operation:

\* \* \* it is just going to destroy our training programs, our quality of life programs, and it is going to be difficult to manage the readiness of the force \* \* \*. It is going to come out of reducing real property maintenance. We may have to furlough civilians, terminate temporary employees, curtail supply requests, park vehicles, reduce environmental compliance. It is going to have a major impact.

General Sullivan said that in the event the military is told to assist a large-scale evacuation of U.N. personnel from Croatia:

I just have to stop training, and I will have to move money around from elsewhere to keep that operation going since obviously what you expect me to do is to fight and win you wars. So, I will have to get the money from people who are not doing that to support it.

Now that may sound like an exaggeration to some, but if you understand the laws that govern the defense budget, you will see why General Sullivan's comments are right on target. The cost of an operation, such as paying for the airlift to get there, the fuel, spare parts, and so on, must come out of the operating budget. The military does not have the authority to fund contingency costs by diverting funds from the procurement of weapons, or from research or military construction or military personnel accounts, even if they wanted to.

And even within the operating budget, there are further constraints. A large portion of the operating account is civilian pay, so you cannot save money there without firing civilians. And you cannot cut really cut the money to operate the bases—you have to pay the light bill. So the areas General Sullivan is talking about—training, maintenance and repair of the buildings on our military bases—are the only areas where the military has the flexibility to change its plans halfway through the year. And in fact that is exactly what happened last year—money had to be diverted from training.

In addition to my concerns about the financial impact on the Defense Department if this bill is viewed as a precedent, I also share the concerns expressed by my friend Senator INOUE about the long-term policy implications of telling the military any future contingency they are involved in is going to come out of their budget dollar for dollar. This is going to have an impact on their ability and their willingness to respond to situations like Haiti or Cuba, or especially a much more expensive operation like peace enforcement in Bosnia, in the future. In effect, we could have our funding and budgeting procedures dictating our foreign policy and our decisions on the use of force.

I hope we do not set in concrete a policy of making the Defense Department absorb the costs of contingency operations, because if we are telling the Department of Defense that any time there is an emergency that comes up and they come over and request supplemental funds that they are going to have to provide a 100-percent offset, then we are going to change the nature of the responsiveness of the Department of Defense itself to the missions that may, indeed, be crucial to our Nation's security.

If the Department of Defense is told that any unanticipated operation they undertake, either unilaterally or with NATO or the United Nations, is going to have to be completely offset within the defense budget, which means they are going to have to basically kill or substantially alter crucial defense programs in order to absorb those costs, then the result is going to be a very strong signal that the United States is not going to be as involved as we have been in world affairs, including commitments to our allies and commitments that we have voted for at the U.N. Security Council.

#### MODERNIZATION FUNDS ARE THE FIRST TO BE CUT

The future readiness and future capability of the Defense Department requires modernization and it requires research and development, and those are the programs that were cut to fund the defense supplemental earlier this year, and those are the programs that will continue to be hurt by this policy of requiring complete offsets for contingency operations. Five or ten years

from now, people will have a very serious problem with readiness if we continue to declare there is no emergency even when our forces are responding to the unanticipated events that we all know will take place somewhere in the world from time to time.

This is why I am supporting this amendment to increase the defense topline number. We have cut the defense budget so much already that there is very little flexibility left to deal with the unexpected, even though we all know that the Defense Department always has to be ready for the unexpected—we expect them to be ready for the unexpected. And I am very concerned that as we struggle to live within these drastically reduced budgets without further reducing our military capability, the Congress will, acting in good faith to preserve readiness, make cuts that will cause great harm over the long term.

You need look no further than the supplemental enacted earlier this spring to see the warning signs. What was cut to offset the cost of contingency operations? Basic science and technology research. Dual-use technology programs that are designed to better integrate our defense and civilian technology bases in order to get the Defense Department better technology at lower cost. In other words, programs that will pay off in the long term but seem easy to cut in the short term.

Another example is environmental cleanup at military installations, which was cut by \$300 million in the supplemental. Is this program as important to our combat capability as funding training and modernization? Of course not. But the reason that environmental cleanup costs are so high now is that for years these problems were ignored. And if we push them under the rug again, we are only going to wind up with an even bigger bill down the road.

#### CONCLUSION

In conclusion, Mr. President, so far we have seen a lot more talk than action about enhancing our national security and increasing the defense budget. Many of my colleagues share my concern that we have cut the defense budget too far, too fast and that we are mortgaging our future by sacrificing the capability of our forces 10 years down the road in order to fully fund current readiness. The Thurmond-McCain amendment represents real action to enhance our national defense while at the same time putting us on a path to a balanced budget, and I urge my colleagues to support it.

I ask unanimous consent that a table showing real reductions in the defense budget be printed in the RECORD.

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

## FISCAL YEAR 1996 SENATE BUDGET RESOLUTION

	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002
Nat Def BA (current dollars) .....	\$143.9	\$294.7	\$303.3	\$263.5	\$257.7	\$253.4	\$259.6	\$266.2	\$276.0	\$275.9	\$275.9
DOD fiscal year 1996 deflators <sup>1</sup> .....	0.5383	0.7130	0.8378	0.9727	1.0000	1.0294	1.0595	1.0900	1.1195	1.1494	1.1801
NAT Def BA Const (1996 dollars) .....	\$267.2	\$413.3	\$362.0	\$270.9	\$257.7	\$246.2	\$245.0	\$244.2	\$246.5	\$240.0	\$233.8
GDP (CBO estimates) .....	\$3,746	\$4,207	\$4,853	\$7,036	\$7,370	\$7,747	\$8,152	\$8,572	\$9,013	\$9,843	\$9,978
Defense BA as percent of GDP .....	3.8	7.0	6.2	3.7	3.5	3.3	3.2	3.1	3.1	2.8	2.8

<sup>1</sup>CBO assumes higher inflation.

## Real Changes

	(In percent)
1980-85 .....	54.6
1985-90 .....	-12.4
1990-95 .....	-25.2
1995-2000 .....	-9.0
1980-1990 .....	35.4
1985-1995 .....	-34.5
1990-2000 .....	-31.9
1980-1995 .....	1.4
1985-2000 .....	-40.3
1980-2000 .....	-7.7
1980-2002 .....	-12.5
1985-2002 .....	-43.4
1990-2002 .....	-35.4
1995-2002 .....	-13.7

The PRESIDING OFFICER. The Senator's time has expired.

Mr. NUNN. Mr. President, I thank my colleague from South Carolina and my colleague from Arizona for sponsoring this amendment. I urge my colleagues to support the amendment.

The PRESIDING OFFICER. Who yields time?

Mr. THURMOND. Mr. President, I yield 5 minutes to the distinguished Senator from New Hampshire.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH. I thank the Senator from South Carolina, the chairman of the Armed Services Committee, for offering this amendment, along with Senator MCCAIN.

I commend both of my colleagues for this amendment to restore much needed funds to our defense program and to do it without adding to the deficit but by setting priorities throughout the budget, including the defense budget. I might add that that also has priorities shuffled around in order to help with this amendment.

I want to emphasize from the outset, again, it does not undermine the objective of a balanced budget by the year 2002. This amendment will not change that objective in any way. We still get to a balanced budget by the year 2002.

But what this amendment does do is to help stave off terrible shortfalls in military readiness training and modernization. We owe it to our troops in the field to have the training and modernization that they deserve if we are going to ask them to go into harm's way.

The defense reductions under President Clinton's budget, frankly, are wreaking havoc on our military capability. Most of us in this Chamber know that, especially those of us who are on the Armed Services Committee who see it every day.

I hope that my colleagues would listen carefully to those of us on the Armed Services Committee in both parties who have spoken so eloquently on this matter. This body simply can-

not and must not legitimize a blueprint for disaster by approving these kinds of defense numbers.

Mr. President, I am troubled that the Budget Committee has endorsed the Clinton defense numbers. These spending totals are simply inadequate to safeguard our national security. And they are already having a very serious effect on readiness.

I am also troubled that the President has chosen to blame Congress for current deficiencies in military readiness. I would emphasize that this is the same administration that entered office and immediately cut defense by \$178 billion, the same administration that has dramatically underfunded operations, maintenance, and readiness modernization and quality of life programs for our military families.

This is the same administration that has turned our Armed Forces into a 911 force all over the world on behalf of the United Nations, and yet we ask more and more and more and give them less and less and less.

This is the same administration that committed our military forces to occupy Haiti without the consent of Congress, costing taxpayers hundreds of millions of dollars.

This is the same administration that turned our naval base at Guantanamo into a refugee camp leaving the Defense Department stuck footing the bill to feed, clothe and bathe thousands of refugees indefinitely while subjected to the insults of many of them.

This is the same administration that has pledged \$4 billion in nuclear reactors for North Korea at the time we are spending tens of billions of dollars to defend against a North Korean military threat.

I find these types of inconsistency preposterous. The truth is that the Clinton defense program is decimating our Armed Forces. Personnel tempo is going through the roof, our troops are being constantly deployed all over the world from Haiti to Somalia to Southwest Asia and back home, with little or no time to spend with their families, and they are out again going someplace else.

I urge my colleagues to talk to them, talk to the military personnel, talk to their families and find out how tough this is.

Depot maintenance backlogs are increasing; critical modernization programs are being terminated; morale is down; retention is down; 25 percent of our Army divisions were recently classified as unprepared to meet their mission requirements.

Mr. President, if Senators support this blueprint, which is so devastating

our military capabilities, then they ought to oppose the Thurmond-McCain amendment. It is as simple as that. If you do not want to give our Armed Forces what they deserve, then go ahead and oppose the amendment. But if you share the view of the majority of Americans that this President has gone too far with these military reductions and our international security is in jeopardy, you should support the Thurmond-McCain amendment.

In conclusion, I want to emphasize this amendment does not add to the deficit, it will not undermine the balanced budget, and it will restore much needed funds back to our defense program to stave off an imminent disaster in military readiness.

I yield back any time I may have.

The PRESIDING OFFICER. Who yields time?

Mr. THURMOND. Does the opposition have any speakers, Mr. President? Mr. President, we will have to charge time over there.

The PRESIDING OFFICER. Who yields time?

Mr. THURMOND. Mr. President, I ask again, does the opposition have any speakers?

Mr. EXON. Mr. President, I suggest the absence of a quorum and the time be equally charged.

Mr. MCCAIN. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. THURMOND. Mr. President, I yield 5 minutes to Senator LOTT.

Mr. DOMENICI. We have an additional 10 minutes we can yield, too. Why do I not yield 5 of the 10 I have to Senator LOTT?

Mr. LOTT. Mr. President, if I could make a parliamentary inquiry, but not counted against my time, what is the status? Are we going to try to get some debate back and forth, or should I proceed at this point?

Mr. DOMENICI. I do not see how we can make them do that if they do not—the best we can do is put a quorum call in. When you put a quorum call in, under the statute, it is charged equally to both sides.

The PRESIDING OFFICER. It is charged to the side who suggests it.

Mr. DOMENICI. We have two alternatives. We can wait around and see if they suggest it or, if they do not, then we can just let the time run and it is equally charged. The Senator asked that it be equally charged under a UC?

Mr. EXON. Yes.

Mr. DOMENICI. Yes. What we are attempting to do is unsnarl a potential problem. If we can have a moment to talk we might be able to unsnarl it.

Mr. DOMENICI. Mr. President, I ask unanimous consent that we have 5 minutes charged to no one.

Mr. EXON. There is a suspicion somebody is trying to fool somebody else.

Mr. DOMENICI. Five minutes charged to neither side.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, I suggest the absence of a quorum and that the time be charged to neither side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOMENICI. 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. DOMENICI. Mr. President, we have to advise Senators that the time has come to start a vote shortly. So I ask unanimous consent that at 3:45 p.m., the Senate proceed to vote on the stacked votes that had been postponed earlier today, in the following sequence: The Bradley motion to waive; on or in relation to the Roth amendment; on or in relation to the Gramm amendment; on or in relation to the EXON amendment.

I further ask unanimous consent that the first vote in the voting sequence be 20 minutes and that thereafter they be limited to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, I further ask unanimous consent that following the conclusion of the stacked votes, the Senate resume the pending amendment, which would be placed in status quo.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. I suggest the absence of a quorum until 3:45 p.m.

The PRESIDING OFFICER. With the time to be equally divided?

Mr. DOMENICI. That is fine.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The vote on the EXON motion to waive the Budget Act is in order.

The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

The yeas and nays resulted—yeas 47, nays 53, as follows:

[Rollcall Vote No. 176 Leg.]

YEAS—47

Akaka	Bradley	Conrad
Baucus	Breaux	Daschle
Biden	Bryan	Dodd
Bingaman	Bumpers	Dorgan
Boxer	Byrd	Exon

Feingold	Kennedy	Murray
Feinstein	Kerrey	Nunn
Ford	Kerry	Pell
Glenn	Kohl	Pryor
Graham	Lautenberg	Reid
Harkin	Leahy	Robb
Heflin	Levin	Rockefeller
Hollings	Lieberman	Sarbanes
Inouye	Mikulski	Simon
Jeffords	Moseley-Braun	Wellstone
Johnston	Moynihan	

NAYS—53

Abraham	Frist	McConnell
Ashcroft	Gorton	Murkowski
Bennett	Gramm	Nickles
Bond	Grams	Packwood
Brown	Grassley	Pressler
Burns	Gregg	Roth
Campbell	Hatch	Santorum
Chafee	Hatfield	Shelby
Coats	Helms	Simpson
Cochran	Hutchison	Smith
Cohen	Inhofe	Snowe
Coverdell	Kassebaum	Specter
Craig	Kempthorne	Stevens
D'Amato	Kyl	Thomas
DeWine	Lott	Thompson
Dole	Lugar	Thurmond
Domenici	Mack	Warner
Faircloth	McCain	

The PRESIDING OFFICER (Mr. GORTON). On this question, the yeas are 47, the nays are 53. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

The point of order is sustained.

The amendment falls.

Mr. DOMENICI. Mr. President, I move to reconsider the vote.

Mr. BRADLEY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Iowa.

PRIVILEGE OF THE CHAIR—SENATE CONCURRENT RESOLUTION 13

Mr. HARKIN. Mr. President, I ask unanimous consent that Don Wiberg from the American Association for the Advancement of Science, a science fellow in my office, be granted the privilege of the floor for the duration of debate on this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

VOTE ON AMENDMENT NO. 1121

The PRESIDING OFFICER. The question is on agreeing to the Roth amendment, No. 1121. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

The PRESIDING OFFICER. Are there any Senators in the Chamber who desire to change their votes?

The result was announced, yeas 50, nays 50, as follows:

[Rollcall Vote No. 177 Leg.]

YEAS—50

Abraham	DeWine	Kempthorne
Ashcroft	Dole	Kyl
Baucus	Faircloth	Lott
Bennett	Feingold	Lugar
Biden	Frist	Mack
Bond	Gramm	McCain
Brown	Grams	McConnell
Campbell	Grassley	Murkowski
Chafee	Gregg	Nickles
Coats	Hatch	Packwood
Cochran	Helms	Pressler
Coverdell	Hutchison	Roth
Craig	Inhofe	Santorum
D'Amato	Jeffords	Shelby

Simpson	Specter	Thompson
Smith	Stevens	Thurmond
Snowe	Thomas	

NAYS—50

Akaka	Ford	Levin
Bingaman	Glenn	Lieberman
Boxer	Gorton	Mikulski
Bradley	Graham	Moseley-Braun
Breaux	Harkin	Moynihan
Bryan	Hatfield	Murray
Bumpers	Heflin	Nunn
Burns	Hollings	Pell
Byrd	Inouye	Pryor
Cohen	Johnston	Reid
Conrad	Kassebaum	Robb
Daschle	Kennedy	Rockefeller
Dodd	Kerrey	Sarbanes
Domenici	Kerry	Simon
Dorgan	Kohl	Warner
Exon	Lautenberg	Wellstone
Feinstein	Leahy	

So, the amendment (No. 1121) was rejected.

Mr. GLENN. Mr. President, I move to reconsider the vote.

Mr. LEVIN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

VOTE ON AMENDMENT NO. 1123

The PRESIDING OFFICER. The question now occurs on agreeing to the Gramm amendment, No. 1123.

Mr. GRAMM. Mr. President, 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. The clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 31, nays 69, as follows:

[Rollcall Vote No. 178 Leg.]

YEAS—31

Abraham	Gramm	McCain
Ashcroft	Grams	McConnell
Bennett	Hatch	Nickles
Brown	Helms	Roth
Campbell	Hutchison	Santorum
Coats	Inhofe	Shelby
Coverdell	Kempthorne	Smith
Craig	Kyl	Thompson
Dole	Lott	Thurmond
Faircloth	Lugar	
Frist	Mack	

NAYS—69

Akaka	Feingold	Lieberman
Baucus	Feinstein	Mikulski
Biden	Ford	Moseley-Braun
Bingaman	Glenn	Moynihan
Bond	Gorton	Murkowski
Boxer	Graham	Murray
Bradley	Grassley	Nunn
Breaux	Gregg	Packwood
Bryan	Harkin	Pell
Bumpers	Hatfield	Pressler
Burns	Heflin	Pryor
Byrd	Hollings	Reid
Chafee	Inouye	Robb
Cochran	Jeffords	Rockefeller
Cohen	Johnston	Sarbanes
Conrad	Kassebaum	Simon
D'Amato	Kennedy	Simpson
Daschle	Kerrey	Snowe
DeWine	Kerry	Specter
Dodd	Kohl	Stevens
Domenici	Lautenberg	Thomas
Dorgan	Leahy	Warner
Exon	Levin	Wellstone

So the amendment (No. 1123) was rejected.



Mr. DOMENICI. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. EXON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

#### UNANIMOUS-CONSENT AGREEMENTS

Mr. DOMENICI. Mr. President, I want to put several unanimous-consent requests which will finish out the day and set the amendments in order for today and early morning.

I ask unanimous consent that all the time be yielded back on the Thurmond amendment and that the Senate proceed to a vote on that amendment without any intervening action or debate after the disposition of the Exon amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, further, I ask unanimous consent that immediately following the disposition of the Thurmond amendment, Senator HARKIN be recognized to offer an amendment on which there be 15 minutes under the control of Senator HARKIN and 5 minutes under the control of Senator DOMENICI; that no amendments be in order to that amendment; and that following the conclusion of the time on that amendment, it be laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, I further ask unanimous consent that following the debate on the Harkin amendment, Senator FEINGOLD be recognized to offer an amendment on which there be 20 minutes under the control of Senator FEINGOLD, 20 minutes under Senator DOMENICI's control, 10 of which will belong to the Senator from Alaska, Senator MURKOWSKI; that no amendments be in order to the Feingold amendment; and that following the conclusion of time it be laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, I ask unanimous consent that the first vote on the Harkin amendment be limited to 20 minutes, followed by a 10-minute vote on the Feingold amendment, to occur Wednesday at a time to be determined by the two leaders.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, I ask unanimous consent that following the conclusion of the debate on the Feingold amendment this evening, Senator SNOWE be recognized to offer an amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. DOLE. Mr. President, what is the pending business?

The PRESIDING OFFICER. The motion to waive the Budget Act for the

consideration of the amendment by the Senator from Nebraska [Mr. EXON].

Mr. DOLE. Following that, there will be a vote on the amendment by the Senator from South Carolina [Mr. THURMOND] and the Senator from Arizona [Mr. MCCAIN].

The PRESIDING OFFICER. The next vote would be a vote on the Thurmond amendment, debate on which is not yet concluded.

Mr. DOLE. As I understand, time has been yielded back.

The PRESIDING OFFICER. Time has been yielded back by consent.

#### ORDER OF PROCEDURE

Mr. DOLE. Mr. President, I advise my colleagues, that will be the last vote today. We will continue to work on the measure until we are down to 4 hours remaining, but there will be no more votes.

Mr. HARKIN. Mr. President, is it still in order to reserve the right to object? We could not hear the unanimous-consent requests.

Mr. DOMENICI. It says "on the amendment." It means up or down. We had agreed to that and that was in the unanimous-consent request.

#### VOTE ON MOTION TO WAIVE THE BUDGET ACT FOR CONSIDERATION OF AMENDMENT NO. 1124

The PRESIDING OFFICER. The question occurs on agreeing to the motion to waive the Budget Act for the consideration of amendment No. 1124, offered by the Senator from Nebraska [Mr. Exon]. The yeas and nays have been ordered. The clerk will call the roll.

The yeas and nays resulted—yeas 47, nays 53, as follows:

[Rollcall Vote No. 179 Leg.]

#### YEAS—47

Akaka	Feinstein	Levin
Baucus	Ford	Lieberman
Biden	Glenn	Mikulski
Bingaman	Graham	Moseley-Braun
Boxer	Harkin	Moynihan
Bradley	Heflin	Murray
Breaux	Hollings	Nunn
Bryan	Inouye	Pell
Bumpers	Jeffords	Pryor
Byrd	Johnston	Reid
Conrad	Kennedy	Robb
Daschle	Kerrey	Rockefeller
Dodd	Kerry	Sarbanes
Dorgan	Kohl	Simon
Exon	Lautenberg	Wellstone
Feingold	Leahy	

#### NAYS—53

Abraham	Frist	McConnell
Ashcroft	Gorton	Murkowski
Bennett	Gramm	Nickles
Bond	Grams	Packwood
Brown	Grassley	Pressler
Burns	Gregg	Roth
Campbell	Hatch	Santorum
Chafee	Hatfield	Shelby
Coats	Helms	Simpson
Cochran	Hutchison	Smith
Cohen	Inhofe	Snowe
Coverdell	Kassebaum	Specter
Craig	Kempthorne	Stevens
D'Amato	Kyl	Thomas
DeWine	Lott	Thompson
Dole	Lugar	Thurmond
Domenici	Mack	Warner
Faircloth	McCain	

The PRESIDING OFFICER. The point of order is sustained and the amendment falls because it is not germane to the underlying resolution.

#### VOTE ON AMENDMENT NO. 1125

The PRESIDING OFFICER. The question is on agreeing to the Thurmond amendment, numbered 1125.

Mr. THURMOND. Mr. President, 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 clerk will call the roll.

The bill clerk called the roll.

The PRESIDING OFFICER (Mr. BROWN). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 40, nays 60, as follows:

[Rollcall Vote No. 180 Leg.]

#### YEAS—40

Abraham	Gramm	Murkowski
Ashcroft	Grams	Nickles
Bennett	Hatch	Nunn
Burns	Heflin	Santorum
Campbell	Helms	Shelby
Chafee	Hutchison	Smith
Coats	Inhofe	Snowe
Cochran	Kempthorne	Stevens
Cohen	Kyl	Thomas
Coverdell	Lieberman	Thompson
Craig	Lott	Thurmond
Dole	Mack	Warner
Faircloth	McCain	
Frist	McConnell	

#### NAYS—60

Akaka	Feingold	Leahy
Baucus	Feinstein	Levin
Biden	Ford	Lugar
Bingaman	Glenn	Mikulski
Bond	Gorton	Moseley-Braun
Boxer	Graham	Moynihan
Bradley	Grassley	Murray
Breaux	Gregg	Packwood
Brown	Harkin	Pell
Bryan	Hatfield	Pressler
Bumpers	Hollings	Pryor
Byrd	Inouye	Reid
Conrad	Jeffords	Robb
D'Amato	Johnston	Rockefeller
Daschle	Kassebaum	Roth
DeWine	Kennedy	Sarbanes
Dodd	Kerrey	Simon
Domenici	Kerry	Simpson
Dorgan	Kohl	Specter
Exon	Lautenberg	Wellstone

So the amendment (No. 1125) was rejected.

The PRESIDING OFFICER. Under the previous order of the Senate, the Senator from Iowa is recognized to offer an amendment. The time is divided, according to that agreement, 15 minutes for the Senator from Iowa and 5 minutes for the Senator from New Mexico.

#### CHANGE OF VOTE

Mr. MURKOWSKI. Mr. President, I wonder if the Senator from Iowa would yield for a unanimous-consent request in regard to a vote.

Mr. HARKIN. Yes.

The PRESIDING OFFICER. The Senator from Alaska is recognized.

Mr. MURKOWSKI. I thank the Chair.

Mr. President, on rollcall vote No. 178, I am embarrassed to say that I voted yes. It was my intention to vote no. I have been a proponent of the position of no. Therefore, I would ask unanimous consent that I be permitted to change my vote. This will in no way change the outcome of the vote.