

present proposal from the majority with which I would disagree. There are things with which I would not disagree in the least. I do not object in the least to the statement of the Senator from Colorado that a reduction in the rate of increase is not a cut.

However, to cut taxes is an act of unforgiven irresponsibility. I did not say "unforgivable." I said the consequences will be unforgiving at this moment in our business cycle expansion. We do not need to do this and, Mr. President, we would not be doing it save for the House of Representatives.

In our hearings on this subject, in the Finance Committee, one Republican Senator after another said no, we have to bring the budget into balance. This is no time to cut taxes.

We do not have to stimulate the economy. The economy is in its 55th month of expansion; we are practically at full employment; inflation has practically disappeared. Business investment is at the highest rate in 30 years—investment savings is at the highest rate in 30 years. This is not the time to get into an inflationary stimulus. We know enough about our economy to know that.

One Senator after another from the other side of the aisle said no, certainly not; we would never pass a \$245 billion tax cut. And then we learned that—and I do not mean in any way to seem to ridicule, but it turns out that the Contract With America written in the other body required this tax cut. And so here it is today. But it is not a tax cut for all. It is a tax cut for half the population and a tax increase for the other half. That surely is something we would not wish to do in ordinary circumstances.

Has the prospect of a Presidential election brought us to this? I hope not, Mr. President. I hope we would not be doing things we are doing in the process of cutting, cutting Medicare as much as we do, cutting Medicaid as much as we do.

Mr. President, before this decade is out, we are going to have a crisis in our teaching hospitals and our medical schools because of the measures in this bill. We currently have in Medicare a provision to provide medical schools and teaching hospitals with some extra support. We currently have a provision on disproportionate share which in effect compensates those hospitals, including teaching hospitals, that treat large proportions of the uninsured. They are already in a precarious financial position, and the bill before us will exacerbate their problems. They will be in genuine jeopardy if this bill becomes law. At the greatest moment of medical science for this country's institutions, we are decimating their finances in order to give a tax cut to people with incomes over \$200,000.

Sir, I believe my time has expired.

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

Mr. MOYNIHAN. I thank the Chair for its courtesy, and I hope I will have

the attention of my friends on the other side of the aisle. It is not too late to do the right thing.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Could I inquire as to how much time is remaining?

The PRESIDING OFFICER. Thirty minutes of the 1 hour remains.

Mr. ABRAHAM. Mr. President, I will take 2 minutes on our side and then I will yield the remainder of our time to the Senator from Delaware. I use my 2 minutes very briefly to be responsive to some of the comments that have been made here already about the nature of the tax cut. I am sure the Senator from Delaware, the chairman of the Finance Committee, will elaborate in more detail. But I was very concerned recently when I began to see this chart appear and some of the comments related to it that suggested somehow the tax cut that is being proposed as part of this reconciliation bill would disproportionately fall on the shoulders of the less affluent and tremendously benefit the wealthiest among us which is the frequently used term that we hear.

So I said to myself, gee, that does not sound like the tax bill the Finance Committee passed. And indeed, I then began looking into the tax bill the Finance Committee passed, and according to the Joint Tax Committee calculations, in the first year of this tax bill 90 percent of the tax cuts will go to people whose earnings are below \$100,000 a year. Over three-quarters or 77 percent of the proposal's tax cuts will go to those making under \$75,000 in the first year. Less than 1 percent of the proposal's tax cuts will go to those making over \$200,000 in the first year. Over four-fifths, 84 percent, of the proposal's tax cuts will go to those making under \$100,000 in the first 5 years; 70 percent of the proposal's tax cuts will go to those making under \$75,000 in the first 5 years, and so on and so on.

Indeed, charts and statistics can always yield certain kinds of inferences, but those are the actual numbers that the Joint Tax Committee produced when it evaluated this plan.

I said maybe there has to be a discrepancy here. What could it be? Let me look at the individual provisions of this tax cut and see. In order to fulfill the numbers we have been hearing, they must all be tax cuts that benefit the wealthiest people in America. So I looked and I found a \$500 per child tax credit; \$141 billion of the total tax cut is the child tax credit, and it is phased out for people beginning at family incomes of \$110,000.

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

Mr. ABRAHAM. I would yield myself 1 additional minute.

In addition, we have an adoption credit, marriage penalty relief, student loan interest deduction, individual retirement accounts, and countless other provisions in the bill that are aimed at

people in the income categories I have already referenced, primarily people making under \$75,000 a year and to a large extent, approximately 85 percent of this tax cut to people making less than \$100,000 a year. It is a middle-class tax cut.

That is why yesterday, in describing the reconciliation bill, the Washington Post in referencing the tax sections described it as family friendly. It is family friendly to middle-class families, to people who have felt the squeeze for so many years. That is why it is part of this legislation and why we are supporting it.

Mr. President, at this time I yield the remainder of our side's time to the Senator from Delaware, the chairman of the Finance Committee.

ORDER FOR MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent there now be a period for the transaction of routine morning business with Senators permitted to speak for up to 10 minutes each.

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

Mr. MOYNIHAN addressed the Chair.

Mr. ROTH. Mr. President, I would like to make a further unanimous-consent request to finish my statement as in morning business for up to 10 minutes, and have my remarks appear in the RECORD as uninterrupted.

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

Mr. ROTH. I would say, morning business will be until 1:15.

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

The Senator from Delaware.

PRIVILEGE OF THE FLOOR

Mr. ROTH. Mr. President, I ask unanimous consent that Mr. Andrew Eschtruth, a detailee to the Senate Finance Committee from GAO, be granted Senate floor privileges for the duration of the Senate's consideration of the budget reconciliation legislation.

The PRESIDING OFFICER (Mr. ASHCROFT). Without objection, it is so ordered.

A MOMENTOUS TIME

Mr. ROTH. Mr. President, this is certainly a momentous time. Change is the order of the day. And it is a time to renounce old and unworkable programs and philosophies and adopt those that will move America forward, those that will offer prosperity, security, opportunity, and growth to our families and to our communities.

As Henry George once said, "The sailor who raises the same sail regardless of changes in the direction of the wind will never reach his port."

In this Congress, we have not only trimmed the sails but we have set a

bold new course for the future. For the first time in more than a decade, we are serious about balancing the budget, and we have a plan to do it. For the first time in 50 years, we have changed the dynamics of the welfare State, creating incentives that encourage work and strong families, incentives that balance rights with responsibilities.

At last, we have changed the questions concerning Government. No longer do we ask: "How big can we make it?" No longer do we ask: "How can we control the States? How can we concentrate more power in Washington?"

These are not the questions anymore. Rather, the new questions are: "What is Government's proper role? How can we make it more cost-effective and efficient? And what do we need to do to create an environment of security for those who legitimately need Government assistance but an environment for economic growth and opportunity for the valiant taxpayers who provide that assistance?" And for the first time in my memory, we are returning power back to where it belongs, back to the States.

This is what we were sent here to do. It is the message we heard last November. And the job is getting done. At home we have energetic Governors with innovative plans, many with success stories. We have friends, neighbors, and constituents who want, once again, to feel like they have a powerful voice in the system. These are men and women who over the years have come to build this franchise as their Government has moved further and further away.

We are in the process of putting the power back where it belongs, in the States, where our friends, our neighbors, our constituents have a stronger voice and are more active.

As I watched this 104th Congress move forward, I have thought on many occasions that I can think of no other Congress in which I have been more honored to call myself a Member than this one. And I am grateful for my colleagues, colleagues on both sides of the aisle, who have come to agree that the old way just is not good enough, not for America, not for Americans.

In many ways there has been an immeasurable amount of cooperation in this Congress, and it should not be overlooked. In other areas I would like to see more. But I believe a part of the cooperation that is apparent, of course, is borne by the fact that we all know what needs to be done. Republican and Democrat, we all realize the challenges that must be addressed.

Even President Clinton, from time to time, has indicated his insight and understanding, saying that his record-setting tax increase was a mistake and finally agreeing with House and Senate Republicans that the budget could be balanced in 7 years.

With the reconciliation bill we bring to the floor today, we again need this cooperation, perhaps more than ever,

as we turn our attention to saving and strengthening the Medicare system, toward curbing runaway spending and toward giving Americans what they most need now after a decade of tax increases: a real, workable, economy-expanding tax cut.

Frankly, Mr. President, there should be cooperation. President Clinton himself has been a most certain voice in expressing the importance of making real and lasting changes. As I said, he has admitted his tax increases were too high. He knows spending is out of control. He has proposed his own child credit, a credit of up to \$800 per child. He has stated that it is possible to balance the budget in 7 years. And almost 2 years ago, he took a firm stand on Medicare, saying that—and I quote —"Today * * * Medicare [is] going up three times the rate of inflation. We propose to let it go up at two times the rate of inflation. This is not a Medicare * * * cut." End of the President's quote.

President Clinton understands what needs to be done. After all, he was the one who ran on the platform of bringing change to Washington. Now, he cannot have it both ways. We either change the old and failed ways of doing business, or we keep business as usual.

Well, Mr. President, I vote for change. I encourage my colleagues on the other side of the aisle to join us in making change possible, rather than retreating into gridlock and defending 30-year-old policies that have spent some \$3 trillion to have more children living below the poverty line today than when those programs began. This is not progress.

According to economist Walter Williams, the taxpayers' money that Washington has spent on these programs to cure social ills over the last three decades could have bought the entire assets of the Fortune 500 companies and virtually all the U.S. farmland. But today the problems not only remain, they are even worse. The fact is, we cannot afford business as usual. Americans do not deserve business as usual, especially those Americans who in the last 30 years have fallen prey to the pathologies that attend poverty: dependency, crime, unwed mothers, broken families, decaying neighborhoods.

Certainly we must keep a safety net. None here argues that we should not. But we must change the system.

I believe that except for politics, President Clinton and many of his allies in Congress would be with us on most of the proposals we have included in the reconciliation package, even on our historic efforts to save and to strengthen Medicare.

Remember, it was the President's own Medicare trustee report that so vividly outlined the problems we are attacking today. According to that report:

... the Hospital Insurance Trust Fund (Part A) continues to be severely out of financial balance and is projected to be exhausted in about seven years. The SMI Trust

Fund (Part B), while in balance on an annual basis, shows a rate of growth of costs which is clearly unsustainable. Moreover, this fund is projected to be 75 percent or more financed by general revenues, so that given the general budget deficit problem, it is a major contributor to the larger fiscal problems of the Nation. The Medicare program is clearly unsustainable in its present form.

Mr. President, as I said, this is from the administration's own trustees.

There has been no question about the absolute need to restore the integrity of the Medicare Program, to save, to strengthen it, so that Government can meet its contract with the American people. Similarly, there has been no question concerning the need to control runaway Government spending. Government has grown accustomed to living beyond its means.

This must change, and reform efforts must be real. They must maintain the agreements Washington has made with the American people. They must see that the needy are cared for. They must keep the contract that exists between the Government and our retired constituents concerning Medicare. They must ensure the integrity of the program for a sufficient period of time to allow us to chart the distant future of that program so it can absorb the baby-boom generation.

And in doing all this, our efforts at reform must also create conditions, an environment, if you will, where our economy can expand and the harvest for coming generations can be planted. The reconciliation package we present today accomplishes just that. It keeps our promise to the American people.

Our proposal does not engender dependency on Government like the failed policies of the past. It does not perpetuate the negative incentive that feed the welfare bureaucracy and those who maintain their political power base by pandering to that bureaucracy.

Of course, our policies address the needs of citizens who cannot care for themselves, but, more importantly, they create conditions for upward mobility, conditions for economic opportunity, incentives for self-reliance. And I cannot express how important it is that we create these kinds of conditions.

At the moment our economy is not growing as strongly as it should be growing, and perhaps this is why President Clinton now believes his record-setting tax increases were a mistake. At the moment, there is little incentive for Americans to save and invest. Perhaps this is why today the average 50-year-old is so ill-prepared for retirement and why, among the industrial nations of the world, we lag behind even our competitors in our rate of personal savings. Incidentally, this, according to Federal Chairman Alan Greenspan, is one of the most pressing problems confronting our Nation economically.

At the moment, the Medicare Program stares into the abyss of bankruptcy, and this is why many of our

seniors are living with fear and uncertainty. But not just our seniors; fear and uncertainty grip their children and grandchildren because they know that, left unchecked, entitlement spending is growing so fast that, along with interest on the national debt, it will consume almost all Federal revenues in the year 2010, just 15 short years from now. Left unchecked, by 2030, Federal revenues will not even cover entitlement spending alone.

Though we live in a Nation of infinite possibilities, we are, of course, a land of finite resources. At the moment, the Federal debt is approaching \$4.9 trillion, deficit spending is well over \$150 billion a year, and the fact is, Medicare, Medicaid, and earned income tax credit are some of the fastest growing entitlement programs on the books. Strengthening and restoring the integrity of these programs will not only benefit those who should appropriately receive them, but it will also help us balance the budget, and this, Mr. President, is what the vast majority of Americans not only want but demand.

A balanced budget is necessary for economic security. A balanced budget would increase job opportunity. Some forecast that over 6 million jobs would be created if the budget were balanced. Interest rates would be lower. They would fall by almost 2 percent, some say even higher. And Americans everywhere would enjoy a higher standard of living. There would be a reduced burden of debt on our children and our grandchildren, and people would be able to keep more of their hard-earned money rather than sending it to Washington.

To balance the budget, we must control the growth of entitlements. I am not suggesting these programs be abolished or even cut. We simply need to get them back within our budget, within our ability to pay for them. It is easy to see how they got out of control.

Simply put, these programs escape the discipline of the annual budget process. Increased entitlement spending occurs automatically, covering any individual who meets eligibility criteria. These increases are heavily influenced by the rapid rise in health care costs, the growing number of beneficiaries and real benefit expansion.

Of course, today America is aging. Our population is getting older as people are living longer. This is a good thing. It is indicative of progress. These changing demographics, however, must be accompanied by changing policies and programs. Programs that were created in 1965 when the average American lived to be 61 and when our Nation had five workers to support every one retiree must be modified to reflect current reality. Today, the average American lives more than 76 years, and there are less than four workers to support each retiree.

In 1965, when Medicare was enacted, the average American who reached retirement age could expect to collect

benefits for 15 years. Today, the average 65-year-old will receive benefits for 18 years.

This is where we are now, Mr. President. Looking into the future gives us even greater reason to make the necessary changes we are proposing. The chart, which we will bring out a little later, demonstrates just how important it is that we begin now to make necessary changes in entitlement programs.

Today, there are less than 40 million Americans who qualify to receive Medicare. By the year 2010, the number will be approaching 50 million. By 2020, it will be over 60 million. While these numbers are increasing, there will be fewer workers to support each retiree, and while we have almost four workers per retiree today, we will have about two workers per retiree by the year 2030.

So, Mr. President, we must change the program. We cannot move into the future with blueprints that were designed for the past. Medicare and Medicaid have been the most significant contributors to entitlement growth in recent years. It is projected that these programs will cripple as a share of the economy within the next 35 years. Thus, they are unsustainable.

In 1994, Medicare spending was \$160 billion. Over the past decade, Medicare grew by about 10 percent per year, and CBO projects similar growth over the next decade. Because of this rapid growth, the Medicare Hospital Insurance Trust Fund, part A, is projected to go bankrupt in 2002.

As the baby-boom generation retires, Medicare costs will continue to soar. The Medicare trustees project that between 1995 and 2020, Medicare will grow from 2.6 percent of the economy to 6 percent, an increase of over 200 percent. Likewise, Medicaid is out of control. This program alone is scheduled to grow at an annual rate of 10.4 percent between fiscal year 1995 and 2002, devouring both Federal and State budgets. Already, Medicaid consumes about 20 percent of State budgets, exploding from \$15 billion in 1980 to a projected \$180 billion in 2002.

These are serious concerns, and keeping in mind the demographics that I cited earlier, it is easy to see that without real change in policies and programs, there is no way the Federal Government will meet its obligation. There is no way that we can offer assurance to even the next generation of retirees that they will have coverage under Medicare and Medicaid.

The year 2002 is only 74 months away. However, as I have said on many occasions, I am an optimist. I am an optimist because we know what works. We know the right kinds of policy and program changes that need to be made, changes that will allow Medicare and Medicaid to meet their current obligations while at the same time saving these programs for future beneficiaries.

We know how to restore sound financial practices to the Federal Govern-

ment, practices that can strengthen the economy, create an environment for employment growth and an environment where Americans are encouraged to work, save and invest. And achieving these conditions should be our primary responsibility.

Towards this end, we must see our proposal in this budget reconciliation process in its entirety, for its overall balance and how all components work together to benefit Americans at all ages and in all income groups. To single out one reform in our proposal, without looking at the others, is to do a great disservice to what this reconciliation package offers.

It is balanced, it is workable, and it is long, long overdue. It changes business as usual in Washington. It answers the clarion call from our constituents to make the kind of changes that so obviously need to be made.

I remember that an astute political adviser once warned his boss that there is nothing more difficult to take in hand, more perilous to conduct or more uncertain than to take the lead in the introduction of a new order of thing. I believe, with some of the inflammatory rhetoric we have heard surrounding this important debate, there is good reason to say that this adviser knew what he was talking about.

Change is difficult, but change is more necessary now than ever before. Where some may feel they lose in one aspect while single-mindedly absorbing one component of these changes, they are sure to gain in others. What we seek to achieve here is balance, balance that improves conditions and opportunities for all. It is not the voices of individual special interest groups that govern our actions, but the collective voice of America. And we understand one fundamental truth about reform—a truth stated eloquently by Vaclav Havel:

The more half-measures we take, and the longer they drag on, the greater the sacrifices will be, the longer they will have to be made, and the more pointless sacrifices will have to be piled on top of those that are unavoidable.

We must be resolved; we must have confidence in the balance that our program offers. I have that confidence—as do other Members who join me today in introducing this reconciliation package.

Quite simply, there are four components to our program—promises we made to the American people—promises we are now keeping:

First, we provide for a balanced budget;

Second, we strengthen and preserve Medicare and Medicaid, thus allowing these two important programs to continue to protect Americans into the future;

Third, we reform welfare; and finally, once we show that the budget is balanced;

We create an environment for economic expansion through tax cuts that

offer relief to our families and encourage Americans to work, to save, and to invest.

To give a little history, the EITC was a bipartisan program, created to offset the sting of payroll taxes on working families with children. The fact is, each dollar Government taxes creates a disincentive to work, while each dollar that people keep for themselves is an incentive to work. History has proven this point. The economies of nations that have cut taxes have thrived, while those nations who have increased taxes—even to the point of taking everything the people earn—have fallen into ruin.

The EITC was to create incentives for low-income parents to work. It was that simple. But as they say about too much of a good thing becoming dangerous, such is what happened to this once-well-intended program. Over the years, the EITC has been expanded by a welfare-oriented Congress into another Federal handout. And today, some 85 percent of the EITC is a Federal outlay paid directly to individuals. No longer do individuals need to have families or children to qualify; no longer does the EITC encourage work, as it once did; no longer is the program fair and cost-effective. Much of the EITC cannot even be considered tax relief because those who receive a direct payment from the Government pay no income taxes at all. Make no mistake about it, most of the EITC is a welfare check.

Beyond this, the EITC is plagued by fraud and abuse. It sports a fraud and error rate between 24 and 40 percent, making it the most fraudulent welfare program on the books. Though the administration has worked to reduce these high rates, there is no evidence that current rates are below double digits. Many of those who commit fraud are not even legally able to work in the United States. And the fact is, since the program's inception, American taxpayers have lost \$25 billion to fraud, waste, and abuse in the program. The GAO estimates that if this kind of fraud continues over the next 5 years, the EITC could waste another \$37 billion. We can't afford this.

We need to get the program back to its original purpose: to help families with children offset the sting of payroll taxes. And that is exactly what we do with our proposal. We focus the program on the population for whom it was originally intended. We return it from being just another welfare program to where it belongs as a legitimate tax break for lower income working Americans with children.

Our reforms will place an important degree of control on this program. They successfully address the problems of rampant growth, fraud, and abuse. The key phrase here is "controlling growth." Remember, EITC will continue to grow. It will continue to meet the needs of those most vulnerable among us.

According to the Joint Committee on Taxation, families with children, who now receive the maximum earned in-

come tax credit, will continue to receive a larger earned income credit in the future. When combined with the \$500 child credit and marriage penalty relief—issues that I will speak about in a minute—low-income working families will be better off under our bill than they are today. Finally, we will continue to spend in excess of \$20 billion on the EITC, keeping it as a significant program for the working poor.

MEDICARE

Our second major objective with the proposal we are introducing is to strengthen, preserve, and protect the Medicare system—not only for those who depend on the system today, but for those who will need Medicare tomorrow. We accomplish this by allowing the program to grow at about twice the rate of inflation, and by introducing choice in the system. In this way, seniors are guaranteed continued coverage as well as the ability to choose those plans and health care providers that best meet their needs.

In our proposal, Medicare spending increases from \$178 billion in 1995 to \$286 billion in 2002. Average spending per beneficiary grows from \$4,800 to \$7,000.

Our proposal controls runaway costs by introducing choice into the system, giving our seniors the ability to remain in the current fee-for-service plan, if that is what they want. On the other hand, we also offer them an unlimited number of health care plan options that they may choose to better meet their needs. We call this Medicare choice, and it includes, beyond the current fee-for-service plan, the opportunity for our seniors to join plans sponsored by local hospital and physician groups, health maintenance organizations, point-of-service plans, or preferred provider organizations. It also allows for seniors to join high deductible medical savings account plans, union or association plans, and, in fact, any other kind of health plan that meets the standards we set to protect the beneficiaries. Beneficiaries will be protected under our proposal. Despite the plan they choose, all seniors will receive coverage for the same services and items that are currently covered by the traditional Medicare Program. The good news is that as these new plans compete with each other for business, it's likely that they will offer even more benefits and improved services.

The private sector, which has done much better in keeping costs down than the Government, has proven that choice creates competition, and competition is good for the consumer. And the fact is, in our proposal we are offering seniors even more efficient and effective health care plan options than are available to most working Americans through their employers.

By introducing private market incentives into the Medicare Program—by giving consumers options and encouraging providers to compete for business—we could control program growth

sufficiently enough to save it in the longterm. It is no surprise that the private sector has been much more successful at controlling health care costs, with innovative programs based on market principles, than the Government, which has depended largely on price controls. To survive, the Medicare system must allow patients and providers to use health resources efficiently through a choice of plans.

This is not a new idea; it is an approach that's been tested and proven.

Offering choice in Medicare is based on the highly successful Federal employees health benefit plan. Largely because of choice, this year the average FEHBP premium was reduced by 3.3 percent. Next year, the average increase will only be 0.4 percent, proving that choice brings competition and savings. In fact, choice could work so well that our current projections—projections that keep Medicare solvent through 2020—could be understated.

Beyond using choice to strengthen the program, beneficiaries will continue to pay 31.5 percent of the premium for part B. In 1997 we will phase out the taxpayer subsidy of the affluent for part B; we will increase the deductibles from \$100 to \$150, and then increase it \$10 every year, thereafter. Savings will also be made on the part of Medicare providers, predominantly through reductions in scheduled payment increases. Despite these restraints, providers will continue to enjoy annual growth rates of between 4 and 10 percent over the next 7 years.

Our proposal also aggressively attacks fraud and abuse in the Medicare Program. The GAO estimates that the loss to Medicare from fraud and abuse equals some 10 percent of the program's total spending, and law enforcement officials claim that the majority of Medicare fraud goes undetected. What we propose is to earmark a portion of trust fund money, starting in its first year with \$200 million, to use for investigation and prosecution of health care fraud. We also offer a number of new tools to assist investigators and prosecutors in attacking this problem. The CBO has estimates that our provisions in this area will save the program more than \$4 billion over 7 years.

Under our program, reforms would extend the solvency of Medicare for about 18 years. According to the CBO estimates, under our proposal, the Medicare HI trust fund balance will total \$300 billion in the year 2005. The CBO states, "the HI trust fund would meet the Trustees' test of short-range financial adequacy." In other words, for the next 10 years, the HI trust fund balance, at the end of every year, will be more than enough to pay Medicare benefits for the following year.

More importantly, using the CBO's estimates through 2005, our Finance Committee staff, in consultation with the Office of the Actuary within the Department of Health and Human

Services, estimates that the Medicare Hi trust fund will be solvent through about the year 2020. That's 10 years—10 years—after the baby-boom generation begins to retire, a quarter of a century from today.

Concerning Medicaid, our objective is, again, quite simple, to control the unsustainable growth rate of this program—a rate which reached as high as 30 percent in 1993. Even at its current 10.4 percent, the growth rate is too high. We bring it down to a manageable and more realistic 5 percent. We can accomplish this by moving the program back to where it belongs—back to the States. In fact, Governors have said that they can manage the program with the more moderate spending increases if the Federal Government will simply get out of their way.

Medicaid is best addressed by giving States adequate funds and the authority necessary to meet the needs of their most vulnerable citizens, without interference and excessive regulation from Washington. Governors have been asking for this authority since 1989, when Bill Clinton, then Arkansas' chief executive, signed a resolution calling for a freeze on the enactment of further Medicaid mandates. By extending States' authority, allowing Governors the opportunity to find innovative ways to provide for the unique needs of their respective States, we can keep the program at a manageable 40 percent growth rate by 2002, rather than the 100-percent increase in spending now projected by CBO.

Certainly, under this new structure, the States will have certain requirements that must be met. For example, they will be accountable for how Federal dollars are spent. States will spend 85 percent of what they are now spending on mandatory benefits for the three of the most vulnerable populations: low-income pregnant women and children, the disabled, and the elderly. There will also be protection from nursing home costs against impoverishing spouses living at home. Likewise, States will be allowed to use Medicaid funds to see that children are immunized.

We must remember that Medicaid was designed to be an equal partnership between the Federal Government and the States. However, the Federal Government in recent years has effected what can only be seen as a takeover. Toward this end, all three branches of the Federal Government have played critical roles. Congress and the courts have expanded eligibility while the bureaucracy has paralyzed the States with regulations. The time has come to release the choke hold.

Medicaid now consumes 20 percent of State budgets—20 percent. That means fewer dollars for education, for fighting crime, and rebuilding infrastructure.

Since 1990, the number of Medicaid recipients have increased by nearly one-third, as the current law has created over 70 different ways for people to become eligible for benefits. Promis-

ing more benefits for more people plus using the political system to negotiate supply and demand is a prescription for failure. The price for this now includes annual deficits of up to \$200 billion and a second mortgage on the future which our children and grandchildren will be forced to pay.

Today we change these dynamics. Today business as usual is over.

The reconciliation package we offer allows us to meet the needs of low-income individuals, while at the same time controlling costs, improving the program, and working toward a balanced budget. Under our proposal, Medicaid spending continues to grow, but at a slower, more predictable rate. The money is given to the States with the flexibility to design effective and innovative programs—programs to meet the individual needs of their low-income citizens.

States can cover individuals and families with income below 250 percent of the Federal poverty level—that's \$31,475 for a family of three.

What we get away from are the thousands of pages of Federal mandates that stifle creativity and our States' ability to develop programs that are both efficient and effective. Under our proposal, we repeal all mandates. We allow States to standards and provider payment rates. And we no longer require Federal waivers to implement many of the innovative delivery systems that have proven to be so successful in the private sector. In fact, we encourage States to combine programs and experiment. However, as a safeguard, we ask States to develop a State plan and to submit annual reports and independent evaluations as well as provisions for fighting fraud and abuse.

As under current law, the Federal Government will match State funding, up to an aggregate cap. Under this proposal, total Federal Medicaid spending will continue to increase over the period 1996–2002. In this period, the Federal Government will provide \$776 billion to the States to meet the needs of poor children, the elderly, and people who are disabled. This is the equivalent of half of the total of today's Federal budget.

Between 1995 and 2002, total Federal spending on Medicaid will still grow by over 40 percent.

Mr. President, the States will make these reforms work. Federal funding will continue to increase while we provide the States with control over how these funds will be spent. After 30 years of Federal control, it is time to put the State in charge. Capping Federal spending will allow the States to enforce fiscal discipline. They will clearly know that the deep pockets of the Federal Government are not bottomless.

With firm control over these funds, we will unleash the creativity of the States in meeting the needs of the low-income citizens. The States will be able to expand managed care without asking permission of the Washington bureaucracy. Coupled with the welfare

reform package just passed, the States will be able to experiment with ways to move families off welfare and into work. The States will be able to design health insurance coverage so that the loss of Medicaid will no longer be a barrier to leaving welfare.

The States will plan, design, and implement Medicaid reform which will meet their own unique needs in ways Washington has not even started to think about. Taxpayers and beneficiaries alike will benefit from Medicaid reform and from achieving a balanced budget.

TAX REFORM

These are important reforms. Without them, the Medicare trust fund will become insolvent within a few years, and Medicaid will eat away at our children's future, forcing Federal and State governments to borrow money for generations yet unborn. According to University of California economist Alan Auerbach, if current spending trends and benefit formulas continue, "the tax burden would be very close to absorbing all the lifetime income of future workers."

To escape from this, we must prepare to move quickly and successfully beyond our first objective of passing the budget resolution to embrace what should be our second, adopting initiatives that create an environment for economic growth. The only way to break out of deficit spending, without cutting off essential services and forfeiting on the contracts the Federal Government has made with our senior citizens, is to renew healthy economic growth—growth which is above the 2.3- or 2.5-percent range currently projected by official forecasting agencies.

This environment will be created only as Government adopts real tax reform—reform that shifts the bias against savings and investment in the current Tax Code to a system that encourages saving and investment over consumption. Among the means to tap into the consumption base are: The flat tax, a national sales tax, or an expanded IRA.

While some have emphasized the differences between these three plans, they are grounded in the same economic concept of taxation, and I am pleased to see their growing acceptance among Americans. Ultimately some kind of compromise, possibly including elements from all of them, should be possible.

The current income tax system has not only undermined economic growth, it has also undermined the economic position of American families. We must act to provide tax relief for families that are already facing intense pressures on other fronts. It is my desire to provide tax relief in the context of the current reconciliation package, but I also believe we must not overlook the opportunity to provide the additional tax relief in future tax reform, financed by continued restraint in Federal spending growth.

The tax relief offered in this reconciliation package is very much in the realm of current possibilities. We offer a \$245 billion tax cut which goes into effect only when the CBO has certified that deficit reduction is being achieved. Despite what some may say for political reasons, this tax relief does not come at the expense of Medicare. As the generally more liberal Washington Post admitted, "The Democrats have fabricated the Medicare-tax cut connection because it is useful politically." In an earlier editorial, the Post opined that,

The Democrats are engaged in demagoguery, big time. And it's wrong. . . . [The Republicans] have a plan. Enough is known about it to say it's credible; it's gutsy and in some respects inventive—and it addresses a genuine problem that is only going to get worse. What Democrats have [on the other hand] is a lot of expostulation, TV ads and scare talk.

That is the end of the quote from the Washington Post.

Under the bill we propose today, using Medicare savings for tax cuts is illegal. The law requires that money saved on the Medicare Program will stay in the Medicare Program. These are trust funds, the assets of which may not be used for any other purpose. And to say otherwise, as the Post points out, is little more than politically motivated scare tactics.

The fact is, our efforts preserve and strengthen the Medicare trust fund. This is a promise made and a promise kept. Likewise our efforts bring the Federal budget into balance and provide substantial tax relief for middle-income Americans. Again, promises made and kept. I can only guess that these scare tactics are being used by some because for so long these individuals have gotten by politically by making promises without keeping them. Well, you cannot have it both ways. You are either working for the kinds of changes the American people want, or you are locked into business as usual. You are either working for reform, or you are an agent of big Government, runaway spending, and political gridlock.

Let this reconciliation package show Americans who stands where on these important issues.

Our plan offers a \$500-a-child tax credit, encourages savings and investment, and offers other incentives for economic growth. Our proposal to cut taxes by \$245 billion, offers relief for our middle class—with over 70 percent of the \$245 billion going to families making less than \$75,000 a year. These provisions mean more security for our families, more jobs for Americans, and greater stability in our communities.

Of the \$245 billion Senate relief package, a full \$223 billion will go to families. The remaining \$22 billion will strengthen businesses and lead to increased employment opportunity. It will also improve America's ability to compete in the global community, with other nations that provide their businesses with strong incentives to compete with us.

The four pillars of our proposal are: First, a \$500 child tax credit; second, restoration and strengthening of individual retirement accounts; third, relief from overbearing estate taxes on families and businesses; and, fourth, reduction of the top rate of capital gains on individuals and corporations.

These measures meet our promise to the American people. They represent a bold beginning in our effort to break with the failed policies of the past. The current tax system double-taxes savings, thwarts investment, hinders productivity, increases prices, stifles wages, and hurts exports. It is complex, controlled by special interest groups, and places disincentives on work.

We move to correct these deficiencies, and because we have cut spending, our bill balances the budget while making room for tax relief. Americans need relief. Our economy needs a shot in the arm. Even Bill Clinton has admitted as much. I call on him to join us in our efforts to unleash the potential our economy has to move us into a bold and exciting future.

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

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. ROTH. Mr. President, will the distinguished Senator from New York yield? I have about three more pages. May I finish?

Mr. MOYNIHAN. Of course. Could we then extend morning business until 1:30?

Mr. KENNEDY. Reserving the right to object—and I do not intend to object—if we can have the morning business time, whatever morning business there was, divided equally between the two sides, whatever amount of time, since we are off the bill. If we could have whatever amount of time to be divided equally, then I would not object. If we are not going to have that allocation of time, then I feel compelled to object.

Mr. MOYNIHAN. Mr. President, may I make the suggestion that morning business be continued to 1:30 and that the time be equally divided?

Mr. KENNEDY. Reserving the right to object, that does not include the last 10 minutes—just from the time we go to morning business, divided equally.

Mr. GRASSLEY. Mr. President, I have to object momentarily for the leader. We want to find out if Senator DOLE wants this time extended.

The PRESIDING OFFICER. Objection is heard. The Senator from New York has the floor.

Mr. MOYNIHAN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MOYNIHAN. 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. MOYNIHAN. Mr. President, I ask unanimous consent that the period of morning business be extended until 1:30 and that the time be equally divided. I believe it is the desire of the majority that the speakers alternate, if that is convenient.

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

Mr. ROTH. Reserving the right to object, may I finish?

Mr. MOYNIHAN. Yes.

The PRESIDING OFFICER. Hearing no objection, without objection it is so ordered.

The Senator from Delaware.

Mr. ROTH. Mr. President, as I was stating, that is what this reconciliation package is all about—the future.

As Lincoln said, "The struggle of today is not altogether for today—it is for a vast future, also"—a future that I believe will be very bright if we succeed in our endeavors here today.

Our objective is to strengthen the American Dream—in our homes, in our schools, in our communities, in our States, and all across the land. Some have said that the dream is dead, that our children cannot expect to lead a better life than that led by their parents. I strongly disagree. However, I do believe that in order to meet the domestic challenges before us—as we look to put our house in order here at home—as we seek to maintain influence and leadership abroad, that we must reinvent America to reflect the profound changes that are taking place throughout the world as well as here in the United States.

We must build on principles that are tried and proven and good. We know what works. We know what's failed. And we cannot march boldly into the future with blueprints prepared for the past. This reinventing of America must be thorough, it must create a nation that is compassionate, responsible, and economically viable from the houses in our neighborhoods to the Houses of Congress. It must encourage self-reliance, risk-taking, and the confidence that diligent labor will be rewarded with security and even greater opportunity for reward.

These are the principles that built America, and they are the principles that will see us into a bright and expansive new millennium.

Mr. President, I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. I wish to congratulate the chairman of the Finance Committee on a very thoughtful and deeply felt exposition of his views. They are not entirely shared on this side, but they are, nonetheless, admired for the grace in which he has presented them.

REPUBLICAN BUDGET PLAN

Mr. MOYNIHAN. Mr. President, earlier in the day, this morning, I was