more money for us to pay for our borrowing. That will raise the cost of interest payments which I would suggest is a not very productive use of taxpayer dollars, causing taxpayers to have to pay more for our borrowing. But it goes well beyond the Federal taxpayers. It affects every family in America. The estimates are that the effect of the increase in U.S. obligations on interest rates will have an effect on all borrowing. So if a person is buying a home, they can expect the interest costs will increase by about $1,000 a year. If a person is a credit card holder, they can expect their interest rates to go up about $250 a year. That is the effect it is going to have on every American family if we pass August 2 without increasing our debt limit.

If a person has money in the stock market, they can expect there will be a reduction in the value of their wealth. We saw that happen once before when retirement account values slipped dramatically. We are at risk of having that happen again if we pass August 2 without increasing the debt limit.

The impact it will have on our economy, on jobs—we expect it will clearly have a negative impact on our job market. We will lose jobs and we very well may go back into a recession. That is why this is catastrophic if we don't deal with the debt limit in a mature way.

Let me cite the numbers. In the month of August, we expect we are going to have about $172 billion of revenue coming into our Treasury, but we are going to have $360 billion of bills coming in—spending we have already incurred that we have to pay for. There are those who say we can pick which bills we want to pay and let the others go. They say we will have some winners and losers. Well, I think we will have all losers, because we can't pick winners and losers.

There are some who say, well, obviously, we will pay interest on the national debt. OK, we will pay that. How about Social Security, and how long can we pay Social Security? If we don't pay Social Security, what happens to those on fixed incomes or, if we reduce the Social Security payments, how does someone who has planned their monthly budget manage with getting, say, 40 percent less of their Social Security in August? How do they handle their obligations?

Then what do we do about Medicare? Do we continue to pay Medicare at 100 percent? Well, I assume we are going to run out of money.

What do we do about our military, our soldiers, who we all say we want to support? Do we continue their salaries or do we reduce their amounts by, say, 40 percent? If we pay all of those, there is no money left over to pay veterans' benefits. What happens to our veterans who are depending on their checks to be able to meet their obligations?

Then what do we tell our students who are preparing to go to school in the fall about their Pell grants, that their Pell grants aren't going to be available and maybe they can't go to school in the fall? They have to make plans right now.

What do we do about small business owners who are depending upon their contracts with the Federal Government in order to make their payroll? Is their money going to be coming in on August 3? We can't pay those bills unless we raise the debt limit. It has nothing to do with increased obligations of this country; we are talking about spending we have already incurred, that has already been obligated, and now the people who are entitled to the money are asking for their checks. What do we do on August 3?

I don't believe we have a choice. I think we must increase the debt limit. I don't think it is an option not to. No responsible legislator would consider that to be an option.

Yes, let's use that opportunity to manage our deficit. I still hold out hope we can get this grand deal. It has to be fair. It has to be balanced. It has to allow America to grow and it has to allow us to create more jobs. It has to invest in education and innovation and infrastructure so America can compete. We know we can get that done if we use a balanced approach: Reduce government spending at all levels, including the military, as we bring our troops home from Afghanistan. Yes, we need to look at the money we spend through our Tax Code. We have talked about this over and over. We need to have a balanced approach, a credible approach, to manage our debt. That should be our first option. But under no circumstances should we allow America to default on its obligations, causing harm to every American family.

I urge my colleagues to put the national interests first and to take off the table the default on our debt. Take that off the table. Let's put the national interests first and work together to bring about a credible plan to manage our national debt.

With that, Mr. President, I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DURBIN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mrs. MCCASKILL). Without objection, it is so ordered.

UNANIMOUS CONSENT AGREEMENT—H.R. 2055

Mr. DURBIN. Madam President, I ask unanimous consent that at 1:20 p.m., the Senate proceed to the consideration of H.R. 2055, the Military Construction, Veterans Affairs and Related Agencies appropriations bill; further that following the opening remarks of the two managers of the bill, Senator SESSIONS be recognized to raise a 303(c) Budget Act point of order; that Senator JOHNSON be recognized to waive the applicable portion of the Budget Act; that there be 4 hours of debate, equally divided, between Senators JOHNSON and SESSIONS or their designees prior to a vote on cloture on the motion to waive; provided further, that if cloture is invoked, the Senate immediately proceed to a vote on the motion to waive, with no intervening action or debate.

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

Mr. DURBIN. Madam President, I ask unanimous consent to speak as in morning business.

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

U.S. CREDIT RATING

Mr. DURBIN. Madam President, this morning's Wall Street Journal has a headline which I hope America will pay close attention to: ''Raters put U.S. on notice.'' The United States of America has a credit rating, much as we do as individuals, businesses, and families. The credit rating of the United States is AAA, the very best.

What does it mean? It means two things. First, that those who do business with America think it is the best place to do business—the most reliable economy, the rule of law, transparency. It says good things about America. It translates into the lowest interest rates charged when America borrows money. That is a good thing because we borrow a lot of money.

This AAA rating, of course, is something that is not guaranteed. You have to work for it. Countries around the world now, particularly in Europe, are struggling and failing economically, some in worse shape than others. In the Irish Times yesterday they referred to what they called the ''PIGS''. I had never seen that term before. It refers to Portugal, Ireland, Greece, and Spain. They said this week Italy was joining the PIGS, the seventh largest economy in the world, roiling in euro debt, being called on to transform and change their economies and their government to deal with their national debt.

It is a tough time in the European Union, and the jury is still out about any one of those countries and how this will end. The United States is not in that situation, thank goodness. Our economy has its problems. We know that: 9.2 percent of our workforce is unemployed, a situation where many small businesses are still struggling, where families struggle, many of them paycheck to paycheck, to get by. But still, the fact that we have to guard our borders to keep people from coming here is an indication of what America's promise means to the rest of the world.

This notice from the rating agencies that now we are on a watch, a credit watch, as to whether our AAA credit rating in America should be diminished is serious. Secretary of Treasury Tim Geithner meets with us when we go down to the White House to talk about the current negotiation over the debt ceiling. What he told us yesterday was that this rating is the product of two things: First, there is no clear path available to indicate that Congress is able to extend the debt ceiling of the United States on August 2; and, secondly, there is no clear indication that Congress and the President are working together to deal with our national deficit. Because of that, Secretary Geithner said this rating has come out, and that is the reality of what we face.

First, a word about the debt ceiling. What is it? Most people do not know, and it is understandable because it does not get much attention, although it has been around a long time. The debt ceiling was created in 1939. It was created because Congress decided they did not want to vote every time we issued a national bond or some other note. We would rather give our Department of Treasury the authority to issue debt obligations up to a certain dollar level. As the debt of the United States increased and the need to borrow increased, that level increased as well. Between 1993 and today, we have extended the debt ceiling in America 89 times, 55 times under Republican Presidents, 34 times under Democratic Presidents, and virtually without notice. Who is the No. 1 President in the history of the United States to extend the debt ceiling and to increase America's debt? Ronald Reagan, far and away. He did it 18 times, and during the course of his 8 years in office, raised the national debt ceiling by 199 percent.

Then you go to the next President, who raised it 90 percent in debt, President George W. Bush. So it is a bipartisan undertaking. What it means is that when needed, the Congress of the United States authorizes the President to borrow the money necessary to cover what we have spent in appropriations from Congress, in our entitlement and mandatory programs—Social Security, Medicare, and the like—we have to borrow money.

In fact, we borrow 40 cents for every $1 we spend in Washington for everything—40 cents for every $1. So we are looking to the people to loan us money on a regular basis. The No. 1 one creditor of the United States, among countries, is China—ironic—our No. 1 creditor, our No. 1 competitor. An interesting relationship.

The debt ceiling comes due August 2. As it has been routinely extended time and time again, this time is different. The House Republican leadership has said: We refuse to vote to extend the debt ceiling of the United States unless we see deficit reduction. What would happen if we did not extend the debt ceiling?

What would happen if you did not make your mortgage payment? I think I would know what would happen to Loretta and me in Springfield, IL. We might hear from our bank, and our bank might say: Mr. DURBIN, you know, the month of July has come and gone and you did not pay your mortgage on your home in Springfield. What is up?

If you said: I am just not going to pay it this month, they would say: That is not what you signed up for. You signed up to meet your obligation. So if you do not pay it, you face foreclosure.

But in the meantime, what have you done, what my family would have done under those circumstances, is to jeopardize our credit rating. The next time my family would want to borrow money for a home, the bank would say: I am not sure you are such a good risk. You have missed your mortgage payment or, if they loaned us money, it would be at a higher interest rate.

That is the reality of what happens if you do not extend the debt ceiling. This situation when it comes to America is grave. It is not just about America paying a higher interest rate to borrow money, it is about the interest rate across our country being affected. Down at the Federal Reserve, Ben Bernanke and the Federal Reserve Board of Governors are doing everything in their power to keep interest rates low because we want businesses to expand, to be profitable, and to hire people.

When interest rate costs go up, businesses find it more expensive to borrow and borrow less. Individual families find it more difficult to buy the car, the home, the appliances they might need. So with interest rates going up as a result of our failure to extend the debt ceiling, we are doing exactly the opposite of what the American economy needs today. That is why it is so serious. In fact, it could be catastrophic. In a few minutes, we are going to hear from Treasury Secretary Tim Geithner, who is going to come before us and talk about the impact of failure to extend the debt ceiling.

What we are doing in the White House today is negotiating with leaders of Congress, Democrats and Republicans, and the President to extend the debt ceiling because many of us believe it would be disastrous. If we would default on our debt, we call into question the full faith and credit of the United States of America. At the end of the day, we would find ourselves with a self-inflicted wound to the American economy: raising interest rates and making it more difficult to come out of this recession.

We are trying to reach an agreement, and it has been hard going. We have had five face-to-face meetings in the White House so far. Yesterday's was reported in the news as contentious, and it was. The President has said he believes our first obligation is to get the American economy back on track and Americans back to work. We should not do anything in the course of our business that would make that more difficult. I could not agree with him more.

The highest priority in America is putting Americans back to work in good-paying jobs right here at home. The highest priority in America is allowing small businesses to expand, to do more business, and hire more people. That is what we ought to be about. If we fail to extend the debt ceiling, it makes it more difficult to reach those goals.

I listened as Presidential candidates of the other party in Iowa say: It does not matter. Default on the debt. Let's see what happens. That is the most—let me think of a good word here—naive comment on our economy I can imagine. The people who are making it have no business aspiring to the highest office in the land. We need to accept this responsibility and deal with this debt ceiling honestly. We need to extend it so there is no question about the credit rating—the full faith and credit of the United States of America.

Secondly, we need to get serious about this deficit. I know the occupant of the chair has strong personal feelings about this. She has introduced legislation dealing with this deficit and how we can cope with it in the Senate and in the House. I have been part of the President's deficit commission. I have been engaged with colleagues of both political parties on how to take it further. Our goal is, very simply stated, I believe and those who are engaged in these conversations believe we can reduce the debt of the United States by up to $4 trillion over the next 10 years. We can do it in a sensible, thoughtful way, with shared sacrifice across America.

We need to put everything—and I underline the word ''everything''—on the table. Spending programs are the start. We should go to them and root out what we consider to be wasteful, unnecessary, fraudulent, and abusive practices in our spending, whether it is in the Department of Defense or any other agency of government.

When the Department of Defense came before the Bowles-Simpson commission, we asked them how many private contractors work for the Department of Defense.

Their answer: We have no idea.

We said: Give us a range.

They said: The range is somewhere between 1 million and 9 million people working for the Department of Defense—maybe.

That is unacceptable. We can do better. Our brave men and women in uniform deserve better, and so do the American taxpayers.

We must put all spending on the table, reducing spending where we can, where we must, to move toward $4 trillion in deficit reduction. Then we need to put entitlement programs on the table. This is where many Democrats get nervous because you are talking about things that mean a lot to us—Social Security, Medicare, and Medicaid, for example. I am as committed to those programs as any Member of the Senate. I believe we can protect the basic benefits under those programs and still find ways to make them stronger and longer.

Social Security, untouched, will make every promised payment, with cost-of-living adjustments, for the next 25 years. You can't say that about much in Washington. You can't say that about any program other than Social Security. We can do better by making minor, small changes in Social Security today and putting the savings back into Social Security, and then we can say it will last 75 years, which means everybody going into the workplace, starting their work career in America, will know they can count on Social Security to be there when they need it. That is an attainable goal, and if we face it honestly, we can do it.

When I was elected in 1982 and came to office in 1983, we were facing bankruptcy in Social Security. We came together with a bipartisan approach and passed it. We bought literally 52 years of solvency for Social Security, and not a single Member lost the next election because we did it in a bipartisan fashion, determined to make Social Security stronger. We can do it again.

Medicare—same story. Medicare, of course, provides health care for the elderly and disabled in America. It is extremely expensive because health care costs keep going up. Are there ways to reduce the costs of Medicare so that the people who are deserving of care—seniors and the disabled—will have it available to them?

On January 1 of this year, 9,000 Americans turned the age of 65; on January 2, another 9,000; and then every day since—every day for the next 19 years. The boomers have arrived. They have paid into Medicare and Social Security their entire lives, and they expect America to keep its promise. And we will. But we can look at Medicare and find ways to make that program more cost-efficient. There are certainly ways that are obvious.

Under the Medicare prescription drug program, we currently don't have a Medicare option. All we have is private health insurance company options. Let Medicare bargain with pharmaceutical companies to buy in bulk and bring down the cost of drugs for seniors, thus reducing their out-of-pocket costs and our costs as taxpayers. The pharmaceutical industry hates that the way the Devil hates holy water. The fact is that when you put Medicare in there, like the Veterans' Administration is in there, it can make a difference.

We need to include spending, entitlements, and revenue. I hope we can do it on a bipartisan basis.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

MILITARY CONSTRUCTION AND VETERANS AFFAIRS AND RELATED AGENCIES APPROPRIATIONS ACT, 2012

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to the consideration of H.R. 2055, which the clerk will report.

The legislative clerk read as follows:

A bill (H.R. 2055) making appropriations for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes.

The Senate proceeded to consider the bill, which had been reported from the Committee on Appropriations, with an amendment to strike all after the enacting clause and insert in lieu thereof the following:

That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes, namely:

TITLE I

DEPARTMENT OF DEFENSE

MILITARY CONSTRUCTION, ARMY

For acquisition, construction, installation, and equipment of temporary or permanent public works, military installations, facilities, and real property for the Army as currently authorized by law, including personnel in the Army Corps of Engineers and other personal services necessary for the purposes of this appropriation, and for construction and operation of facilities in support of the functions of the Commander in Chief, $3,066,891,000, to remain available until September 30, 2016: Provided, That of this amount, not to exceed $255,241,000 shall be available for study, planning, design, architect and engineer services, and host nation support, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of the determination and the reasons therefor.

MILITARY CONSTRUCTION, NAVY AND MARINE CORPS

For acquisition, construction, installation, and equipment of temporary or permanent public works, naval installations, facilities, and real property for the Navy and Marine Corps as currently authorized by law, including personnel in the Naval Facilities Engineering Command and other personal services necessary for the purposes of this appropriation, $2,187,622,000, to remain available until September 30, 2016: Provided, That of this amount, not to exceed $84,362,000 shall be available for study, planning, design, and architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of the determination and the reasons therefor.

MILITARY CONSTRUCTION, AIR FORCE

For acquisition, construction, installation, and equipment of temporary or permanent public works, military installations, facilities, and real property for the Air Force as currently authorized by law, $1,227,058,000, to remain available until September 30, 2016: Provided, That of this amount, not to exceed $81,913,000 shall be available for study, planning, design, and architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of the determination and the reasons therefor.

MILITARY CONSTRUCTION, DEFENSE-WIDE

(INCLUDING TRANSFER OF FUNDS)

For acquisition, construction, installation, and equipment of temporary or permanent public works, installations, facilities, and real property for activities and agencies of the Department of Defense (other than the military departments), as currently authorized by law, $3,380,917,000, to remain available until September 30, 2016: Provided, That such amounts of this appropriation as may be determined by the Secretary of Defense may be transferred to such appropriations of the Department of Defense available for military construction or family housing as the Secretary may designate, to be merged with and to be available for the same purposes, and for the same time period, as the appropriation or fund to which transferred: Provided further, That of the amount appropriated, not to exceed $439,602,000 shall be available for study, planning, design, and architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of the determination and the reasons therefor: Provided further, That of the amount appropriated, notwithstanding any other provision of law, $24,118,000 shall be available for payments to the North Atlantic Treaty Organization for the planning, design, and construction of a new North Atlantic Treaty Organization headquarters.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the Army National Guard, and contributions therefor, as authorized by chapter 1803 of title 10, United States Code, and Military Construction Authorization Acts, $773,592,000, to remain available until September 30, 2016: Provided, That of the amount appropriated, not to exceed $20,671,000 shall be available for study, planning, design, and architect and engineer services, as authorized by law, unless the Director of the Army National Guard determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of the determination and the reasons therefor.

MILITARY CONSTRUCTION, AIR NATIONAL GUARD

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the Air National Guard, and contributions therefor, as authorized by chapter 1803 of title 10, United States Code, and Military Construction Authorization Acts, $116,246,000, to remain available until September 30, 2016: Provided, That of the amount appropriated, not to exceed $9,000,000 shall be available for study, planning, design, and architect and engineer services, as authorized by law, unless the Director of the Air National Guard determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of the determination and the reasons therefor.

MILITARY CONSTRUCTION, ARMY RESERVE

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the Army Reserve as authorized by chapter 1803 of title 10, United States Code, and Military Construction Authorization Acts, $280,549,000, to remain available until September 30, 2016: Provided, That of the amount appropriated, not to exceed $28,924,000 shall be available for study, planning, design, and architect and engineer services, as authorized by law, unless the Secretary of the Army determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both