

Mr. DORGAN. Mr. President, I ask unanimous consent to speak for 10 minutes in morning business.

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

#### THE LINE-ITEM VETO

Mr. DORGAN. Mr. President, this has been a very interesting year in Congress with the change in control in both the House and the Senate; in some ways refreshing, in some ways very disappointing. This is the year of reform and change. Many of the changes and reforms are useful and interesting. Many others are just downright nutty. I will give you an example of some.

The notion that when the Soviet Union is now gone we should start to build star wars with money we do not have at a time when this project clearly is not necessary. In my judgment, that's a nutty idea.

We stick \$9 billion into defense that the Department of Defense says it does not want or does not need. That makes no sense to me. That is not reform or change.

Maybe, as one had suggested, charge admission to tour the U.S. Capitol. In other words, charge the American citizens admission to take tours in the U.S. Capitol in order to raise money to reduce the deficit? It seems to me that qualifies as a nutty idea.

Provide laptop computers for poor kids at a time when you are cutting school lunches? Another nutty idea.

I have said there are a lot of goofy ideas. There are some good ideas, some of which I have supported, one of which is the line-item veto. I want to ask some questions about that this morning.

On February 6 of this year, this Senate passed a bipartisan proposal on the line-item veto. I happen to think, and have thought for a long while, it makes sense for a President to have a line-item veto. Most Governors have it. The President ought to have it.

We passed a line-item veto here in the Senate on March 23. The House passed it on February 6. It is now over 120 days, and the question is, where is the line-item veto?

Today we are going to start on our first appropriations bill. Soon those appropriations bills will go to the White House. My guess is that those who wrote the Contract With America and included the line-item veto in the contract, those who were so urgent about the need for a line-item veto as they spoke on the floor of the Senate and the House, are now less interested in really having a line-item veto if it means that a Democratic President in the White House has a line-item veto to get rid of Republican pork in appropriations bills.

I noticed yesterday, in a newspaper, "Gingrich Gets \$200 Million in New Pork," it says in the headline. I do not know what this is about. It is just "pork" in an appropriations bill—"Gingrich Gets \$200 Million in New Pork," in an appropriations bill.

I am going to go to a markup in 10 minutes, in which I know there are about five or six provisions in this authorization bill that represent special little projects in someone's State.

So what happens to the line-item veto? Why do we not have a line-item veto moving so that the President might sign the bill and have the authority to remove this pork with a line-item veto in appropriations bills this Congress is going to pass?

I think I know what has happened to it. The House of Representatives 120 days later has not even appointed conferees to go to a conference with the Senate on the line-item veto. Why have they not appointed conferees? Because I do not think they really want a line-item veto. I do. I voted for it. I voted for it many times in Congress. And I felt in March of this year when the Senate passed it, and the month before when the House passed it, that maybe those who said it was an urgent priority on the other side of the aisle were serious. It now appears they were not serious at all. It now appears to me they were much more interested in producing pork than producing a line-item veto bill.

If there is a lost and found department in the Congress, I hope someone will call and ask, where is the line-item veto bill?

One of our colleagues has treated us to a big yellow sign every day which says, "Where is Bill?"—which is not in my judgment a very respectful reference to the President. But "Where is Bill?"—asking, "Where is the President's budget?"

I guess, if I were inclined with that sort of approach, I could bring a chart here that says, "Where is the bill?"—and hang up "120 days" on the chart to ask the question, "Where is the line-item veto bill?"

We passed it. The House passed it. And there is no conference because the House has not even appointed conferees. Is the reason they have not appointed conferees because they want to lard up the appropriations bills with pork, \$200 million in pork by the Speaker of the House and they do not want a Democratic President to veto the pork out of these bills? If that is the reason, they are wallflowers when it comes to fighting the deficit.

Let us decide to cast this line-item veto bill, get it through conference, and get the President to sign it. Let us have a bite at these appropriation bills right now with this deficit. If you care about public policy and about the line-item veto, if you voted for it in the Senate, as I did, if you voted for it in the House, as the majority did, I hope they would start asking the question, "Where is the line-item veto?" Why do we not expect the Speaker to appoint conferees? Why do we not have a conference report, bring it from the House, have the Senate pass it, and get it back to the President so that he can exercise the line-item veto on these bills?

#### THE ORGANIZATION OF ECONOMIC COOPERATION AND DEVELOPMENT

Mr. DORGAN. Mr. President, I would like to go to one other subject today briefly. It is one that almost no one knows anything about, including the Presiding Officer. It is called the Organization of Economic Cooperation and Development or OECD. It is an international organization that we pay 25 percent of the total cost. I do not think anybody in here really knows much about it. There are a lot of international organizations.

This year the United States will contribute about \$62 million to fund the OECD. We are a member of the OECD. I am told that they meet in the finest places in the world and are headquartered in Paris. When they hold a meeting, they hold a meeting in a fine, great hotel in one of the great cities of the world. Folks come from all over the world to attend OECD meetings, the Organization of Economic Cooperation and Development.

One of the things they did recently is approve a report, a document statement, in which this country participated and signed, that talked about how you apportion the tax burden of international corporations among the countries in which they do business.

This little document said the OECD, with the United States signing the document, rejects something called global formulary apportionment. It does not mean much to anybody. But what it means to me is this country signs on a dotted line, along with the other member countries of the OECD, saying the United States is willing to give up or forgive about \$15 billion a year in taxes that ought to be paid to America that will not be paid.

Seventy-three percent of the foreign-based corporations doing business in the United States pays zero in Federal income taxes, despite the fact they earn hundreds of billions of dollars here. There are companies that sell cars, VCR's, television sets, and other products—whose names you would recognize instantly—that do business here every day earning billions of dollars and pay zero in U.S. income taxes. Not pay a little bit—pay nothing in Federal income taxes.

Why is that? It is because the IRS is stuck with an outdated tax enforcement system which the foreign corporations love, and which foreign governments love as well. It is called the arm's-length method, which is used to evaluate transfer pricing that exists between related corporations. Tens of thousands of foreign corporations do business in the United States through U.S. subsidiaries that they own and control. These integrated companies sell things to themselves back and forth, and establish their own prices on those transactions. That is why we have examples of tractor tires being sold between corporations that are related for \$7.50 for a tractor tire; a piano

for \$50; a safety pin for \$29; toothbrushes for \$18. Why would corporations price tractor tires at \$7.50? Because they are moving profits in or out of countries with corporations they control, and that is called transfer pricing.

We use a system in taxing called the arm's length methodology which is an archaic, buggy-whip system. It is like taking two plates of spaghetti and trying to attach the two ends together; taking different corporations and connecting them together to save in a market system. It is a system that is totally unworkable and unenforceable. The result is massive tax avoidance. This country is losing to the tune of \$15 billion a year, in my judgment, because we have not replaced this flawed system with a simple formula approach, as the States have used successfully for decades. I might say with respect to domestic businesses operating in different States that there is a standard formula that is used to apportion profits between jurisdictions using the amount of payroll, property, and sales as a guide. But the IRS's continued use of the arm's length method means we are losing \$15 billion every year from the biggest international corporations in the world which do not pay taxes, despite earning huge profits in this country.

Our U.S. representative at the OECD signs on to an agreement that says we reject the use of formulary apportionment.

So as a result of that, I wrote to the Secretary of the Treasury and the Secretary of State and said tell me about the OECD. Who is involved in these negotiations? Where were the meetings held? What corporations were involved to persuade them to do this? They said we cannot give you that information. It is confidential. You have no right to the working papers of the OECD. They are secret.

I said, Wait a second. I am part of a group that funds them; about \$62 million this year from U.S. taxpayers' will go to the OECD. You are saying that we do not have a right to see the information?

I asked a series of detailed questions of both the Secretary of the Treasury and also of the Secretary of State to try to understand what is going on. The fact is you cannot get information. It is secret or otherwise unavailable, they say. If it is so secret, maybe they do not need our money. Maybe they do not need \$62 million.

I want to share with my colleagues the money that goes to OECD. At a time when we are saying we do not have enough money to deal with problems in this country, including problems of families who are struggling very hard, a whole range of areas, nutrition, education, and so on, here is what has happened to OECD, the Organization of Economic Cooperation and Development.

In 1990, the American taxpayers contributed \$36 million to the OECD. In

1995, \$62 million—only 5 years later and our share nearly doubled. That is pretty interesting. In fact, from 1994 to 1995 the OECD, this little number in the State Department goes from a \$50 million to a \$62 million contribution.

We wrestle and debate on the floor of the Senate about why we have \$5 million here or \$10 million there. Mr. President, \$62 million now goes to OECD, and it is on a steep increase; nearly doubling in the last 5 years.

They are off making deals with international corporations, and with other countries in a manner that will affect us by, in my judgment, shortchanging us probably \$15 billion a year in taxes that we ought to get that we will not from foreign corporations that make profits here. Then they said to us you have no right to see the information.

Well, I would say to the Secretary of the Treasury, if you think that is going to stand, you are wrong. When the appropriations bill comes to the floor and you want more money, you had better be here with a lot of information. Otherwise, in my judgment, we are going to have a whole series of votes on the OECD, and you may lose a whole lot of money because you cannot say to us give us the money for these international organizations, but we do not have any interest in telling you about what these organizations are doing and what the policy implications are for this country.

So I would say to the Secretary of the Treasury and to the State Department, if they are listening, that they will not enjoy the debate we will have when the appropriations bill comes to the floor if they think we should spend \$50 million or about \$63 million as they have now requested in 1996 for OECD, and still take the position that we have no right to the information developed by this organization.

This is I know an arcane and difficult issue. And there are not many people that are even very interested in it. When I talk about the arm's-length method of tax enforcement versus a formulary method of tax enforcement, when you talk about transfer profits, transfer pricing, and enforcement methods, I understand why people's eyes fog over.

But I do not understand why a small business person who starts up a business and makes a profit and is required to pay taxes should have to watch as another large international business enters the American marketplace, has \$5 billion worth of sales, make three-quarters of a billion dollars in net profit and pays zero in taxes to the U.S. Government.

It is not fair, and it ought to stop. We ought to expect those foreign corporations that do business in America to pay their contribution on their profits just as our Main Street businesses do every single day.

There is, I know, a web of complexity about all of this. I know that the State Department and the Treasury Department and others view this in some re-

spects as a foreign policy issue and in some respects as an economic policy issue—only they understand and no one else is capable of understanding.

I might say the Senator who is presiding at the moment was recently a Governor of a State. The States faced this problem. They faced it because we have a lot of businesses that do business in every State in the Union, and the question was, how do we divide their profits? How do we know what part of their profits go to Indiana, Ohio, or North Dakota?

The States grappled with this and came up with a three-factor formula, and they said we are going to pass something called UDITPA, uniform division of income tax—payroll, property and sales. You make \$10 million and 1 percent of your payroll, 1 percent of your property, and 1 percent of your sales were in that State, then 1 percent of that profit should be allocated as the tax base, and that is the way it worked.

The fact is the States have led on this issue for decades; they solved this problem. And you look at what the Federal Government is doing with international corporations with exactly the same problem, and they are using a buggy-whip approach that is losing billions of dollars.

More importantly than losing the money, we have created the situation where we say to foreign corporations, You come in here and do business and you will receive a major advantage. You can do business and play a game so that you do not have to pay any taxes, but the American businesses that stay here at home and do business only here at home must pay certain taxes on their profits.

What is the consequence? The consequence is that the American business is disadvantaged because the foreign competitor gets by tax free. And that is the problem here.

I have alerted by letter and received apparently one giant yawn from the bureaucracy of this problem, and I wanted to alert them that they are not going to have a very pleasant August and September with their appropriations bills if they think they can tell folks in the Congress that they want \$63 million for an international organization which send its representatives to the finest hotels in the world to meet for a while and sign documents that, in my judgment, contravene this country's interests, and then say to us who appropriate the money, "Take a hike" when we ask them to show us the documents that were used and all of the information that was developed in the construct of this policy.

Mr. President, it was therapeutic, if nothing else, to be able to talk about this in the Chamber this morning, and we will have a lengthier discussion on this subject when their appropriations bills come forward.

LINE-ITEM VETO

Mr. President, let me make one final point. I will again be addressing the question of a line-item veto in the

coming days because it is time for the House to appoint conferees, time for a conference, time to have a line-item veto. I want to find out who is interested in producing a line-item veto versus who is interested in providing pork. If we are interested in the line-item veto, and I am—and I guess I voted for it 15 or 20 times in my career—I hoped when I voted for it in March we would not be debating in July whether or not we are going to have a line-item veto. Some apparently have decided to move into slow motion here while there is a Democrat in the White House. That is not the way the line-item veto works. And while we see headlines that say “Gingrich Gets \$200 Million in New Pork,” I would ask, where is the line-item veto?

Pork is bipartisan and done on a bipartisan basis. I would like to have a line-item veto in the hands of Democrat or Republican Presidents to address it. If someone has some notion of where this bill is or what is holding it up, maybe we can find out if we can get a line-item veto in the hands of this President before these appropriations bills get to the White House.

Mr. President, I yield the floor.

Mr. President, I make a point of order a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SANTORUM. 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. SANTORUM. I thank the distinguished Presiding Officer.

#### WELFARE REFORM

Mr. SANTORUM. Mr. President, I rise to continue a forum that we started here as the 11 freshman Republican Members of the 104th Congress to talk about the issues that were important to us during the campaign that are now coming to the floor of the Senate and give a perspective of those who are more freshly from the hustings to the Senate and to the people listening.

Today, the issue that we are going to discuss—and I know the Presiding Officer, the Senator from Missouri, has been an outstanding advocate in his short tenure in the Senate on this issue—is welfare reform. Senator ASHCROFT served as the Governor of Missouri for 8 years and instituted welfare reform and has been a tremendous advocate for really dramatic reform in the States.

Later today, Senator ASHCROFT, along with Senator GRAMM, Senator GRAMS, and others, is going to have a press conference to discuss a version that we are going to put forward which I believe, of all the bills that have been introduced to date, both in the House and the Senate, is probably the most dramatic, the most forward looking, the most flexible, and the most mean-

ingful welfare reform package that has been put forward. When I say meaningful, I mean meaningful to the people who are in the welfare system or who may find themselves at some future time being caught in that net.

We believe this is a dramatic departure from business as usual, and it is something I am very excited about. I have worked on the welfare reform issue as a member of the House Ways and Means Committee and chaired the Republican task force last session of Congress to come up with a Republican welfare reform bill. We worked 9 or 10 months in extensive meetings and came up with a bill—it was included as part of the Contract With America—called the Personal Responsibility Act. That formed the basis of the bill that was eventually passed, H.R. 4, by the House, and what we have done really is take that product and taken it one step further and allowed more State flexibility, more local experimentation.

One of the provisions that is in the bill that I am very proud of that the Senator from Missouri was the author of is a provision that says that community organizations, local community organizations, nonprofits, churches could actually be the welfare agency in a local community, really get back to what we know works. And what we know works in dealing with the problems of poverty are people who are in the community, who care about the people that they are serving, not someone hired from the State capital to monitor caseload, but someone who lives next door, who goes to the same church as the person who is going through the difficult time in their life.

Those are the kinds of really dramatic reforms that are in the Gramm bill that we are going to be introducing today. And I am excited about it. I think it is a good mark. It shows where we want to be ultimately on the issue of welfare reform: Multiple block grants, some flexibility within those block grants to allow States to deal with emergencies or an increase in maybe the number of people who need nutritional assistance, so they can move from one fund to another maybe people—there is an increasing surge in day care requirements. The same thing allows that kind of flexibility for the State to be able to move funds around from account to account. I think that is an important change. Again, the Senator from Missouri was the one that put forward these ideas. So I am excited about that bill.

Let me say that I do not think that is where we are going to end up. That is where I would like to end up. So I am on the bill. That is where I would like to end up. That is where I would like to see somebody come down and say, this the way we should go, this is the dramatic step forward we should take.

But just like the House where there were bills that were introduced that were more dramatic than was passed, H.R. 4, I think we will have to come up with a more modest approach if we are

going to get the 60 votes required to pass a welfare reform bill in this body. And I am confident we can do that.

I am, also, at the same time—having worked with Senator ASHCROFT, Senator GRAMM, and others, working with Senator PACKWOOD, Senator DOLE, and others—trying to come up with a bill that we can form that takes, hopefully, a lot from the Gramm bill, but reaches across to try to get Members who may have concern about providing too much State flexibility, too much local control and provide some sort of compromise that can get the required votes to pass this Chamber.

I think this issue and the opportunity to make dramatic changes is here. And this issue is too important for us to hold out for the perfect solution. I think we need it out there as a goal. But at the same time I think we have to be practical and understand that we have to get what we can today. And if we can, as will be in the Packwood bill, also in the Gramm bill, is a block grant of the AFDC Program to allow States the flexibility to put forward their own plan for welfare recipients, to give them the opportunity to get into jobs, to get into job training, and put stiff work requirements, put a time limitation—those kinds of things that we know work in getting people off the welfare dependency cycle back into the mainstream of American life. Those are the kinds of things that we need to say, “States, do the innovation, do the work that is necessary for your individual States to be able to transition people off.” We are going to give that flexibility, and in both bills.

That is only a small piece of the welfare pie, AFDC, what many people, certainly a lot on the other side, consider to be welfare. I think welfare is a much broader category. They say AFDC is the welfare program, Aid to Families With Dependent Children. If we can block grant that program, end the entitlement nature, end the dependency that results from someone being guaranteed money for doing things that, frankly, most people would say are not what we want them to do: have children out of wedlock, do not get a job, do not get job training, do not try to do anything to get yourself out. We will give you more money. I think that is a very perverse incentive. End that entitlement. Say that after a certain period of years, you cannot continue in this life. That we will help you but you must help yourself. It is a contract between those who want to help and those who are to be helped. That piece alone, if we can block grant that piece, send it to the States, give them the opportunity, with a string that says you have a 5-year limitation, you have to have a work requirement; if we can do that piece alone, I think we will make a major change in the lives of millions of Americans and give them the opportunity that they have not seen under this system, which is intended to be