and how to achieve better educational results.

The business community has embraced these goals and become the most articulate spokespersons for this national need to raise education standards. When the Goals 2000 legislation was passed into law in the last Congress it was endorsed by the National Alliance of Business, the National Association of Manufacturers, and the U.S. Chamber of Commerce, as well as by the National Parent Teacher Association, and a long list of other educational associations.

Why has business taken such an interest? Because business leaders are acutely aware that modest improvements in student achievement cited above are just not adequate to prepare young people to succeed in the work force. Competition in the global economy would demand higher levels of reading and writing and problem solving than we have ever needed before.

Schools need to help graduates meet the real world standards that will be applied when graduates are hired and retained and promoted in jobs. Business leaders recognize the urgency of the need for schools to realign their academic standards which the higher standards at the workplace will demand of them as graduates.

Lou Gerstner, who is the chairman and CEO of IBM Corp., addressed the Nation's Governors at one point earlier this summer. He pointed out to the Governors that it has been 12 years since ''A Nation at Risk'' was published and U.S. students still finish at or near the bottom on international tests of math and science.

He said the first priority for public education should be ''setting absolutely the highest academic standards and holding all of us accountable for results. Now. Immediately. This school year. Now if we don't do that, we won't need any more goals, because we are going nowhere. Without standards and accountability, we have nothing.''

Now, how does the budget that we are going to vote on this week match up to Lou Gerstner's sense of urgency and the need to improve education? He talks about how we have to do it ''now, this school year.''

I submit that this budget does not measure up at all. This budget is an abdication of our responsibility to deal effectively with this problem. The budget cuts in education are too much and they are in the wrong places.

Mr. President, the reconciliation bill proposes $10.8 billion be saved from student loans in postsecondary education over the next 7 years. The appropriations bill which eventually will have to be passed in some form magnifies this very unfortunate trend.

In fiscal year 1996, the House appropriations bill cuts overall spending for elementary and secondary education in the Department of Education by $5.9 billion—from $32.9 to $27 billion.

Cuts are made in Head Start programs, safe and drug-free schools, and bilingual education, Indian education, and the list goes on. These are the wrong priorities. Let me show one other chart here, Mr. President, just to make the point about priorities.

This is a chart that summarizes the various discretionary spending accounts in this year's budget proposal. Starting on the left, we have agriculture, where there is a slight cut in discretionary spending, going on across. There are additional cuts in entitlement programs that are not reflected on this, but these are the additions and the cuts in discretionary spending where we get to make a decision every year without question.

When we look at where the largest single area of cut in discretionary spending is, it is in education and training. Obviously, the largest area of increase is defense, and the only other area of increase is in crime. But the largest single area of cuts in discretionary spending is in education and training.

Mr. President, these are the wrong priorities. These do not reflect the priorities of the American people.

One particular program I want to talk about which concerns me greatly in this budget bill is the Goals 2000 Program. In the House appropriations bill dealing with education they cut the funding in that program from $361 million in 1995 to zero dollars in 1996.

Yet the purposes for which Goals 2000 makes Federal funds available to States and local school districts are exactly the purposes that as a Nation we most need to pursue.

This Goals 2000 Program is a flexible program. It makes block grants to States for their own school improvements. Next year, 90 percent of the funds that will be used in that program will go to local districts. In 48 States, these grants are being used as the States decide to use them.

In Washington State, for example, for 30 districts in which mentor teachers train other teachers. In Kentucky, for homework hotlines and other efforts to enhance parental participation. In Massachusetts, for 14 charter schools. In other States, for other efforts at achieving high educational standards.

This program will not tell States what higher standards have to be. The States decide that for themselves.

In my own home State of New Mexico, our State has developed the educational plan for student success. Like other States, we use our Goals 2000 money to bring together the citizens and the educators and the business leaders to look at existing State policies, compare them with where we want to go. They—this group in New Mexico—will use the Goals 2000 funds to pursue strategic planning, to improve student learning and success and New Mexico's own standards of excellence.

We are not a rich State in New Mexico. Without Goals 2000 funds, New Mexico's efforts to reach the vision that Louis Gerstner talks about will be significantly slowed down.

Worse, without support from Goals 2000 and other important Federal programs, we signal to New Mexico and to other States that Louis Gerstner's sense of urgency is misplaced. We signal that it is enough, in our view, to allow States to progress at whatever pace they would like, without any help from the Federal Government. That simply is not true.

This year, the year 2000, is fast coming on us. How we balance the budget today is going to shape how we enter this new century. The budget needs to reflect our priorities. Improving education needs to be high on that list of priorities. And while some progress has been made, our Nation is still at risk.

Presidents Reagan and Bush and Clinton have joined with the public to improve the education offered to the next generation. The budget that is going to be on this Senate floor for a vote later this week is a retreat from that commitment. We know better. And we owe much better to the next generation.

I hope we can find ways to do better before we adjourn this year.

I yield the floor.

The PRESIDING OFFICER (Mr. KEMPTHORNE). The Senator from North Dakota.

BUDGET RECONCILIATION

Mr. CONRAD. Mr. President, I rise today to talk about the budget reconciliation process that is underway. I think this is most important because we have been told now that the Budget Committee is only going to spend an hour and a half on the debate on the budget reconciliation package that is going to affect every American, that is going to set the spending priorities for this country for the next 7 years, a budget reconciliation package that many of us believe, while it moves toward balancing the budget, does not actually balance the budget. And, also, it is done in a way that is unfair—fundamentally unfair in terms of who is asked to fight this budget battle.

After being deeply involved in the budget reconciliation process, both in the Budget Committee and the Finance Committee and the Senate Agriculture Committee, as well, I believe very strongly that while it is critically important that we balance the budget and that we do it as rapidly as possible, the choices that have been made in the proposal that is before us do it in a way that asks the middle class and working families in this country to be in the front lines in the battle to balance the budget but says to the wealthiest among us, ''You are ushered to the sidelines.''

Even worse than that, it says to the wealthiest among us, ''You are first in line for additional tax preferences, tax loopholes, and tax benefits because we are going to let the rest of America fight this fight, not the wealthiest among us. The wealthiest among us, you can just stand by. You can be observers. You can be on the sidelines. And while you are on the sidelines, we are going to actually direct some of the resources that we are saving from this budget plan toward you.''

Mr. President, I do not think that is what the American people have in mind in terms of balancing the budget. I think they want this job done. They want the job done fairly. Most of all, they want the job done.

Unfortunately, the reconciliation package that is on its way to the floor does not even balance the budget. That is not just my opinion, that is the answer from the Congressional Budget Office in a letter that was sent to Senator DORGAN and myself on October 20, by June O'Neill, the Director, in which she says in the last line in the first paragraph, ''Excluding an estimated off-budget surplus of $115 billion in 2002 from the calculation, CBO would project an on-budget deficit of $105 billion in 2002.''

What is June O'Neill talking about when she talks about an off-budget surplus of $115 billion in 2002? She is talking about the Social Security surplus in that year—the Social Security surplus. And the only way you can call this budget that is coming toward the Senate floor balanced is to use every penny of Social Security surpluses, every penny, over the next 7 years.

The law does not permit that. If one looks at the Budget Enforcement Act—and I have a copy of it right here—on page 745 it says:

EXCLUSION OF SOCIAL SECURITY FROM THE CONGRESSIONAL BUDGET

Section 301(e) of the Congressional Budget Act of 1974 is amended by adding at the end the following:

The concurrent resolution shall not include the outlays and revenue totals of the Old Age Survivors and Disability Insurance program established under Title II of the Social Security Act or the related provisions of the Internal Revenue Code of 1986 in the surplus or deficit totals required by this subsection, or in any other surplus or deficit totals required by this title.

That is the law. Mr. President, 98 Senators voted for it; 98 Senators said we should not count Social Security surpluses in determining whether the budget of the United States is in surplus or deficit.

Those Senators were right. They were right to cast that vote. They were right because it is absolutely wrong to count Social Security surpluses toward balancing the budget. That is just fundamental. You do not take trust funds and throw those into the pot to balance an operating budget. There is no accountant or accounting firm in America that would tell one of its clients to follow that policy. It is wrong.

Some will say, ''But it is the practice we are following now.'' Absolutely, it is what we are doing now. That does not make it right. There are a lot of things being done now that are not right. It is not right to balance the budget using the Social Security surpluses. That is precisely the point. That is why 98 Senators voted to change it.

Mr. President, 98 Senators said we ought not to continue this practice, we ought to make a change; we ought not to be raiding Social Security trust funds; we ought not to be looting in order to make the deficit look smaller.

Mr. President, this has a very critical, practical impact, because it is true we have been doing it, but the consequences for keeping this practice in place are much more severe in the years ahead. Let me indicate why. These Social Security surpluses that we are running now are about to explode. They are going to explode because we have more and more baby-boom generation people paying payroll taxes. We are paying those taxes at a higher rate on a larger share of our wages and so the surpluses are going to build. They were designed to increase, and the reason they are exploding is because we are supposed to be getting ready for the time the baby-boom generation retires.

But, instead of doing that, instead of saving these funds or paying down the rest of the debt with these funds—which would be a good strategy, a sound strategy for the future—instead, the Republican plan is to loot every penny of Social Security surplus over the next 7 years to call their budget balanced.

This next chart shows that the conference report on the budget demonstrates this point very clearly. It shows deficits over the years covered by the budget resolution. And while our friends on the Republican side say over and over they have offered a balanced budget, their own conference report on the budget shows something quite different. This shows the deficits for the fiscal years 1996 through 2002. If they were telling the American people the truth when they say they have balanced the budget in fiscal year 2002, their budget document would show no deficit. It would show a zero. That would be a balanced budget. But their own budget document does not show a zero.

It shows a deficit in fiscal year 2002 of $108.4 billion. Boy, this is going to come as a big surprise to a lot of the media who keep reporting it is a balanced budget. And it is going to come as an even bigger surprise to the American people who have been told every day that they are getting a balanced budget. It is not a balanced budget. It is $108.4 billion in deficit. That is very close, by the way, to the number that the head of the Congressional Budget Office told us in her letter—that the deficit in the year 2002 would be $105 billion.

Mr. President, how is this occurring? Well, very simply. This is the looting of the Social Security trust funds from the year 1996 to 2002. One can see the total Social Security surpluses, that are being raided or being looted, which are $636 billion. That is what is being thrown into the pot to call this a balanced budget. Do not anybody be misled. This is not a balanced budget. It is not a balanced budget in law. It is not a balanced budget in fact. Any accounting firm in America would tell you do not count the trust fund surpluses. You do not count the retirement funds in balancing a budget. That is precisely what is wrong around this town.

That is why we are in so much trouble now because we keep saying things that are not true. It is not truthful to tell people you are balancing the budget when you are raiding the trust funds because those funds are going to have to be replaced. And the reason we are running surpluses now is to get ready for the time the baby-boom generation retires. Why is that so important? Because it is going to double the number of people eligible for Social Security. We are going to go from 24 million people eligible for Social Security to 48 million people eligible for Social Security. That is why we are running surpluses now. And the thing we ought to be doing is either stockpiling that money or paying down the national debt so that we are better prepared to deal with the demographic time bomb represented by the baby-boom generation.

I guess the thing that I have found most frustrating about Washington in the 9 years I have been in the U.S. Senate is that we say things that confuse people. We use words in a way that are not accurate, that do not really reveal what is actually happening. And to call it a balanced budget when you are taking every penny of Social Security surplus is not accurate. It is not honest. It misleads people.

That is not the only problem with the reconciliation plan that is headed for this Senate floor. I think another fatal flaw is that we are increasing the debt under the Republican plan by $1.3 trillion—increasing the debt over the next 7 years under the Republican plan by $1.3 trillion. The chart here shows that from 1996 to 2002 the national debt is actually increasing by $1.3 trillion. About half of that is the raiding of the Social Security trust funds that I have talked about. That is increasing the national debt. Yet, we are talking about providing a massive tax cut.

I think if the American people were aware that the debt of America is increasing by $1.3 trillion over the next 7 years they would not be very interested in a tax cut. I just did a survey of the people in my State. Overwhelmingly they have said to me—I have asked them the question directly—get the budget balanced before any tax cut. Then we can have a tax cut after we get our problems taken care of.

We are adding $1.3 trillion to the national debt, and a big chunk of that is a tax reduction. It reminds me a lot of kids eating their dessert before dinner. We have played this game before in this town. We always say, ''Gee. We are going to cut spending so we can have a tax cut now.''

We did that before. Do you remember what happened? The debt exploded in the 1980's when we played this game with the American people and told them we are going to cut spending. We promised. We really are so we can have a tax cut now. We did that in 1981. What happened? The deficits went from $50 billion a year to $200 billion a year because guess what happened? We took the tax cuts but we never did the spending cuts, or certainly not of the magnitude necessary to keep the deficit from exploding. The result is we went from being less than $1 trillion in debt to being $5 trillion in debt in the space of 12 years. This is not smart. This is not responsible fiscal policy.

This chart shows the debt increases under the Republican balanced budget plan year by year, the amounts that are contributed by the budget deficits—that is, the spending over what we take in—and the amounts that come from the tax cuts that are added to the debt. You can see for every year here we are adding money to the debt of the country. And there are large sums added, $240 billion, $125 billion, $220 billion.

You can see the light orange part of each of these bars shows how much of that is being contributed by a tax cut. I just say to my colleagues, and I say to the American people. This is not wise—to be adding to the national debt in order to take a tax cut at this time. It especially is unwise given who benefits and who loses under this Republican tax plan.

We have now a series of estimates that were done by the Joint Committee on Taxation—this is a bipartisan group—and an analysis done by the U.S. Treasury Department. That shows who benefits, and who loses under the Republican tax plan. It is very interesting.

What we find, as this chart shows, is how the Senate GOP tax plan affects America's families. Half get hit with a tax increase. It is not a tax cut. Half the people in this country are going to get a tax increase. That is according to the Joint Committee on Taxation and the U.S. Treasury Department.

I ask unanimous consent that each of these charts be printed in the RECORD.

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

DISTRIBUTIONAL EFFECTS OF REVENUE RECONCILIATION PROVISIONS OF THE CHAIRMAN'S MARK SCHEDULED FOR MARKUP IN THE FINANCE COMMITTEE ON OCTOBER 18, 1995 AND PREVIOUSLY ADOPTED CHANGES IN THE EITC [1]

[Calendar Year 2000]

Income category [2]	Change in Federal taxes [3]		Federal taxes [3] under present law		Federal taxes [3] under proposal		Effective tax rate [4]	
	Millions	Percent	Billions	Percent	Billions	Percent	Present law Percent	Proposal percent
Less than $10,000	$879	9.6	$9	0.7	$10	0.7	8.6	9.4
$10,000 to $20,000	922	2.2	42	3.0	43	3.1	9.0	9.2
$20,000 to $30,000	417	0.5	86	6.1	87	6.3	13.6	13.6
$30,000 to $40,000	−4,221	−3.4	125	8.9	121	8.8	16.7	16.2
$40,000 to $50,000	−5,347	−4.0	132	9.4	127	9.2	18.4	17.6
$50,000 to $75,000	−11,740	−4.2	280	19.9	269	19.5	20.5	19.5
$75,000 to $100,000	−5,814	−2.8	209	14.8	203	14.8	22.9	22.1
$100,000 to $200,000	−3,850	−1.6	246	17.5	242	17.6	24.1	23.4
$200,000 and over	−2,792	−1.0	277	19.7	274	19.9	29.8	28.8
Total, all taxpayers	−31,546	−2.2	1,407	100.0	1,375	100.0	20.4	19.7

[1] Includes the tax credit for children under age 18, student loan interest credit, marriage penalty relief, IRA changes, long term care, capital gains deduction, treatment of adoption expense, aviation fuel exemption, and repeal of the wine and flavors credit as well as EITC changes previously adopted by the Senate Finance Committee.

[2] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 1995 levels.

[3] Federal taxes are equal to individual income tax (including the outlay portion of the EITC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

[4] The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

Source.—Joint Committee on Taxation. Detail may not add to total due to rounding.

TAX PROVISIONS IN THE SENATE FINANCE COMMITTEE CHAIRMAN'S MARK FOR REVENUE RECONCILIATION AND THE EITC PROVISIONS PREVIOUSLY ADOPTED BY THE COMMITTEE [1]

[1996 income levels]

Family economic income class [2] ($000)	Number of families (millions)	Average tax change (dollars)	Total tax change		Tax change as a percent of income	Tax change as a percent of current Federal taxes
			Amount [3] (millions)	Percent distribution		
0–10	12.5	$19	$239	−0.5	0.34	4.20
10–20	16.2	48	773	−1.7	0.32	3.60
20–30	15.1	88	1,319	−2.9	0.35	2.63
30–50	22.7	−249	−5,668	12.4	−0.63	−3.63
50–75	18.3	−565	−10,363	22.6	−0.92	−4.63
75–100	10.8	−927	−10,011	21.9	−1.08	−5.11
100–200	10.6	−1,183	−12,505	27.3	−0.91	4.13
200 and over	2.8	−3,416	−9,496	20.7	−0.71	−3.00
Total [4]	109.4	−418	−45,786	100.0	−0.72	−3.59

[1] This table distributes the estimated change in tax burdens due to the tax provisions in the Senate Finance Committee Chairman's Mark (JCX–44–95, September 16, 1995), and the EITC provisions adopted by the Committee on September 30, 1995.

[2] Family Economic Income (FEI) is a broad-based income concept. FEI is constructed by adding to AGI unreported and underreported income; IRA and Keogh deductions; nontaxable transfer payments such as Social Security and AFDC; employer-provided fringe benefits; inside build-up on pensions, IRAs, Keoghs, and life insurance; tax-exempt interest; and imputed rent on owner-occupied housing. Capital gains are computed on an accrual basis, adjusted for inflation to the extent reliable data allow. Inflationary losses of lenders are subtracted and gains of borrowers are added. There is also an adjustment for accelerated depreciation of noncorporate businesses. FEI is shown on a family rather than a tax-return basis. The economic incomes of all members of a family unit are added to arrive at the family's economic income used in the distributions.

[3] The change in Federal taxes is estimated at 1996 income levels but assuming fully phased in law and long-run behavior. The effect of the IRA proposal is measured as the present value of tax savings on one year's contributions. The effect on tax burdens of the proposed capital gains exclusion is based on the level of capital gains realizations under current law. Provisions which expire before the end of the budget period and provisions which affect the timing of tax payments but not liabilities are not distributed. The incidence assumptions for tax changes is the same as for current law taxes.

[4] Families with negative incomes are included in the total line but not shown separately.

Source—Department of the Treasury, Office of Tax Analysis, October 18, 1995.

TAX PROVISIONS IN THE SENATE FINANCE COMMITTEE CHAIRMAN'S MARK FOR REVENUE RECONCILIATION AND THE EITC PROVISIONS PREVIOUSLY ADOPTED BY THE COMMITTEE [1]

[1996 income levels]

Family economic income quintile [2]	Number of families (millions)	Average tax change (dollars)	Total tax change		Tax change as a percent of income	Tax change as a percent of current Federal taxes
			Amount [3]	Percent distribution		
Lowest [4]	21.4	$26	$562	−1.2	0.30	3.97
Second	21.9	77	1,688	−3.7	0.34	2.76
Third	21.9	−233	−5,110	11.2	−0.61	−3.49
Fourth	21.9	−578	−12,658	27.6	−0.93	−4.66
Highest	21.9	−1,380	−30,195	65.9	−0.87	−3.87

TAX PROVISIONS IN THE SENATE FINANCE COMMITTEE CHAIRMAN'S MARK FOR REVENUE RECONCILIATION AND THE EITC PROVISIONS PREVIOUSLY ADOPTED BY THE COMMITTEE [1]—Continued

[1996 income levels]

Family economic income quintile [2]	Number of families (millions)	Average tax change (dollars)	Total tax change: Amount [3]	Total tax change: Percent distribution	Tax change as a percent of income	Tax change as a percent of current Federal taxes
Total [4]	109.4	−418	−45,786	100.0	−0.72	−3.87
Top 10 percent	10.9	1,771	−19,375	42.3	−0.79	−3.59
Top 5 percent	5.5	−2,416	−13,220	28.9	−0.74	−3.18
Top 1 percent	1.1	−5,626	−6,155	13.4	−0.68	−2.77

[1] This table distributes the estimated change in tax burdens due to the tax provisions in the Senate Finance Committee Chairman's Mark (JCX–44–95, September 16, 1995), and the EITC provisions adopted by the Committee on September 30, 1995.

[2] Family Economic Income (FEI) is a broad-based income concept. FEI is constructed by adding to AGI unreported and underreported income; IRA and Keogh deductions; nontaxable transfer payments such as Social Security and AFDC; employer-provided fringe benefits; inside build-up on pensions, IRAs, Keoghs, and life insurance; tax-exempt interest; and imputed rent on owner-occupied housing. Capital gains are computed on an accrual basis, adjusted for inflation to the extent reliable data allow. Inflationary losses of lenders are subtracted and gains of borrowers are added. There is also an adjustment for accelerated depreciation of noncorporate businesses. FEI is show on a family rather than a tax-return basis. The economic incomes of all members of a family unit are added to arrive at the family's economic income used in the distributions.

[3] The change in Federal taxes is estimated at 1996 income levels but assuming fully phased in law and long-run behavior. The effect of the IRA proposal is measured as the present value of tax savings on one year's contributions. The effect on tax burdens of the proposed capital gains exclusion is based on the level of capital gains realizations under current law. Provisions which expire before the end of the budget period and provisions which affect the timing of tax payments but not liabilities are not distributed. The incidence assumptions for tax changes is the same as for current law taxes.

[4] Families with negative incomes are excluded from the lowest quintile but included in the total line.

Note.—Quintiles begin at FEI of: Second $15,604; Third $29,717; Fourth $48,660; Highest $79,056; Top 10% $108,704; Top 5% $145,412; Top 1% $349,438.

Source.—Department of the Treasury, Office of Tax Analysis, October 18, 1995.

Mr. CONRAD. Mr. President, how can it be? We heard all of this talk about a tax cut. Yes; in overall terms, in dollar terms, there is a tax cut; about $245 billion. But not everybody gets a tax cut. Half the people in the country are going to get a tax increase. That is what these charts show from the Joint Committee on Taxation and from the U.S. Treasury Department. Fifty-one percent of Americans, those earning up to $30,000 a year, 44 million American families, are going to get a tax increase. On the other side of the ledger, higher income people are going to get a tax reduction. Forty-nine percent of the American people are going to get a tax reduction. But 48 percent of the benefit is going to go to those earning over $100,000 a year.

Let us just see. This is the top 5 percent. What do they get? The top 5 percent. The 2.8 million families making over $200,000 a year get a $3,400 tax break. The top 5 percent get a $3,400 tax break.

How about the top 1 percent? Those are the 1.1 million American families that earn over $350,000 a year. They get a $5,600 tax break. Gee. You might wonder. How about my family? How about my family? We are earning $25,000 a year, a family of four. Do you know what is going to happen to you? You are going to get a tax increase. How about a family of four earning from $30,000 to $50,000 a year? What happens to them? They are going to get a slight tax cut of $249.

Compare that to the people getting over $350,000 a year. They are going to get $5,600—20 times as much, 20 times as much if you are earning over $350,000 than if you are earning between $30,000 and $50,000. And, of course, the dirty little secret of this tax plan is that Americans earning less than $30,000 a year—51 percent of the American people, 44 million American families—are going to have a tax increase. And then you look at the spread among those who are going to get a tax reduction, and it is unfair. A family earning between $30,000 and $50,000. They get only $250.

This small tax cut is going to be completely overwhelmed by the other effects of this overall package because those folks are going to find things that help them being cut, and they are going to wind up in a negative. If you look at how spending programs are being reduced and how the tax cuts affect them, you are going to find that people in the $30,000 to $50,000 category lose under this plan. The same will be true of $50,000 to $75,000. While they get a $565 tax cut, when you take into account the Medicare-Medicaid changes, the college loan changes and all the other Government programs that affect them, you find out their tax cut is going to be completely overwhelmed by the spending cuts that affect them.

So what you have here is an overall program that is an enormous transfer of wealth program. It transfers wealth from those who are on the low end of the totem pole and the middle of the totem pole to those who are on top. That is what the overall effect of this Republican plan is. And you know, that is what has been going on in this country for a long time.

This chart shows the share of wealth held by the top 10 percent of households in America. It shows in 1969, the top 1 percent had 20 percent of the wealth in this country. By 1979, the top 1 percent held 30 percent of the wealth in this country. And by 1989, they were up to 39 percent of the wealth. The top 1 percent, in 1989, held 39 percent of the wealth in this country.

I just say to my Republican colleagues, they accuse the Democrats of being for redistributing the wealth of America. Let me just say they have been the champions of redistribution of wealth, but instead of redistributing wealth from the wealthy down to those who are middle income and lower income, the Republicans have transferred wealth up to the top 1 percent, from the top 1 percent holding 20 percent of the wealth to the top 1 percent now holding 39 percent of the wealth of the Nation.

If anything is clear from history, it is that if wealth is concentrated in the hands of fewer and fewer people, that leads to political instability and that leads to deep trouble in the future.

Mr. DORGAN. I wonder if the Senator will yield.

Mr. CONRAD. I would be happy to yield.

Mr. DORGAN. I noticed a comment the Senator made about the fact that this reconciliation proposal will increase taxes for nearly 50 percent of the American families. Some say that is not a tax increase. If you limit or scale back the earned income tax credit, that is not a tax increase. And I was noticing that Jack Kemp, noted national Republican figure, former Congressman, former Cabinet official, said last week when he testified before the Senate Small Business Committee:

> I hope you guys do not go too far on removing the earned-income tax credit because that is a tax increase on low-income workers and the poor which is unconscionable.

So at least Jack Kemp thinks that when you scale back the earned income tax credit, what you have is a tax increase on low income and poor people. Is the Senator saying that the combination of those changes means that 50 percent of the working families in this country will have a tax increase?

Mr. CONRAD. These are not my estimates, I might add. These are the estimates of the Joint Committee on Taxation, these are the estimates of the U.S. Treasury Department, that do, as the Senator from North Dakota knows, distribution tables. And the distribution tables they provided the Finance Committee show that everybody earning up to $30,000 a year is going to get a tax increase. That is 51 percent of American families. Of the others who are going to get a tax reduction, interestingly enough, 48 percent of the benefit goes to those earning over $100,000 a year.

Let me just make one other point on the question the Senator asks with respect to the notion that the earned income tax credit is a welfare program. We heard that in the Finance Committee, that the earned income tax credit is really a transfer payment to people, at least in part. It is interesting because President Ronald Reagan said the earned income tax credit is the best profamily, prowork, antiwelfare measure ever to come out of Congress.

That is what Ronald Reagan thought about the earned income tax credit.

What these folks want people to believe is that the earned income tax credit only relates to the income tax, because it is true; some of the folks who get the benefit of the earned income tax credit do not have an income-tax liability, but guess what. They have a payroll tax liability that is huge. In fact, 73 percent of the American people pay more in payroll taxes than they pay in income taxes, and the earned income tax credit was devised not only to provide relief on income tax but also on payroll taxes for working families. These are not people on welfare. These are people who are working, working families who get a break on their taxes, on their payroll taxes and their income taxes.

Mr. DORGAN. I wonder if the Senator would yield for another question.

I am interested in this proposition of the three letters from the Congressional Budget Office. The Senator and I jointly wrote a letter to the Director of the Congressional Budget Office.

It is not a secret; I have said on the floor of the Senate here when the Director of the Congressional Budget Office was appointed, the chairman of the House Budget Committee said, ''I want to appoint this person because I think we will get the answers that we want from this person.'' This is a person who believes in the kind of an estimating process that is going to make them comfortable.

So I came to the floor and said I was pretty concerned about that. I want the CBO to be the referee, the one that is wearing the striped shirt, that is unbiased at the signal calling, or at least calling the issues as they see them.

And June O'Neill, the Director of CBO, in scoring this proposal, provided a letter on October 18, and the majority party brought it to the floor and they held it up and they were proud as new parents, blushing and showing all of us, gushing with pride, gee, we have now reached with this plan of ours a budget surplus in the year 2002. They did not claim that everyone would bear the same burden of lifting in order to reach the surplus, but nonetheless we have now reached a budget surplus in the year 2002.

Then the Senator and I wrote a letter to the Director of the CBO and said, well, that would be using the Social Security trust funds as operating revenues, would it not? The law will not allow us to do that, so will you provide us with a letter telling us what the year 2002 would look like if you cannot do what the law says you cannot do, that is, misuse the Social Security trust funds? Then what would the answer be?

The next day, October 19, we received a letter. And I noticed nobody from the other side has come and talked about this letter. But this letter says if you are going to count it that way, then in the year 2002 the budget deficit is $98 billion.

Then my understanding is they made a mistake in the computation of this. So the next day we got a third letter. And the third letter says, well, if you are going to count it that way with Social Security, we have made another adjustment and the deficit in the year 2002 is $105 billion.

So we went from a small surplus to a $98 billion deficit, now to a $105 billion deficit in 2002.

I raised the question last week about using the Social Security trust funds, and someone from the other side stood up and huffed and puffed and then gave me the answer kind of mumbled, like their mouth was full of tobacco or something. I could not quite hear what they said, but I got the gist of it. And the gist of it was that this is income.

You know, you do this like a business. You count all your income. I am thinking to myself, I wonder what they would say if the business counted as their operating income the pension money? I suspect the business man or woman would be somewhere on the road to 2 years of hard tennis in some Pennsylvania facility. Right.

You cannot do that. It does not work. It is dishonest. You cannot take Social Security trust funds that are dedicated to taxes, only to be used for that purpose, bring them to the operating budget, and say, ''By the way, we have taken all this money out of the Social Security trust funds. We now have a budget surplus.''

And because you cannot do that, cannot do it honestly, we asked the Congressional Budget Office Director to tell us, what is the deficit, if you are prevented from doing what is dishonest? The answer—$105 billion in 2002.

Can the Senator comment on these three letters?

Mr. CONRAD. First of all, when we talk about how it is counted, what the Senator and I asked for is, how about if you do it according to what the law is? The law is very clear. I read the law.

The law says you cannot count Social Security surpluses in determining whether the budget is in surplus or deficit. That is what the law says. Ninety-eight Senators voted for that law. They thought it was a good idea to protect Social Security then. They thought it was a good idea not to count surpluses, Social Security surpluses, in establishing whether the budget is in deficit or surplus then. They recognized when they cast that vote that it is absolutely wrong to take Social Security trust fund surpluses and use those to make the deficit look smaller.

Now, obviously I think that is right. And then when we asked the question of CBO, here is the final answer we got. There were three answers. The first answer, as the Senator noted, said we are going to have a slight surplus. When we said, ''Yeah. But follow the law, obey the law. What happens when you exclude Social Security trust fund surpluses that are off-budget by law?'' Then she came back and said—her final answer was, you have a $105 billion deficit in the year 2002, if you obey the law and you do not take Social Security trust fund surpluses.

Obviously, that is what we must do. That is what the law requires us to do. And what is the reason for that? The reason is, no place in America would any institution take the retirement funds of its employees, throw those into the pot and say they balanced the budget. Obviously you have got to run surpluses in your retirement accounts if you are going to have money for when your folks retire. It does not take any rocket science to figure that out.

If you spend all of the money, what happens when the folks retire? Their retirement funds are gone. That is what is at the heart of this issue.

I asked my accountant back in North Dakota, called him up one day, and I said, ''Larry, what would you say to a client, business client, who came to you, and said, you know, he was having some rough economic times, and his company was running in the red. And if this business owner figured out a way to balance was to take the retirement funds of his employees and throw those into the pot and call the budget balanced,'' what would his advice be to a client who came to him with that question?

My accountant said, ''I would tell him, 'You are on your way to Federal jail because that is a violation of Federal law.' ''

And that is precisely what this Republican budget plan contemplates.

Mr. DORGAN. I wonder if the Senator would yield for one additional question.

The reason this is an important issue is either there is a surplus with this plan—despite the fact that you might or might not think this plan is well done; you might think the plan takes from the poor and the middle-income families and gives to the wealthy—that is neither here nor there; we will have that debate, and have had that debate—but either it produces a surplus or it does not.

Some came to the floor of the Senate boasting. They had this new letter. They said, ''Look. We did all the heavy lifting, and we have a surplus in 2002.'' The reason they say that is germane is that it allows us to proceed with a tax cut. That triggers the ability to do tax cuts.

Well, if part of the triggering of the tax cuts is to use the Social Security trust funds, then what you have is a circumstance where, in my State, at least two-thirds of the senior citizens are living on $15,000 a year or less. You are saying to those people, ''Your trust funds in Social Security, we're going to use those to provide a tax break to some Wall Street bankers or some others in this country who don't need a tax break.''

So there is this tremendous transfer going on. That is why this question is important. And, again, I would say, Director O'Neill is, by all accounts, smart, capable. I have no reason to be critical of CBO, except we now have three different answers, the last of which is apparently correct.

And my sense is that it tells us what you and I have been talking about for some long while. The only way this adds up is if you add it wrong. It is the only way this adds up. Add it wrong, you get the right answer. Add it right, you get the wrong answer.

Mr. CONRAD. The Senator is exactly right. This is a fundamental question. And let me just say those who defend it by saying it is what we have been doing, that is no defense at all. That is just no defense at all.

What we have been doing is wrong. We have been doing it since 1983. For most of the time it has not made that much difference because the Social Security surpluses have been very small. But now the Social Security surpluses are growing dramatically. And they are going to continue to grow dramatically. There is a reason for it. The reason was to get ready for the time the baby-boom generation retires. That is why Congress acted in the early 1980's to change the Social Security fund, to design it to run surpluses. And what have we done? We have raided them. We have looted them. And now we will continue that practice to the tune of $636 billion over the next 7 years and call it a balanced budget. That is a fraud. That is an absolute fraud.

There is no one who would consider taking trust funds, throwing those into the pot to balance an operating budget as the correct way to do business. It is maybe the Washington way to do business; it is not the right way to do business. And we should stop it. We should stop it now.

I thank the Chair. I yield the floor and I note the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

RECONCILIATION AND BALANCING THE FEDERAL BUDGET

Mr. KYL. Mr. President, we are going to be taking up later on this week what we call in the Senate the reconciliation bill. Some of the Members from the other side have been talking about that bill this morning as it pertains to balancing the Federal budget. I would like to speak to some of the things that Senators addressed this morning, and also to the President's plans for dealing with our budget deficit over the course of the next 7 years.

Mr. President, Senator DORGAN and Senator CONRAD were just on the floor, and I think Senator HOLLINGS spoke earlier to this problem of the Federal budget deficit as it pertains to the Social Security surplus. They objected to the fact that the Republican balanced budget did not account for the fact that the Federal Government is spending that Social Security surplus and, therefore, makes it more like we are in balance when, in fact, we are spending money that does not really belong to the general Government; it belongs to the Social Security surplus. If you exclude that surplus, then, in fact, they charge that we would be running a deficit of about $100 billion in the year 2002.

Of course, it is true, that if the U.S. Government were not spending the Social Security surplus funds, then those funds would not be reflected in the budget and, obviously, there would be a deficit beyond that which has been calculated by the CBO.

But, Mr. President, the Senators that I just mentioned, the Senators from North Dakota and the Senator from South Carolina, while they have been consistent in speaking out in support of segregating those Social Security trust funds, I note have, with most of the other Members of both Houses of the legislative branch of Government, failed to refrain from voting for budgets that use those Social Security funds. My point is that everybody likes to talk about not spending those Social Security funds, but the fact is they vote for budgets that use the Social Security funds.

In 1993, all three of the Senators aforementioned voted for the budget resolution and, by the way, the reference is rollcall vote 94, April 1, 1993. Senator DORGAN, Senator CONRAD, and Senator HOLLINGS—all three—voted for the budget resolution that spent every dime of the Social Security surplus and, by its own admission, left a projected deficit of about $200 billion, even taking into account the Social Security surplus at the end of its 5 year period.

They all voted for the 1993 budget reconciliation bill, on August 6, 1993, that relied on the use of the Social Security surplus. Senator DORGAN, speaking on behalf of the budget reconciliation bill, said on the floor on August 6:

> The fact is, we are going to decide today whether we do something about this crippling deficit or whether we continue to do nothing.

And then he voted for the budget resolution that spent every dime of the Social Security surplus. They all voted for the budget resolution in 1994, that is May 12, 1994, that spent every dime of the Social Security surplus and, again, by its own admission, left a projected deficit of about $200 billion, even taking into account the Social Security surplus at the end of its 5 year period.

Excluding the Social Security surplus, the budget resolution in 1994 provided for deficits of $239 billion in 1995, rising to $300 billion in 1999. Yet, Senators DORGAN, CONRAD, and HOLLINGS all voted for it, and I note, by the way, Mr. President, that that compares with our budget which, excluding Social Security, would go from $245 billion in 1996 to about a $100 billion deficit in the year 2002 and, of course, if you do not count Social Security, according to CBO we would be in balance by then with a zero deficit.

These three Senators are claiming that the Republican budget is a phony budget because it counts Social Security, the same as it has always done. But our budget, as I said, leaves a deficit of zero at the end of the 5-year period—zero—and that is certified by the bipartisan Congressional Budget Office.

If you excluded the surplus, the question is, what would you do with it? And I ask the question of those three Senators, because I think it is odd, it is strange that they come here today criticizing the Republican budget because it allows the expenditure of those funds when, in fact, all three of them have supported the same practice over and over and over again. So what would they do with those funds?

The surplus, of course, is invested in U.S. Government securities. By definition, it is borrowed by the Treasury. We do not put our money under a mattress any more than anybody else does. So do these three Senators all contend that we should borrow the money, pay interest to the trust funds, and then let the money sit idle, not do anything? That is a poor use of the funds.

Perhaps they would be willing to join us in finding a way to allow people to invest that in the private sector as a way of creating a surplus to Social Security earnings.

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

Mr. KYL. Mr. President, I ask unanimous consent for 1 additional minute.

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

Mr. KYL. Mr. President, I will conclude by making this point. If we can invest that money in the private sector, it would both return a supplement to the people who are receiving Social Security in the future and prevent the general Government from expending the funds so that it would truly be used for Social Security purposes.

I hope that our colleagues' ultimate purpose is not to support what President Clinton has suggested, using pension funds for "economically targeted investments." In other words, pension funds would not be invested soundly for the benefit of retirees or, in this case, Social Security recipients, but used to advance social programs that benefit third parties.

I hope that is not what they are talking about. I hope it is more a political point they are making. Again, Mr. President, I point out that we would all like not to use those funds for general expenditure purposes, and we will be talking in the future about how we can assure those funds are used strictly for the benefit of Social Security retirees. I believe we should be supporting the Republican budget which the CBO confirms gets us to a zero deficit by the year 2002.