Democratic leaders in Congress have decided otherwise, choosing to attack the Republican Medicare plan rather than offering an alternative. By politicizing the issues, Democrats are threatening the viability of the very program that they created.

Mr. President, we are better than that. We can do better than that. Those on both sides of the aisle have pointed out that this is not an accurate representation of what we are doing, the rhetoric that we are hearing now.

The Washington Post, on September 25, 1995, pointed out that as far as saying the tax cut proposal is simply a tax cut for the rich to finance the Medicare cuts, they said, ''The Democrats have fabricated a Medicare tax cut connection because it is useful politically''.

Mr. President, the stakes are too high. The opportunities are too great. We must get down to what we all know is the task at hand; that is, saving this Nation from insolvency, saving the Medicare trust fund from insolvency, and putting some money back into the hands of working people.

Mr. President, only in Washington, DC, do we still think that $1 of tax cuts of any kind, capital gains or otherwise, is $1 of revenue to the Federal Government. It simply does not work that way. In 1981, for example, when the rates were cut for capital gains, revenues went up. In 1996, when rates were increased, revenues went down.

So I believe, as Senator DOMENICI has pointed out, the chairman of the Budget Committee, this is a culmination of not only his last work but a lot of people's last work. It is an historic occasion. We have an opportunity to do something that probably will not present itself again, certainly in our lifetime, as far as this reconciliation package is concerned.

I urge its prompt consideration and its approval.

I yield the floor.

The PRESIDING OFFICER. Under a previous order, the Senator from Michigan [Mr. LEVIN] is recognized to speak for up to 15 minutes.

Mr. LEVIN. I thank the Chair.

THE ISTOOK AMENDMENT

Mr. LEVIN. Mr. President, the Saturday New York Times over the weekend reported that a group of freshman Republicans in the House were threatening to basically bring the Federal Government to a halt unless a provision that they support is adopted in the conference report on the Treasury-Postal appropriations bill. The provision at issue is commonly referred to as the Istook amendment after its author, Congressman ERNEST ISTOOK of Oklahoma. It would put massive new restrictions on all Federal grant recipients with respect to their participation in matters of public policy. This is how the New York Times described it: ''As this week began, the freshmen were threatening an even wider uprising, with nearly half vowing to hold up all the upcoming spending bills and the reconciliation bill unless the leadership holds fast'' on the Istook amendment.

Congressman ROGER WICKER of Mississippi is quoted in the article as saying, ''It is something the conferees will ignore at their peril.''

One headline recently referred to the amendment here, as ''lobby reform.'' Proponents of the amendment say it will ''end welfare for lobbyists.'' Well, I have been working on lobbying reform for over 5 years, now, and I can tell you, this is not lobbying reform. It is repression of the rights of people to lobby.

The Istook amendment is a rather blatant attempt to silence dissent and to muffle the diversity of opinion in the forum of public policy debate. The amendment is one of the most poorly thought out I have ever come across. Senate conferees have been holding fast against it, although there is supposed to be a meeting of the conferees sometime tomorrow and we will have to see what happens. But again, the Senate has served as a firewall against an extreme proposal emanating from the House. The Istook amendment provides that any Federal grant recipient is not allowed to use more than a small percentage of their own money—non-Federal dollars—for political advocacy and still receive a Federal grant for totally unrelated activities.

There is already a longstanding law on the books that prohibits the use of appropriated funds for lobbying—no ifs, and, or buts. Appropriated funds under current law cannot be used for lobbying and there are provisions that ensure that even indirect costs of an organization cannot be used to subsidize lobbying activities. Current law applies to all appropriated funds regardless of who the recipient is—for profit contractors as well as nonprofit grant recipients. The penalties for violating this provision are severe, including debarment from all future Federal funding. So this is not restriction that is easily overlooked or dismissed.

The argument that current law allows welfare for lobbyists is factually incorrect. Under current law, no federally appropriated money, no Federal tax dollars can be spent by any recipient to lobby, period.

Well, then, what is the Istook amendment getting at? It is getting at the non-Federal money. It is trying to control what private organizations can do with the money they raise solely from private sources.

What does the amendment say? First, it applies to all grant recipients. Any entity that receives a Federal grant, either directly or indirectly would be subject to the provisions and requirements of the Istook amendment. So, yes it covers organizations like AARP which receives grants to conduct various programs for senior citizens, a favorite target of the Istook supporters. But it also covers grants to persons who do research in small laboratories for the NIH. It covers grants to major medical centers that may be studying the effects of chemotherapy for cancer treatment. It covers grants to religious organizations that may be conducting latchkey programs for the forgotten kids in neighborhoods across this country, and it covers groups like the Red Cross. It applies to any organization or entity that receives, directly or indirectly, Federal grant money or, indeed, that may apply for Federal grant money.

It does not apply to Federal contractors. Federal contractors receive hundreds of billions of Federal tax dollars, and they have a tremendous incentive to lobby. Continuation of the B–2 bomber readily comes to mind as a program that producers of the B–2 might have an interest in lobbying on, but the Istook amendment does not try to limit the amount of lobbying that contractors can conduct with their private money, even when they are lobbying for Federal funds. The amendment does not try to limit the volume of lobbying these companies can conduct despite the hundreds of millions, and in some cases the billions of dollars, they receive from the Federal Government and the Federal taxpayers. And if the Istook supporters can call private money used by Federal grant recipients welfare for lobbyists, the same would have to hold true for private moneys used by Federal contractors. There is no difference.

The whole approach is based on a disturbing and a flimsy distinction. You can buy B–2's from a company that makes a profit and not worry about how it lobbies with its own money, but if you buy research into a cure for cancer from a nonprofit university, then you need to restrict that university's lobbying efforts with its own money.

The B–2 contractor can lobby all it wants with its own money, but the university working on a cure for cancer cannot.

So the amendment at the outset targets only one type of recipient of Federal funds, and that is the grant recipients that are largely nonprofit organizations, leaving the contract recipients that are largely for-profit companies completely untouched.

What are the restrictions that the amendment then places on all Federal grant recipients? An organization cannot get a Federal grant if it spent more than—and I am shorthanding the formula here—if it spent more than 5 percent of its total expenditures on political advocacy in any one of the preceding 5 years. So let me repeat that. An organization cannot get a Federal grant if it spent more than 5 percent of its total expenditures on political advocacy—that is the term the amendment uses—in any one of the preceding 5 years. And then, of course, once an organization is a grantee, it is held to that same 5-percent limit as a condition of continuing to receive the grant.

So first of all, this is not a limitation on what a grant applicant must be

bound by once it gets a grant. This is much more than that. This is a limitation on what an applicant for a grant can do in the 5 years prior to applying for a grant.

An organization may not even know that it wants to apply for a grant, let us say, in 1995, but should it this year spend more than 5 percent of its money on what the Istook amendment calls political advocacy, then it is precluded 5 years from now from applying for a grant, even though it engaged in no political advocacy this year, next year, the year after, or the year after that.

This amendment is not only applicable to the period of time during which the grantee is carrying out a grant, it applies for all practical purposes for all years whether or not an organization has a grant if it thinks that it might some year, 5 years down the road, want to apply for a grant.

What is ''political advocacy''? The definition is so extreme that it is almost laughable if the stakes, namely, basic democratic principles, were not so high. Political advocacy includes carrying on ''propaganda''—that is the term that is used in the amendment—or otherwise attempting to influence legislation or agency action. This, the amendment says, includes but is not limited to contributions, endorsements, publicity, or similar activities.

So if the Food and Drug Administration were considering restricting the availability of cigarettes for young people, the American Medical Association, which may have a grant or may even want to apply for a grant in the next 5 years, could be precluded from using non-Government funds, its own funds, to endorse that agency action. At a minimum, if it thought it might want to apply for grant in the next 5 years, if it did not have one at the time, it would have to keep records of how much it spent if it made such endorsements and then regularly measure that amount against its other political advocacy activity, assuming you could figure out what political advocacy meant, and it would have to do that to make sure its total expenditures do not go over the 5-percent limit.

Political advocacy also includes participating in any judicial litigation— I do not know what litigation is other than in a judicial setting, but that is the term the amendment uses—in any judicial litigation or agency proceeding including as a friend of the court in which any Federal, State, or local government is involved. The exceptions to this sweeping provision are if the grantee is a defendant, so you are allowed to defend yourself, or if the grantee is challenging a Government decision or action directed specifically at the powers, rights, or duties of the grantee or grant recipient.

OK, so now let us say you are the Mayo Clinic, and you receive a large Federal grant to conduct cancer or diabetes research. The city of Rochester has developed a new master plan to rezone the entire city including the area around the clinic. You as the clinic are affected by that plan and you want to challenge it, but it is not directed specifically at the powers, rights, or duties of the Mayo Clinic. It is a plan for the entire city of Rochester, so now you would be forced to choose between continuing with the research grant or participating in the debate over the master plan.

Political advocacy also includes—and this is where the amendment takes another major leap in its extremism and its absurdity—allocating, disbursing, or contributing any money or in-kind support to any person or entity whose expenditure for political advocacy in the previous fiscal year exceeded 15 percent of its total expenditures for that year.

What does that mean? Presumably that every Federal grant recipient or potential applicant has to determine whether or not the business from which its purchasing services or products meets the 15-percent test.

So now if a Federal grantee or a potential grantee purchases a computer from IBM, that Federal grantee had better be sure that IBM is within the 15-percent limit, because otherwise that is an expenditure for political advocacy and the grantee has to count the amount of the purchase toward its 5-percent limit.

Let us take another example. A child care facility which receives a Federal grant for a breakfast program uses its own non-Federal private funds and hires an individual to do graphics for a campaign to promote healthy breakfasts. The person they happen to pick is a part-time lobbyist at the State legislature for other persons and other interests. The child care facility did not pick that person for that skill. They picked him for his ability to put together an attractive presentation for little children and for families. Under the Istook amendment, we are going to hold that child care facility responsible for determining whether or not that graphics person spends more than 15 percent of his expenditures on political advocacy. And if it does, the child-care center has to include in its total of its expenditures that amount of money.

Now, Mr. President, this is getting absolutely absurd. A potential grantee, an applicant for a Federal grant, who thinks that it may apply even in the next 5 years, has to keep a record of every single purchase it makes from every company during that 5 years and make sure that no company from which it buys a computer or anything else has exceeded a 15-percent expenditure limit using its own funds.

If you buy food for a clinic, you better make sure that the wholesaler from which you bought that food did not spend more than 15 percent of its own funds on political advocacy. This is Government gone mad. This is Government gone haywire. Nobody can keep these kinds of records and get certification from every person from whom they buy anything that that person did not spend more than 15 percent of its money on political advocacy.

This amendment does exactly what the opponents of lobbying and gift reform in the last Congress correctly said would be unacceptable: interfering with the right of an organization to communicate information to its members.

The Istook amendment would treat as political advocacy, and therefore reportable and subject to its limits, all communications between a grantee organization and any bona fide member of that organization that encourages the member to communicate with any government official on legislation or agency action. Let me repeat that. The Istook amendment requires grantees to report on an annual basis all of their expenditures—again, we are talking about non-Federal funds—incurred in communicating to their members to encourage them to contact Government officials on legislation or agency policy action. Isn't that what killed lobbying reform last Congress and is not that exactly the issue the very proponents of this Istook amendment said would be so offensive? We struck any reference to grassroots lobbying from the lobbying reform bill this year in order to make progress, and here, some Congressmen are threatening to shut down the entire Federal Government in order to pass a provision that requires organizations to publicly account for just how much they spend to do grassroots lobbying on their own members, not only on persons outside their organization but with their own members. Last year's provision did not go nearly that far and many of these same House Members railed against that.

This is Alice in Wonderland material, made real by the fact that the sponsors have threatened to shut down Government, if they don't get their way.

We are talking here about making the Red Cross report each year how much it spends of non-Federal funds should it ask its members to urge Congress to pass stronger legislation to protect the country's blood supply. We are talking about making the Girl Scouts of America report each year how much they spend when they ask their members to write to the FCC on violence in television shows. We are talking about requiring Mothers Against Drunk Driving to keep a record of all the expenses they incur in communicating with their members to fight for tougher drinking laws in their states. And these organizations would have to keep these records and report these amounts even though they do not even meet the definition of a lobbying organization under the Senate-passed lobbying disclosure bill.

Promoting and supporting this amendment is, alone, an unfortunate, unwise, and I believe deleterious position to take with respect to our basic democratic principles. But elevating the passage of this amendment to the position of importance that puts the

entire Federal Government at risk is incomprehensible.

One day we will weary of threats to shut Government down—and as a body rise up to defeat proposals supported by such threats. This proposal should also be defeated despite the threats, Mr. President, because the laws are already in place to protect any misuse of taxpayer moneys with respect to lobbying by tax-exempt organizations. The Senate should not give in to this thoroughly misguided piece of legislation; our conferees should hold fast.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, the Senator from Pennsylvania [Mr. SPECTER] is recognized to speak for up to 30 minutes.

Mr. SPECTER. I thank the Chair.

THE BUDGET RECONCILIATION BILL

Mr. SPECTER. Mr. President, 1 year ago we Republicans won control of the Congress based on commitments to balance the budget, reduce the size of Government, and lower taxes. These commitments remain our basic goals. I have sought recognition this morning to speak on the reconciliation bill which will be coming up tomorrow.

I know that tomorrow time will be very precious, so I want to express some of my thoughts at this time. These reservations which I am about to discuss have been expressed to the leadership. There was difficulty in even coming to preliminary conclusions because much of the material had not been made available until very recently, some of the tables on the tax reductions only coming as late as yesterday.

As we address the reconciliation process in the next few days, I ask my colleagues to reconsider certain aspects of the proposed legislation. As much as I favor tax relief for Americans, I question tax cuts that may jeopardize our No. 1 priority, which is balancing the Federal budget.

As much as I want to reduce the size of Government, I question spending cuts directed so disproportionately against the elderly, the young and the infirm. And on a political basis, I suggest to my Republican colleagues that we all rethink support for a combination of tax cuts and spending cuts that may lead to the perception of the Republican Party as the party of wealth, power and privilege, and not the party of ordinary American working families.

Last fall we Republicans swept to historic victories in both Houses based on our responsiveness to the people's demand for less, not more Government, for a Government that lives within its means, and for a reduction of the tax burden on ordinary Americans.

I am fearful, Mr. President, that we will forfeit that political high ground in an instant if we adopt a budget that not only fails to end the deficit, but that, either in appearance or in fact, makes the least affluent Americans bear the heaviest burdens while giving most of the tax benefit to the most affluent among us.

I am concerned, Mr. President, that these tax cuts threaten a balanced budget, which is by far the most critical aspect of the electoral mandate of 1994. Many of us have been working for a balanced budget for many years. And I have been making that effort for all of my 15 years in the Senate. But until this year, I have never seen legislation passed that actually had a likelihood of achieving that goal.

Finally, after years of shadowboxing, after years of spending restraint initiatives that were mere smoke and mirrors, not really substance, this Congress has been willing to make the painful changes necessary to achieve a balanced budget. We are moving toward real reform of entitlements, thereby for the first time giving us a real ability to restrain future spending in those programs. Painful though these actions are, we are willing to make these sacrifices in the name of future generations. And we do that in order to achieve a real balanced budget within the 7-year glidepath.

The Senate Appropriations Subcommittee on Labor, Health, and Human Services, which I chair, and where the distinguished Senator from Iowa, Senator HARKIN, serves as ranking member, has made very, very painful cuts on a budget which had exceeded $70 billion in discretionary spending. These reductions totalled almost $8 billion, down to somewhat more than $62 billion in spending.

I would suggest to you, Mr. President, that we made these cuts with a scalpel and not a meat ax. But we had to pare back critical programs, difficult as it was, such as compensatory education for the disadvantaged, substance abuse treatment and prevention, drug-free schools, dislocated worker training—and we did so, I believe, in a way that left intact the basic safety net that protects America's neediest and most disadvantaged—and with a special concern for children and the elderly.

We were able to make these difficult spending cuts because of our commitment to a balanced Federal budget. But the current reconciliation bill may undercut that commitment while leaving those painful spending cuts in place. The largest spending cuts occur in the so-called outyears while many of the tax cuts occur at the outset. These savings may materialize, but there is no guarantee that they will.

Estimates of rates of economic growth, inflation, tax revenue generation are only estimates, and estimates invariably become less accurate the further out in time they occur. The proposed reconciliation bill offers the certain tax cuts right now paid for by spending cuts later and anticipated savings. That sounds too much like the approach which has put us in a predicament with almost a $5 trillion national debt.

Mr. President, I am very concerned that these tax cuts are unfair or at least give the perception of unfairness. I express this concern because much of the pain of the spending cuts goes to the elderly, the young, and the infirm while allowing tax cuts for corporate America and those in higher brackets.

I question, Mr. President, cuts in student aid, job training, low-income energy assistance, workplace safety, Head Start, childhood immunization, and mother and child health programs while we give corporate tax breaks such as accelerated depreciation for convenience stores and expanded equipment depreciation.

I am concerned, Mr. President, as I take a look at the cuts in Medicare and Medicaid. This is a subject that was highly controversial, leading many Republicans from my neighboring State of New Jersey to vote against the Medicare Program in the House of Representatives. I point specifically to Medicare part A disproportionate share payments relating to extra payments to hospitals that serve a high proportion of poor patients. This program is reduced by some $4.5 billion over 7 years. This change impacts very, very heavily on many of the hospitals in my State of Pennsylvania and on many training institutions across the country.

And I point further to the Medicare part A indirect medical education payments, which are financial adjustments to teaching hospitals to cover excess costs due to training. This program is reduced by some $9 billion. I also point to the change in the index for future payments to hospital providers, which will be reduced by some $36 billion over the course of 7 years.

While it is admitted that Medicare changes are necessary in order to remain solvent and that we have to have a handle on Medicare, there are many questions being raised by senior citizens and the elderly all over America today as to the fairness of these reductions. I specify that they are not cuts, but we are trying to get a handle on Medicare so that as costs increase, we can reduce the rate of increase. But there are many questions legitimately being raised about these budget considerations on Medicare.

On Medicaid, there is a change from entitlements to block grants. We have bitten the tough bullet on changing the block grants on welfare payments, and we are in the process of making real reforms in the entitlement programs.

There is a particular concern as to what will happen in many of the States. There was a lead article in the New York Times in the last few days about what is happening and what may happen further. The State illustrated was Mississippi. A particular concern of my State, Pennsylvania, is the formula for the allocation of Medicaid funds under a block grant, with some