

They want to continue the Market Promotion Program. They want to take a \$5 million asset on a trust fund and give people a \$1.7 million tax break. It is a question of how we are doing it.

What we all understand is, we should not be doing it at the expense of students and at the expense of the colleges and universities that have entered into the Direct Loan Program so that you can put more money back into the pockets of the lending institutions. It just does not make sense.

The Senator from Idaho stands up and says, "We are going to take a lesser amount of money, but we are still going to be able to give you the same amount of education." I wish he had been there yesterday when the chancellor of the University of Massachusetts and the folks from Lowell, MA, and New Bedford and Fall River, which have 15 percent unemployment, working class people came in and said to me, "Senator, if these cuts go through, our kids are going to drop out of school." And they are going to drop out of school because they are going to have \$5,000 of additional costs in interest on the PLUS loan that is going to be \$700 to \$2,500 of debt because they eliminate the interest subsidy on the 6-month grace period. They are going to have a transfer tax on colleges and universities participating in the student loan program, and they are going to end, for half the universities, direct participation.

Mr. President, those kids cannot go to school paying that additional money. But they are giving the money to people earning more than \$300,000, and to all of these other interests. They are continuing additional defense spending. The question is how we will balance the budget. It should not be done on the backs of the future generation in education.

The PRESIDING OFFICER. Who yields time?

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. DOLE. Mr. President, has leader time been reserved?

The PRESIDING OFFICER. Yes.

Mr. DOLE. I ask unanimous consent that I may use a portion of that leader time without it being charged against either side.

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

#### REPORTS OF WAR CRIMES

Mr. DOLE. Mr. President, today's Washington Post reveals shocking news about what happened to the men of Srebrenica after this so-called safe area fell to Bosnian Serb forces in July. Twelve thousand men from this U.N.-designated safe area tried to flee to Bosnian Government-held territory and more than half were brutally butchered by forces under the command of Gen. Ratko Mladic.

Yesterday's Christian Science Monitor reported that Serb officers—from

Serbia—actively participated in the massacre of Moslems from Srebrenica.

No doubt about it, General Mladic and his forces are directly responsible for these war crimes. But, these reports beg the question: What was the role of the Yugoslav Army in this attack on Srebrenica and the subsequent massacre of Moslems. And more importantly, what was Slobodan Milosevic's role in these savage war crimes?

Reportedly Mladic is often in Belgrade—where he coordinates with senior Serb officers, including the Chief of Staff of the Yugoslav Army. The Yugoslav Army has continued to actively assist Bosnian Serb forces. And Bosnian Serb and Serb air defenses are integrated.

The bottom line is that the Congress—and the American people—need to hear what the administration knows about the relationship between Bosnian Serb forces and the Yugoslav Army, and the relationship between Mladic and Milosevic. Have we been told everything the administration knows about Milosevic's possible culpability in this hideous war crime?

Frankly, I am highly skeptical that the buck stops at General Mladic. In any event, these questions need to be answered by the administration now.

Next week, the proximity talks will begin in Dayton and Serbian President Slobodan Milosevic will attend. We need to know whether we are rolling out the red carpet for a war criminal. We need to know who the administration is dealing with—the butcher of the Balkans or the peacemaker of the Balkans?

Furthermore, the President should publicly commit his administration to ensuring that these war crimes will not be swept under the rug as part of the price of peace settlement. If Milosevic is responsible for war crimes, he should be held accountable—even if this complicates the peace negotiations.

Mr. President, if the administration fails to effectively address the matter of war crimes in the former Yugoslavia, the Congress will. The fiscal year 1996 foreign operations bill includes an amendment I offered on the Senate floor which would prohibit bilateral assistance to any country that provides sanctuary to individuals indicted the U.N. War Crimes Tribunal on Yugoslavia. It also instructs U.S. representatives in multilateral institutions to vote against aid to any country that provides sanctuary to indicted war criminals.

The United States is the leader of the free world—this requires not only political, but moral leadership. We cannot repeat the United Nations's grievous error of looking the other way when confronted with enormous crimes against humanity.

Mr. President, I reserve the remainder of my leader time.

Mr. WELLSTONE. Mr. President, I ask unanimous consent to have 30 seconds to thank the majority leader for his statement.

Mr. DOLE. I yield 30 seconds to the Senator from Minnesota.

Mr. WELLSTONE. I thank the majority leader for his statement made on these war crimes, these atrocities. I do not believe that those who committed these crimes should be able to get away with it. I think it would be a terrible mistake for the world.

I appreciate the power of what the majority leader says. I very much appreciate his focus on the war crimes.

#### THE BALANCED BUDGET RECONCILIATION ACT OF 1995

The Senate continued with the consideration of the bill.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I yield 3 minutes to the Senator from Minnesota.

Mr. WELLSTONE. When I heard what my colleague from Idaho said, I could not be in more profound disagreement. The debate is not on a balanced budget, deficit reduction; it is on a Minnesota standard of fairness. This agenda here is not connected to the reality of the lives of people that we represent back in our States: "Senator, I am a student at Moorhead State, I work three minimum-wage jobs. The college years are not the best years of my life."

"Senator, I am a nontraditional student. I am older than you and I lost my job; I am going back to school, and I do not have much money. If you cut my financial aid, I will not be able to get back on my own two feet."

"Senator, I am a single mother, and I am going back to school, and I have two small children. If you cut my financial aid, I will not be able to move from welfare to workfare."

I hear it in community colleges; I hear it in public universities; I hear it in private schools. I asked my colleagues, I say to my colleague from Massachusetts, during markup, "Have you held town meetings in the campuses? Do you know what the consequences of what you are doing here in the Senate will be for students in this country?"

Mr. President, this is outrageous.

I ask unanimous consent to have printed in the RECORD the text of a petition from 515 students at Inver Hills Community College and Lakewood Community College.

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

#### PETITION FOR SAVING OUR STUDENT LOAN PROGRAM

Students are concerned about federal financial aid cuts Congress proposes to higher education. If these cuts are made, they will affect my ability to go to college and find a living wage job. Please help me continue to have an education that is affordable and accessible. The economic security of our nation depends upon a well-educated work force. America's future rests in your hands.

Mr. WELLSTONE. Mr. President, I simply say it loud and clear, and I will shout it from the mountaintop. I only

have probably 30 seconds left. If you want to do deficit reduction, cut the subsidies for the pharmaceutical companies, cut the subsidies for the oil companies, cut the subsidies for the insurance companies, cut the subsidies for the tobacco companies; do not spend more money on stealth bombers and Trident and all of the rest, and do not have tax cuts that disproportionately go to the wealthiest people.

Do not do deficit reduction by denying all too many young people—and not-so-young people because many of our students are older—their opportunity for a higher education. I am proud to be an original cosponsor of the Kennedy amendment. It speaks to basic economic justice. I hope 100 Senators vote for it.

Mr. KENNEDY. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Massachusetts has 5 minutes 12 seconds.

Mr. KENNEDY. I yield myself 4 minutes, Mr. President.

Mr. President, I want to repeat what I mentioned at the outset, that our amendment is budget neutral. We have been asked about that.

Mr. President, in the final few moments, I have been amazed by the silence of our Republican friends in defending an indefensible policy. Silence in defending a policy that will put a stranglehold on the sons and daughters of working families trying to achieve a better education. The most that was said in defense of this indefensible policy, Mr. President, by one Member of the Republicans, is that this proposal is “changing the parameters of the obligation.” Let me tell every working family in my State and across the country the truth. This Republican proposal is going to mean more dollars out of your pocket and more obligations on the students of this country.

In the final breath, Mr. President, there is an extraordinary reliance by our Republican friends on raising the revenues. In their proposal, they put a tax—described by the majority of the Republicans as a “fee”—on every educational institution in this country. They would mandate a tax on every educational institution. The cruelest part of all is that the amount of that tax increases as they provide more and more assistance to the neediest students that go to those schools. The institutional tax goes in the opposite direction of every educational policy that we have made in the last 30 years. It requires more and more payment by the sons and daughters of working families and the neediest families. That is just an extraordinary admission, Mr. President, of a bankrupt effort by our Republican friends by taxing these working families.

In the Republican proposal, working families are going to have to pay more out of their hard-earned income because of the tax increase in the EITC. Then, the same working families are going to pay more out of scarce re-

sources for the copays and the deductibles we will have to have.

Because of reductions in Medicaid, these working families are going to pay even more to provide health care coverage for their children.

For what reason? To give a tax break for the wealthiest individuals and the wealthiest corporations. That is what this is all about. They are taking the money out of the pockets of the neediest families in this country and transferring it to the wealthiest individuals. That is the parameter of the obligation that our Republican friends refer to when they try to justify their position.

Mr. President, this bill and these cuts are too harsh and too extreme. But, in addition to their cold heart, Republicans are now getting cold feet. The verdict of the American people is coming in.

Republicans are being found guilty beyond a reasonable doubt of hurting senior citizens on Medicare; guilty of hurting helpless elderly patients in nursing homes; guilty of punishing innocent children on welfare; guilty of closing college doors to the sons and daughters of working families; guilty of pandering to polluters and endangering the environment; guilty of massive giveaways to powerful special interest groups; guilty of taxing low-income workers; guilty of taxing hard-pressed college students to give tax breaks to millionaires.

Whatever became of the anti tax Republicans? I say shame, shame on the Republican Party for using their majority power to hurt the vast majority of Americans. This bill will be dead on arrival at the White House, and we ought to bury it right here in the U.S. Senate.

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

Mr. KENNEDY. I hope we have an opportunity to vote on this amendment soon.

What is the Chair's understanding about when we will be able to have a disposition of this amendment?

Mr. EXON. Mr. President, if I could answer briefly the Senator's question. It is a good one.

We have been trying to work on this since yesterday afternoon. It appears we are very close to agreement that allows us to start voting up or down on these amendments sometime early this afternoon and very late into the evening.

Mr. KENNEDY. Would the Senator yield half a minute on the bill?

Mr. EXON. I yield.

Mr. KENNEDY. Mr. President, I have heard that my Republican colleagues are trying to doctor up some different proposal on student loan cuts. We have had months to change the proposal. I hope we will support this amendment that represents the best judgment of parents, educators, and working families.

Mr. EXON. Mr. President, I thank the Senator from Massachusetts for his ex-

cellent presentation, and I agree with his remarks. I agree with his conclusion. I hope we can move in an expeditious fashion.

I yield 8 minutes off the bill to my colleague from North Dakota.

Mr. DORGAN. Mr. President, I have been puzzled here for nearly a day and a half because we have some very important decisions to make in the U.S. Senate, one of which deals with Medicare, and we are not voting on them.

Reconciliation is a process that provides us 20 hours. We offered an amendment that does not take great skill to read. It does not take many staff people to read it. It is very simple.

It says, “Let's reduce this tax cut for the wealthy and use the savings to reduce the cut on Medicare for the elderly.” That is a very simple proposition.

It has been almost 30 hours since it was offered yesterday on the floor of the Senate, and no vote. Why no vote? Is it hard to understand? Are people still reviewing this? No, that is not why. What we have is a stall.

I understand we may be getting close to an agreement, and I hope we are, because if we are not, we are going to start reading this legislation—maybe two or three times. It is 1,949 pages, given us Tuesday night to come to the floor Wednesday morning.

Most people here do not have the foggiest notion of what is in it. Most of us have some suspicion about what is in it. Most of us believe that this, handed to the wealthier families in America, will provoke significant smiles because they will find some awfully good news in here for their families. Drive a Mercedes Benz, make half a million a year, there is awfully good news in here for you.

If you are an elderly person, dependent on Medicare or a poor person on Medicaid or a middle-income family trying to send your kids to school, or a poor mother who has a child in Head Start, the news here is pretty grim. It says we cannot afford you. It says you better tighten your belt because this is coming your way, and this is not good news for you at all.

I think some of the pieces of the puzzle are starting to come into focus about who is fighting for whom. Whose side are you on?

Here are a couple pieces of that puzzle. This was in the paper yesterday. One of the new Republicans over in the House of Representatives says “the Democrats once again have it all wrong when they claim the GOP's proposed \$500 tax credit for families earning up to \$200,000 is a tax cut for the rich.” He says those folks are lower middle class.

Heineman, former Raleigh Police Chief, told the Raleigh News and Observer that his salary of \$133,000 plus \$50,000 a year in police pensions “does not make me rich. It does not make me middle class. In my opinion that makes me lower middle class.”

This new Republican, this fellow that has new ideas and came with a notion of change says, “When I see someone who is making anywhere from \$300,000

to \$750,000 a year, that's middle class." He said, "When I see anyone above that, that's upper middle class." Oh, really? These are the new ideas? Middle class at \$750,000 a year? Now I can understand why they tell us their tax cut is aimed at the middle class. Now it is clear to me. I understand how these pieces to the puzzle start to fit.

Another big piece—in fact, it is the centerpiece for this puzzle in this morning's newspaper—the Speaker of the House, speaking candidly to Blue Cross Blue Shield, an insurance company, says this in talking about Medicare:

Now let me talk about Medicare . . . we don't get rid of it in round one because we don't think that would be politically smart.

Let me say that again. The Speaker of the House says, and these are people who say, "We love Medicare; we want to save Medicare."

We don't get rid of it in round one because we don't think that would be politically smart and we don't think that's the right way to go through a transition. But we believe it's going to wither on the vine because we think people are going to voluntarily leave it.

Now, put these pieces into the puzzle and see if you do not start getting the message. These are people who are going to save Medicare? No, I do not think so.

Round one. They do not get rid of it in round one. But guess what? This is a 10 rounder, and by the end of this match they plan on getting rid of Medicare. This is all about the middle class—yes, their middle class—somebody making \$750,000 a year.

I said, good news and bad news around here. I was watching Star Wars the other night with my children. I have not seen that for a long time. Does anyone remember the characters in Star Wars, R2-D2 and C3-PO? I was thinking, if children in this society had names with numbers maybe they would do better; right?

Let me give some numbers that do well. I said that a lot of folks do not do well in this. A lot of kids do not do well. Fifty-five thousand kids, all of whom have names, will no longer be in Head Start because the majority cannot afford them in the Head Start program. A kid by the name of Tim or Martha or Tom, they get bad news, no Head Start program.

But if you had an initial like a B-2 or an F-15 or a UH-60 Blackhawk—go down this list. I do not have time. But this is a list, all of which represent spending add-ons; in other words, money that the Defense Department did not ask for, for helicopters, amphibious ships, fighters, bombers, star wars, and on and on and on that the Defense Department said they did not want, they did not need, and they did not order.

Guess what? The conservatives say, "We insist you buy it because we got the money to pay for it." And then they bring 2,000 pages out here to the floor and say, "We are sorry. We are

broke. You are poor? You are young? Out of luck."

So we say to them on Medicare, on our first amendment, offered nearly 30 hours ago, how about establishing priorities here? How about at least forgetting the tax cut notion you got for the wealthiest Americans and using some of that money to provide Medicare for the elderly? Do you know what, 30 hours later we cannot get a vote. Why can we not get a vote? Is it because they cannot understand the amendment? No. It is because they are stalling. They do not want to vote on the amendment.

One way or another, somehow we are going to vote on this amendment. We might stand here for 6 days, but we are going to vote on this amendment, and we are going to vote on the education amendment, and we are going to vote on the next amendment which is fiscal responsibility, which says do not give a tax cut until we have a balanced budget.

I am a little disappointed about what has been going on the last 30 hours. I can understand a shuffle when I see it. I can understand a stall when I see it. But nobody ought to claim to us they do not understand this issue. After 30 hours you would think everybody understands it well enough to have a vote.

So, it is 10 minutes to 1. How about a vote at 1 o'clock? Why do you not give the elderly in this country an opportunity? Express yourselves and give us an opportunity to express ourselves about tax cuts for the rich and Medicare cuts for the rest? Let us decide if we are going to have a vote soon.

If we are near an agreement, I say fine. I want us to have an agreement and get through this. But I say, at the end stage of this process, that I happen to know and all of you in this room know what is really at work. We have a Medicare amendment on the floor. The Speaker of the House gives a speech to Blue Cross/Blue Shield. He says he wants to save Medicare. And here is what he says in his speech. "We don't get rid of it in round one because we don't think that would be politically smart."

We understand what that means about round two. That is why this is important. That is why there is some passion in this debate, about a lot of folks who have reached their senior status in life and fear they are going to get sick and they are not going to have the money to deal with that illness. This is important.

Mr. President, I ask for 1 additional minute.

Mr. EXON. I am sorry. Another 30 seconds. I am trying to conserve time on this side.

Mr. DORGAN. I yield the floor to the Senator from Nebraska.

Mr. EXON. I will yield 30 seconds to the Senator from Maryland.

Mr. SARBANES. Mr. President, I listened very carefully to the very distinguished Senator from North Dakota.

What is the date of that speech the Speaker made when he said that this is only round one to get rid of Medicare?

Mr. DORGAN. The speech apparently was given the other night, October 24.

Mr. SARBANES. On the same day, October 24, Senator DOLE made a speech. Listen to this. "I was there, fighting the fight, voting against Medicare—1 of 12—because we knew it wouldn't work in 1965."

So you have the Republican leader in the Senate and the Republican leader in the House, both of whom have been trying to portray themselves as helping Medicare, now bragging about the fact that they are against Medicare or that this is only the first round in getting rid of it.

The PRESIDING OFFICER. The Chair will advise the Senator 30 seconds has expired.

The Senator from Nebraska.

Mr. EXON. Mr. President, as I understand it we are now prepared to go to the next item that will be offered by the Senator from Arkansas with 30 minutes equally divided; is that correct?

Mr. ABRAHAM. Yes. We are prepared to do that.

Mr. EXON. So I hope the Chair could recognize the Senator from Arkansas, following 1½ minutes that I would like to yield at this time to the Senator from Vermont.

The PRESIDING OFFICER (Mr. DEWINE). The Senator from Vermont.

Mr. LEAHY. Mr. President, I have repeatedly said on the Senate floor that balancing the Federal budget is so important we need to set our partisan differences aside.

Unfortunately, balancing the budget was the most serious problem facing our country—until today.

The American people are fed up with Washington—and how can you blame them.

The single working mother who is holding two jobs to take care of her children should expect nothing less than having the Federal Government pay its own bills.

Vermonters must balance their checkbooks each month, why should the Government that they send their taxes to not be held to the same accountability.

Mr. President, Republicans laud this budget reconciliation bill that we are debating today as the solution to the deficit problem.

Well, this bill may balance the budget but the wake it leaves behind threatens to irreparably divide our country. This bill is a cruel prank on hard working Americans who have asked Congress to get our budget in order.

The Republican leadership has answered the call to balance the budget with a plan that radically redistributes the wealth of our country.

Playing on the desires of hard working Americans, the Republican leadership has seized the opportunity to protect the wealthiest in our country.

This plan balances the budget on the backs of the people who are working the longest hours, in the lowest paying jobs.

Ironically, as these Americans have shouted out the loudest about getting our fiscal books in order, they will be the ones who feel the pain the most.

Under the guise of saving Americans from the burden of debt, the Republican leadership has devastated programs that help hard working men and women realize the American dream of economic opportunity.

We are told that in order to save programs, we must first kill them so that 7 years from now they will emerge solvent and robust.

It is a leap of faith that I cannot make, much to my embarrassment, because my distinguished colleagues in the majority have been telling us what a bold and courageous moment in time that they are seizing.

They are the self appointed saviors out to rescue us from the trillions of dollars of debt accrued during the Reagan-Bush administrations. They never mention that latter part—no doubt an oversight—and in the press of time, it is perfectly understandable why the subject never arises.

A case in point is education. This bill makes short-sighted cuts in education. It cuts student loan programs by \$10 billion over the next 7 years.

Students will be hit with 70 percent of these cuts—increasing the costs to the 20,000 Vermonters receiving higher education and their families by at least \$5,800 over the life of a student loan.

Congress should be working to make education more affordable—not less.

These additional financial burdens will discourage many students from continuing their education after high school.

The Contract With America has sealed the fate of the next generation of Americans. They may never have the chance of post high school training or a college education—the key to a better paying job.

Mr. President, the list of programs that the Republican leadership are slashing under the thin guise of reform is long.

This bill is a back door version of the New Federalism, the short-lived brainchild that was the predecessor of the Contract With America. Congress piles up the rhetoric while dumping the tough decisions on the States.

Governors are increasingly wary of this, because the cost for maintaining any of these programs will rest squarely on the local taxpayers.

We know that Medicaid is a life-line to provide essential health care to low-income pregnant women, children, the disabled, and the elderly.

It is also the safety net that rescues middle-class families when a factory closes down and the jobs that are available do not provide health insurance.

It spares middle-class families from choosing between nursing home care for a parent or financing the college education of a son or daughter.

I think we all agree that the Medicaid reform proposal before us turns the program over to the States, at greatly reduced funding levels.

Despite all the disclaimers from its supporters, I remain unconvinced that it is anything more than a recurrence of policies that once made poor farms and orphanages the sanctuaries for low-income children and families in America.

I agree that States should have more flexibility, but not at the cost of our national responsibility. Our States will find themselves hundreds of millions of dollars short of funds to provide necessary health care over the next 7 years.

Vermont already has flexibility through the Federal waiver process.

Vermont's plan continues the Federal/State partnership nature of Medicaid and enables Vermont to cover 15,000 more of the State's growing number of uninsured.

This bill will nullify Vermont's initiatives to administer the program more economically.

The budgetary pressure on States to make cuts in eligibility and benefits will be very strong. On average, States will lose 30 percent of their Federal Medicaid payments by the year 2002.

There is no provision in this bill that would provide Vermont, or any State, with additional resources in times of economic downturn or recession when the Medicaid rolls have historically increased.

Vermont will lose 10 percent on average over the next 7 years and cuts are backloaded so that Vermont will lose 27 percent in the year 2002.

This cut is estimated to reduce Federal Medicaid payments to Vermont by \$205 million over the next 7 years.

If the sharp reductions in Federal Medicaid funding cannot be offset by managed care savings or cuts in payments to providers, States will have to cut benefits or severely limit the number of people eligible unless they are willing to pay a much larger share of the cost of the program with State funds.

Competition among States may contribute to the pressure to restrict eligibility.

Without Federal standards, many predict a race to the bottom where no State wants to be seen as providing broader coverage or more generous benefits than its neighbors.

While there was much talk about this bill partially retaining an entitlement for low-income pregnant women, children, and the disabled, the truth is that the bill fully follows through on the Contract With America proposal to provide no assurance to any low-income American that they will get the health care they need.

This fact was certified by the Congressional Budget Office earlier this week.

The plan also repeals requirements that now protect nursing home residents from being restrained, drugged,

or forced to live with substandard care in disreputable homes.

It replaces these safeguards with 50 separate State regulations with no standard minimum requirements.

I have been pleading for Congress and the President to join in bipartisan negotiations on balancing the budget without jeopardizing the success of our health programs.

The PRESIDING OFFICER. The Senator from Arkansas.

#### MOTION TO COMMIT

Mr. BUMPERS. Mr. President, I send a motion to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Arkansas [Mr. BUMPERS] moves to commit the bill S. 1357 to the Committee on Finance.

Mr. BUMPERS. Mr. President, I ask unanimous consent that reading be dispensed with.

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

The motion is as follows:

#### MOTION TO COMMIT WITH INSTRUCTIONS

Mr. President, I move to commit the bill S. 1357 to the Committee on Finance with instructions to report the bill back to the Senate within 3 days (not to include any day the Senate is not in session) making changes in legislation within that Committee's jurisdiction to delay the effectiveness of any revenue reductions until the first fiscal year in which outlays no longer exceed revenues.

Mr. BUMPERS. Mr. President, this is very simple and straightforward. The Members of this body should vote for this on a purely intellectual basis, without regard for partisanship. That is hard for me to say, and I know it is hard for people around here to respond to that kind of request. But it simply says: Do not cut taxes until you balance the budget.

I can remember not too many months ago when that idea had great credence in this body, on both sides of the aisle. I had even hoped at one time that the chairman of the Budget Committee who crafted this whole thing, Senator DOMENICI, would join me, today, with this amendment saying we are not going to cut taxes until we balance the budget. Here is what Senator DOMENICI said on May 29, this year, just a few months ago.

"We are working through some very, very tough terrain," he said, acknowledging that most battles lie ahead. "But I am convinced that most people share our view that we must balance the budget first before we cut taxes."

Here is a chart for anybody who chooses to look at this thing economically and sensibly. Here it is. You cut taxes in accordance with \$245 billion, the figure that is bandied about here, and if you cut taxes by \$245 billion over the next 7 years you add \$293 billion to the national debt and our children and grandchildren will pay interest on that \$293 billion as far as you can see.

I do not want to mix Social Security in this, but when you add this \$300 billion, also bear in mind there are about

\$656 or \$660 billion in Social Security surpluses that are going to be used. To say we are going to have a balanced budget when we are using Social Security surpluses, when we are \$78 billion short even by the Republicans' own numbers, it is a scam to lead the American people to believe that we are going to have a balanced budget. If we never have another deficit after 2002, our grandchildren and great-grandchildren are going to pay interest on this tax cut.

You know, the reconciliation bill provides \$5,600 per year—listen to this—\$5,600 per year in tax cuts for the wealthiest 1 percent of the people in this country, and the bottom 50 percent wind up with less money than they had before this reconciliation bill passes.

What does that say about the values of the U.S. Congress, about their attitude—not toward people with stocks who get dividends and interest, but about working people who sweat and toil every day to keep this Nation going, who get nothing out of this except increases, lowered standard of living?

Do you know something else? This bill stands squarely on the shoulders of 50 brave Democrats who, in August 1993, passed a reconciliation bill. I want you to think about this. If it were not for 50 brave Senators who stood on their hind feet and voted to raise taxes on the wealthy and to cut spending accordingly, the Republicans would be faced with raising another \$1.081 trillion to balance the budget.

The senior Senator from Texas, a candidate for the Presidency, said we want all of those people in the back of the wagon to get out and help the rest of us pull. They were. Every single Republican in the Senate was in the back of the wagon that day when a lot of people lost their jobs a year and a half later for doing something so sensible. And here they are still in the back of the wagon taking advantage of \$1.8 trillion that the Democrats provided, the most courageous, sensible thing that the President of the United States has proposed since he has been President.

Mr. EXON. Will the Senator yield for a second for a unanimous-consent request?

Mr. BUMPERS. I am happy to yield.

Mr. EXON. I ask unanimous consent that the unanimous-consent request not be charged to either side. In order to try to accommodate as many people as possible we are trying to shrink down this time.

I ask unanimous consent that, rather than one-half hour of time on this amendment, it be reduced by 5 minutes each to 25 minutes per side.

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

Mr. EXON. I thank my friend and say, to accommodate a lot of people, we have subtracted 5 minutes.

Mr. BUMPERS. Mr. President, our friends on the other side of the aisle

have the best of both worlds. They can criticize and carp about that bill in 1993, and yet they have never tried to undo one penny of it; did not undo the gas tax, did not undo the 36-percent tax rate increase, have not done anything about the surcharge, and they get the benefit of over \$1 trillion in balancing the budget because 50 Senators stood up—and 2 of them are not with us today because they did; and about 17 Members of the House are not with us today because they did.

This tax cut is the height of fiscal irresponsibility. That is the reason we call it the fiscal responsibility amendment, to do away with the tax cut until we balance the budget. We have the rest of our lives to cut taxes. Our first chore is to keep faith with the people of this country.

If you eliminate the tax cut, you do not balance the budget in the year 2002 even by the Republican figures. You can do it in 2001. That would be shocking.

But the most important thing I want to say, Mr. President, is do not cut taxes when we are running this kind of a deficit. Balance the budget, and then talk about taxes. When you are talking about tax cuts, talk for a change about working people and real middle-class Americans.

Mr. President, I yield the floor. Does anyone wish time?

I yield to the distinguished Senator from Michigan 5 minutes.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. LEVIN. Mr. President, I thank my friend from Arkansas.

This tax package which is contained in the massive budget reconciliation bill is ill timed. It is inequitable. It provides the \$224 billion tax break which, when fully phased in, would go disproportionately to the wealthiest among us. Indeed, more than half of those tax breaks would go to the wealthiest 14 percent of Americans, and we are talking about the fully phased in tax package. In that tax package, while the upper 14 percent get over 50 percent of the tax reductions, 14 million Americans of modest means would actually get a tax increase.

This maldistribution is reason enough to reject this tax package. But it becomes all the more unacceptable when one considers the extreme lengths to which the majority has gone to pay for these large tax breaks. Senior citizens are hit hard, students are hit hard, and working people are hit hard. But, above and beyond those flaws, there is the simple fact that we in this tax package would be providing tax cuts before assuring the reality of the deficit reduction that is projected. In other words, under this bill we would be spending the money before it is in the bank.

We have seen this before. In 1981, President Reagan introduced the Economic Recovery Tax Act which had large tax cuts, and also had projections, aspirations, hopes, and plans

that the budget would be balanced by 1984. The tax cuts were not made dependent upon those projections taking place. If they had been, we would have been a trillion dollars better off in those years. But it seems to me that history is so recent that we ought to take its lessons and say to ourselves that we have to get deficit reduction under our belts before we enact tax cuts. This time let us make sure that projections of deficit reductions turn out to be true before we do the easier part.

On October 18, the Congressional Budget Office Director, June O'Neill, wrote the chairman of the Senate Budget Committee to provide the critical certification which the budget resolution calls for. The claims of a balanced budget are based on that certification, and the tax cut is based on an argument that we are reaching a balanced budget by 2002, which in turn is based on that certification. But when you read the certification, it is a bunch of hedges.

The Congressional Budget Office letter says, "Based on estimates using economic and technical assumptions underlying the budget resolution, assuming the level of discretionary spending specified in that resolution, the Congressional Budget Office projects . . ."—and later on the letter says—"the Congressional Budget Office projects that the resulting reductions in interest payments will be \$50 billion in the year 2002 and \$170 billion over the 1996-2002 period." Then the Congressional Budget Office says, "Those projections were based on a hypothetical deficit reduction path." It is based on those hypothetical estimates, projections, that the balanced budget claim is made for the year 2002. But even more significant, for the purpose of this amendment which is pending, it is based on those hypothetical paths, projections, and estimates that the tax cut is being defended.

This letter does not certify much except that the Congressional Budget Office has a long list of wiggle words which are available to us. And it is the foundation; it is that certification again which is the foundation for the assertion that the budget is going to be in balance in the year 2002. And you cannot help that because you have to have projections and estimates. But what we can avoid doing is providing a tax cut before we know in fact that the budget is going to be balanced.

So what this amendment says is hold off the tax cuts until we balance the budget. In fact, let us put the money in the bank before we spend it.

And, let's not be fooled by the happy talk about reaching a balanced budget. It is not balanced by any commonsense or legal definition. We know already, as Congressional Budget Office Director June O'Neill's letter to Senator CONRAD acknowledges, this plan falls short of balancing the budget by \$105 billion in the year 2002. This is because the Republican majority's budget uses

the surplus in the Social Security Trust Fund to mask the real Federal deficit.

The law, section 13301 of the Congressional Budget Act, states:

[T]he receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of:

- (1) the budget of the United States Government as submitted by the President,
- (2) the congressional budget, or
- (3) the Balanced Budget and Emergency Deficit Control Act of 1985.

And, the law further states:

The concurrent resolution shall not include the outlay 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.

We're not only spending the dollars before they are in the bank, we are spending them earlier and faster than we are even projected to have them to spend.

Nearly half of the savings in this budget are projected to come in 2001 and 2002, while the tax breaks are set in law now. In fact, the budget resolution assumes \$440 billion in discretionary spending cuts over 7 years. Only \$18 billion of that would be cut next year, less than 5 percent. We know from past history what happens when tax cuts are put in law now while most of the actual cuts are to take place later.

Some of our Republican colleagues have appeared, in public statements, to agree that a tax cut should be put off until we are sure deficits will drop as predicted. Let's join together on a bipartisan basis and do just that.

I yield the floor.

Mr. BUMPERS. Mr. President, I yield the Senator from Wisconsin 5 minutes.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. I thank the Chair.

Mr. President, this amendment is simple and straightforward. It eliminates the fiscally irresponsible and reckless tax cut that is the core of this fatally flawed reconciliation package.

All the other provisions of the reconciliation bill, in my view, flow from this singular act of fiscal irresponsibility. Cuts to Medicare and Medicaid, student loans and the earned income tax credit, as well as the other provisions in this measure, all driven by the need to fund a quarter of a trillion dollar tax cut, are so out of proportion to any consensus the public would support that I think they doom any hope their supporters might have of really balancing the budget.

Mr. President, just as we are beginning to climb out of the hole that was dug 14 years ago, somebody wants to shove us back in.

Mr. President, we have made remarkable progress in lowering the Federal

budget deficit during the 103d Congress. The President's deficit reduction package produced \$600 billion in lower deficits and got us about half the way there—almost half the way there to a balanced budget, from over \$300 billion to about \$160 billion. In fact, Mr. President, but for the debts rung up during the 1980's, we would be in balance today.

But we still do not have a balanced budget, and we cannot afford any tax cut—not the President, not the House, not the Senate tax cut. We need to balance the budget. That should be our first priority.

Actually, Mr. President, this bill is really an alchemist's dream. Those who have crafted this measure have finally invented a machine that makes gold. The reconciliation bill really amounts to just that. It is a machine that makes gold. All you do is feed health care services for the most vulnerable among us in our Nation, and out comes gold.

Of course, Mr. President, not everyone shares equally in that bounty. The gold from this machine largely benefits the best off in our Nation. The better off you are, the more you get. The less well off you are, the less you get.

I am not going to dwell any further on the distribution issues relating to the tax cut. As I have noted many times on this floor, this issue comes to me as an issue of pure fiscal responsibility. Even if the benefits of tax cuts were more fairly distributed, I would oppose it. We cannot afford to cut taxes while we still face a Federal budget deficit of \$160 billion. Nobody out there believes that makes fiscal sense. It is the opposite of sense. And you cannot spend \$1 three times. You cannot say you are spending the dollar to save Medicare and then you are going to use the same dollar to eliminate the deficit and then you are going to use the dollar for tax cuts. You can only spend it once. This budget uses it not to save Medicare, not to reduce the deficit, but to fund tax cuts. For that reason, I regard this as the most important amendment in this process, and I urge my colleagues to support it.

I thank the Chair.

Mr. BUMPERS addressed the Chair.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. BUMPERS. I wonder if the minority leader has a speaker here he wishes to recognize at this point?

Mr. ABRAHAM. Is the Senator referring to me?

Mr. BUMPERS. Yes.

Mr. ABRAHAM. He mentioned the minority leader.

Mr. BUMPERS. Majority leader. I am sorry; I have a hard time breaking the habit.

Mr. ABRAHAM. I will have somebody here shortly. If the Senator has a short speech, we would be ready to go after that.

Mr. BUMPERS. Mr. President, I yield 5 minutes to the Senator from North Dakota.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Like the previous amendments, this one is also painfully simple. It is an amendment that will not take a dozen staff to explain, an amendment that will not take a great deal of research, an amendment that probably should not take a great deal of thought. No one can misunderstand what this is. This amendment says we ought not do a tax cut until the budget is balanced. Do not serve dessert before the main course.

It is a pretty simple proposition. My expectation is they will not want to vote on that either. We have been here 30 hours. They do not want to give a vote on Medicare so we will not get a vote on this. One of these days we will, I guess.

Let me talk about the proposed tax cut. This is the center pole in the tent called Contract With America. This is the center pole of the tent, the tax cut. And I understand why. It is enormously popular. Go take a poll and ask people: Would you like a tax cut? Heck, yes, I would like a tax cut; the bigger the better.

So I understand why it is there. This is about polls and focus groups and finding out what is popular—let us give a tax cut. I wonder how the American people would feel if they were told that every dollar of this tax cut will be borrowed in order to give it. In other words, we are going to increase the Federal debt during these 7 years with this plan by \$660 billion roughly—this plan, a \$660 billion increase in the debt and then a \$245 billion tax cut. In other words, every single dollar plus much more will be borrowed. We will borrow money, float bonds to give a tax cut, a substantial portion of which will go to upper income Americans.

I think most people would say, well, that does not make much sense. But that is not what this debate is about—sense. If it were about sense, we would not even have to offer this amendment. We would have people say let us do the honest work and the tough work, the heavy lifting to balance the Federal budget. Let us do that. When we are done with that, then let us talk about the Tax Code, what is wrong with it, how do we fix it, who gets a tax cut.

That is not what we are doing. What we are doing is pretending to balance the budget and saying now that we pretend to balance the budget, we will offer up a tax cut. Unfortunately, we have a letter dated October 20 from the Director of the Congressional Budget Office. I asked, is the budget in balance in the year 2002? The answer is no—\$105 billion deficit in 2002. That is, of course, if you take the Social Security trust funds and put them in the Social Security trust funds where they should be. If you take them out and use them as operating revenue, then you balance the budget.

I guess those who took remedial accounting and believe that double entry

bookkeeping means you can use money twice in two different places at the same time, I guess they are comfortable and they can sleep with this. But, of course, if you were in private business and said, let me take the money out of my employees' pension funds and use it on my operating statement, you would be doing years at hard tennis at some minimum security prison. Instead, it is "budget technique" to say, let us misuse Social Security trust funds, show a balanced budget in the year 2002 by misusing that money, and then claim we have a balanced budget so we are going to give a tax cut. Every single dollar of this tax cut will be borrowed in the next 7 years and every Member of this Senate knows it. They can pretend they did not hear or they did not know; it escaped their attention. But they know it. This amendment is very simple. It is called a "fiscal responsibility amendment." It says, let us do the tough, honest work first, get the budget balanced, really balanced, and then let us decide how to fix our tax system.

Having said all of that, I hope one of these hours we will get a vote first on Medicare and then on the sequential amendments because these are not difficult for anybody to understand.

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

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, I yield myself such time as I need. I will be very brief, and then I will yield further time on our side.

Mr. President, the fact is it is not surprising that the minority is arguing against tax cuts. They are the party that raised taxes in this country in the last Congress by a record-setting \$270 billion. In my State and across America, everywhere I go, the people I talk to say we need a tax cut to make ends meet. The middle-class squeeze we talk about on the floor all the time is in no small measure the result of the fact that today in America average families send \$1 to Washington for every \$4 they earn versus \$1 for every \$50 they earned back in the 1950's and the 1960's. Those are the families who are paying the bills and paying the taxes.

As we go through the belt-tightening process here in Washington to bring down the deficit, we believe it is only fair to let those hard-working families keep more of what they earn. What we have been presented with today is an amendment that says to all of those families: Wait. Wait, American families, hard-working families, for your \$500 tax credit. Wait, spouses who work in the home, before you get your IRA. Wait, to people who want to adopt and need a little help making an adoption feasible. Wait, to jobseekers who need the opportunities created by progrowth tax cuts.

We believe the waiting should be over. We say this: If America's taxpayers want to wait for the Democrats

and President Clinton to produce a tax cut, fine. But we have already gone through a lot of waiting for the tax cut that was promised in the 1992 campaign by the President. It has never been delivered. The waiting that this amendment suggests will have to continue will also be undelivered. We are prepared to allow hard-working families to realize tax savings now.

At this time I yield 6 minutes to the Senator from Alabama.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. SHELBY. Mr. President, we have entered a new age in American politics. All of us know that. The days are long gone when elected officials can get elected, duck controversy, avoid hard choices, and, yes, hide from the judgment of the people. Governing in 1995 requires hard choices, adherence to principle and accountability. As party defections increase, as State legislatures and governorships change hands, my former colleagues on the other side of the aisle scratch their heads and ask why. The answer is simple, Mr. President. On the other side of the aisle there is no accountability and no willingness to make hard choices.

Instead, I believe they remain wedded to the status quo politics and policies that have led this country to the verge of bankruptcy.

For 60 years the other side has steadily created a Federal monster that now handles \$1 out of every \$4 in our economy. While the growth of the Government that past half century is stunning, it should come as no surprise to all of us. The politics of the status quo promoted on the other side of the aisle operates on the simple premise that the American people will always trade their freedom and their hard-won dollars for the promise of Government security.

"Tax and spend." Yes, Mr. President, "tax and spend, and the docile American people will never resist. Tax and spend, tax and spend, and the American people will never support the reform or repeal of a Government program. Make the American people dependent on the Federal Government for everything from income and health care to business subsidies, and they will never resist or even reject us."

These, Mr. President, I believe, are the maxims by which the agents of the status quo operate. But, Mr. President, the agents opposed to change have vastly underestimated the American people. The reason, Mr. President: The price of a balanced budget is so high that the American people will reject any politician who attempts to do the right thing and bring the budget into balance. They are dead wrong. We are allowing families to keep more of their hard-earned dollars, and we are ending welfare as we know it, and, above all, we are balancing the budget. The agents of change have a solemn obligation to do the unheard of, keep their promises. And I believe we will.

Mr. President, I would just like to show two charts in the short time I

have of what parents can purchase with a \$500-per-child tax credit in America.

For example, with a \$500 tax credit, items parents can purchase: a winter jacket, \$30; winter boots, \$30; athletic socks, \$6.50, six pairs of those; a sweat shirt, \$12; books, \$100; a tutor for their child, \$230, 32 hours. That is \$498.50. We checked it out.

We also have another chart for the \$500 tax credit. Parents can purchase 847 jars of baby food or, Mr. President, 2,370 disposable diapers or approximately 6 months of electric bills.

The \$500 tax credit for working families in America is real, and they need it.

Ms. MIKULSKI. Mr. President, I rise in strong support of the fiscal responsibility amendment. Mr. President, we should not cut taxes until we balance the budget. This reconciliation legislation cuts taxes before the budget is balanced. This is like eating dessert before dinner.

I support a balanced Federal budget and I have voted for significant deficit reduction over the past 2 years. But reducing the deficit cannot be accomplished if we are simultaneously cutting taxes for the wealthiest of Americans.

This is fiscally irresponsible. This highlights the Republican's real priority in this reconciliation bill—cutting taxes for the wealthiest Americans.

Balancing the budget must be based on principles that uphold basic values. Protecting our seniors, providing opportunities for our young people, and protecting the ladders of opportunity for working families are my guiding principles. This reconciliation legislation violates those principles by gutting Medicare and Medicaid, cutting student loans and repealing the earned income tax credit [EITC].

The fact is Mr. President, the Republican tax cut would add nearly \$300 billion to the national debt by 2002. All but the last few billion of the tax cut is borrowed money, under the Republicans own deficit reduction timetable.

This reconciliation bill is fiscally irresponsible—and don't think otherwise. Requiring the budget to be balanced before we cut taxes is the responsible, fair and principled action to take. That's what this amendment ensures. This amendment also ensures that future tax cuts will be targeted to low and moderate-income working American families, not the wealthiest Americans. That is why I support this amendment and urge my colleagues to support it.

Mr. President, the tax cuts proposed by the Republicans are fiscally disastrous. I urge my colleagues to vote for fairness and common sense and vote for this amendment.

Mr. ROBB. Mr. President, I have long believed that it would take courage and wisdom to develop and implement a plan that would lead to a balanced budget. Without the courage to make tough choices and the wisdom to place budget policy above partisan politics,

our ability to develop an equitable plan that can stand the test of time and public opinion is severely limited.

While I give our Republican friends credit for bringing this package to the floor, I must say that a certain element of this plan does not reflect courage, wisdom or equity. A particular concern to me is the tax breaks which have been included in the bill.

Mr. President, it does not take courage to cut taxes. That is one of the easiest votes a legislator can cast. What takes courage is to revisit politically popular tax cuts at a time we have a nearly \$5 trillion debt, and even a unified balanced budget is at least 7 years away if we get there at all. And for all the talk about fiscal responsibility recently, how can we endorse a \$245 billion tax cut that makes balancing the budget much more difficult and adds to the debt over the next 7 years?

Mr. President, I was one of three Democrats who supported the original Senate budget resolution this year because I strongly believe that we have a responsibility to make tough choices that are necessary to balance the budget.

Unfortunately, during the budget resolution conference between the House and the Senate, fiscal responsibility gave way to political expediency as tax breaks were added up front and the deep spending reductions moved into the next century. Were these particular changes wise? In my judgment, absolutely not.

I think most in this Chamber would agree we should not be cutting taxes until we prove capable of carrying out these spending reductions and actually balance the budget.

If we get further down the road and decide spending reductions, particularly Medicare and Medicaid, in this plan are politically unsustainable, I fear, Mr. President, that we will abandon the spending cuts and leave the tax cuts in place at a time when their cost will begin to explode. And as we have seen before, the end result will be we will simply be further away from a balanced budget.

The last point I would like to address is equity. Including the tax cut in this plan is not equitable. At a time when we are asking the American public to sacrifice by restraining the growth of programs which benefit low- and moderate-income individuals, how can we, in good conscience, adopt a tax cut which, according to the Treasury Department estimates, will disproportionately benefit upper-income Americans? I simply cannot agree.

Including \$245 billion in tax cuts in this budget package is not courageous, it is not wise, and it not equitable. I would implore my colleagues to reject the proposition that we should have tax cuts before we have a balanced budget.

With that, Mr. President, I yield the floor, and I thank the Chair.

YOUR'RE RIGHT MR. PRESIDENT, YOU RAISED TAXES TOO MUCH!

Mr. ROTH. Mr. President, why after shackling American middle-class families with the largest tax increase in history, has Bill Clinton finally admitted that he made a mistake? Why does his confession come just days before Congressional Republicans are scheduled to meet in conference to finish one of the largest tax cut proposals since the Kemp-Roth income tax rate reductions brought our economy roaring back in the 1980's?

Because Bill Clinton knows his taxes did not deliver on his promise to improve the economy, bring down interest rates, and thereby reduce the deficit.

Tax increases never do.

History proves that increases actually poison economic growth while tax cuts unlock capital, encourage savings, improve investment, and create jobs, opportunity, and growth.

Kemp-Roth led to the longest peacetime economic expansion in history. Eighteen million jobs were created, along with four million new businesses. Family income rose and home ownership boomed as interest rates and inflation fell. At the same time, Treasury revenues doubled, not because Americans were paying a higher percentage of their income to taxes, but because Americans had higher incomes.

We must unlock this kind of growth again. Only by creating an environment where our economy can expand can we simultaneously cut the deficit and meet necessary Government obligations.

Last spring the House passed a 7-year \$354-billion tax reduction package, 76 percent of which, would go to family relief, and 24 percent to job creation. The plan offers a \$500-a-child tax credit, encourages savings and investment, and offers other incentives for economic growth.

The proposal recently passed by the Senate Finance Committee cuts taxes by \$245 billion, offers relief for our middle class—with over 70 percent of the \$245 billion going to families making less than \$75,000 a year—and, like its House counterpart, contains incentives that will encourage savings, investment, capital formation, and business growth. These provisions mean more jobs for Americans, greater economic security for our families, and stability in our communities.

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

The four pillars of both proposals are: First, a \$500 child tax credit; second, restoration and strengthening of Individual Retirement Accounts; third, relief from overbearing estate taxes on

families and businesses; and, fourth, reduction of the top rate of capital gains on individuals and corporations.

These measures meet our promise to the American people that in Washington we will change business as usual. The current system double-taxes savings, thwarts investment, hinders productivity, increases prices, stifles wages, and hurts exports. It is complex, controlled by special interest groups, and places disincentives on work.

Our proposals represent a major step toward correcting these deficiencies, and because we have cut spending, our bill balances the budget while making room for tax relief. The House has acted. Now, the full Senate must pass the Finance Committee's proposal. Following a House-Senate conference to iron out any differences between the bills, both Chambers must pass this historic reform, and the President must sign it into law.

Americans need relief. Our economy needs a shot in the arm. Even Bill Clinton has admitted as much. We call on him to join us in our efforts to unleash the potential our economy has to move us into a bold and exciting future.

He admits he made a mistake. Working together, we can fix it.

Martin Feldstein, former Chairman of the President's Council of Economic Advisers and professor of economics at Harvard University spells out in a very vivid fashion what the 1993 tax increases really did in an article in *The Wall Street Journal*. I request that article be included in the RECORD in its entirety.

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

[From *The Wall Street Journal*]

WHAT THE '93 TAX INCREASES REALLY DID  
(By Martin Feldstein)

President Clinton was right when he recently told business groups in Virginia and Texas that he had raised taxes too much in 1993, perhaps more so than he realizes. We now have the first hard evidence on the effect of the Clinton tax rate increases. The new data, published by the Internal Revenue Service, show that the sharp jump in tax rates raised only one-third as much revenue as the Clinton administration had predicted.

Because taxpayers responded to the sharply higher marginal tax rates by reducing their taxable incomes, the Treasury lost two-thirds of the extra revenue that would have been collected if taxpayers had not changed their behavior. Moreover, while the Treasury gained less than \$6 billion in additional personal income tax revenue, the distortions to taxpayers' behavior depressed their real incomes by nearly \$25 billion.

HOW IT HAPPENS

To understand how taxpayer behavior could produce such a large revenue shortfall, recall that the Clinton plan raised the marginal personal income tax rate to 36% from 31% on incomes between \$140,000 (\$115,000 for single taxpayers) and \$250,000, and to 39.6% on all incomes over \$250,000. Relatively small reductions in taxable income in response to these sharply higher rates can eliminate most or all of the additional tax revenue that would result with no behavioral response.

If a couple with \$200,000 of taxable income reduces its income by just 5% in response to



the higher tax rate, the Treasury loses more from the \$10,000 decline in income (\$3,100 less revenue at 31%) than it gains from the higher tax rate on the remaining \$50,000 of income above the \$140,000 floor (\$2,600 more revenue at 5%); the net effect is that the Treasury collects \$600 less than it would have if there had been no tax rate increase.

Similarly, a couple with \$400,000 of taxable income would pay \$18,400 in extra taxes if its taxable income remained unchanged. But if that couple responds to the nearly 30% marginal tax rate increase by cutting its taxable income by as little as 8%, the Treasury's revenue gain would fall 67% to less than \$6,000.

How can taxpayers reduce their taxable incomes in this way? Self-employed taxpayers, two-earner couples, and senior executives can reduce their taxable earnings by a combination of working fewer hours, taking more vacations, and shifting compensation from taxable cash to untaxed fringe benefits. Investors can shift from taxable bonds and high yield stocks to tax exempt bonds and to stocks with lower dividends. Individuals can increase tax deductible mortgage borrowing and raise charitable contributions. (I ignore reduced realizations of capital gains because the 1993 tax rate changes did not raise the top capital gains rate above its previous 28% level.)

To evaluate the magnitude of the taxpayers' actual responses, Daniel Feenberg at the National Bureau of Economic Research (NBER) and I studied the published IRS estimates of the 1992 and 1993 taxable incomes of high income taxpayers (i.e., taxpayers with adjusted gross incomes over \$200,000, corresponding to about \$140,000 of taxable income). We compared the growth of such incomes with the corresponding rise in taxable incomes for taxpayers with adjusted gross incomes between \$50,000 and \$200,000. Since the latter group did not experience a 1993 tax rate change, the increase of their taxable incomes provides a basis for predicting how taxable incomes would have increased in the high income group if its members had not changed their behavior in response to the higher post-1992 tax rates. We calculated this with the help of the NBER's TAXSIM model, a computer analysis of more than 100,000 random, anonymous tax returns provided by the IRS.

We concluded that the high income taxpayers reported 8.5% less taxable income in 1993 than they would have if their tax rates had not increased. This in turn reduced the additional tax liabilities of the high income group to less than one-third of what they would have been if they had not changed their behavior in response to the higher tax rates.

This sensitivity of taxable income to marginal tax rates is quantitatively similar to the magnitude of the response that I found when I studied taxpayers' responses to the tax rate cuts of 1986. It is noteworthy also that such a strong response to the 1993 tax increases occurred within the first year. It would not be surprising if the taxpayer responses get larger as taxpayers have more time to adjust to the higher tax rates by retiring earlier, by choosing less demanding and less remunerative occupations, by buying larger homes and second homes with new mortgage deductions, etc.

The 1993 tax law also eliminated the \$135,000 ceiling on the wage and salary income subject to the 2.9% payroll tax for Medicare. When this took effect in January 1994, it raised the tax rate on earnings to 38.9% for taxpayers with incomes between \$140,000 and \$250,000 and to 42.5% on incomes above \$250,000. Although we will have to wait until data are available for 1994 to see the effect of that extra tax rate rise, the evidence for 1993 suggests that taxpayers' responses to the

higher marginal tax rates would cut personal income tax revenue by so much that the net additional revenue for eliminating the ceiling on the payroll tax base would be less than \$1 billion.

All of this stands in sharp contrast to the official revenue estimates produced by the staffs of the Treasury and of the Congressional Joint Committee on Taxation before the 1993 tax legislation was passed. Their estimates were based on the self-imposed "convention" of ignoring the effects of tax rate changes on the amount that people work and invest. The combination of that obviously false assumption and a gross underestimate of the other ways in which taxpayer behavior reduces taxable income caused the revenue estimators at the Treasury to conclude that taxpayer behavior would reduce the additional tax revenue raised by the higher rates by only 7%. In contrast, the actual experience shows a revenue reduction that is nearly 10 times as large as the Treasury staff assumed.

This experience is directly relevant to the debate about whether Congress should use "dynamic" revenue estimates that take into account the effect of taxpayer behavior on tax revenue. The 1993 experience shows that unless such behavior is taken into account, the revenue estimates presented to Congress can grossly overstate the revenue gains from higher tax rates (and the revenue costs of lower tax rates). Although the official revenue estimating staffs claim that their estimates are dynamic because they take into account some taxpayer behavior, the 1993 experience shows that as a practical matter, the official estimates are close to being "static" no-behavioral-response estimates because they explicitly ignore the effect taxes on work effort and grossly underestimate the magnitude of other taxpayer responses.

#### CURRENT PROPOSALS

In Congress had known in 1993 that raising top marginal tax rates from 31% to more than 42% would less than \$7 billion a year, including the payroll tax revenue as well as the personal income tax revenue, it might not have been possible for President Clinton to get the votes to pass his tax increase.

Which brings us back to President Clinton's own statement (half-recanted the next day) that he raised taxes too much in 1993. Congress and the president will soon be negotiating about the final shape of the 1995 tax package. The current congressional tax proposals do nothing to repeal the very harmful rate increases of 1990. Rolling back both the personal tax rates and the Medicare payroll tax base to where they were before 1993 would cost less than \$7 billion a year in revenue and would raise real national income by more than \$25 billion. Now that the evidence is in, Congress and the president should agree to undo a bad mistake. ●

Mr. BUMPERS. I yield the Senator from Florida 2 minutes.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM. Mr. President, we have just heard a speech about change versus the status quo. This is one place in which we are all together. This is the status quo. This is *deja vu* all over again. We started this process of saying that we were going to meet deficit reduction targets and committed to the American people our frugality and our dedication to their attainment.

We did it under what was called Gramm-Rudman. And in the years from 1986 to 1990, those 5 years, we had deficit-reduction targets for Gramm-

Rudman that were supposed to bring us to a balanced budget early in this decade.

What did it, in fact, bring us? More enormous deficits. And every year of Gramm-Rudman, from 1986 to 1990, we failed to meet the deficit reduction target. In fact, the total amount of our excess deficits, deficits beyond the target, was \$201 billion over those 5 years.

Did we change that pattern after President Bush went to Andrews Air Force Base and negotiated a new deficit-reduction plan? We did not—in 1991, 1992, 1993, again, failure to meet the deficit reduction targets in excess of \$150 billion in just those 3 years.

Mr. President, we delude ourselves, we repeat the status quo, not engage in change if we are saying that we are going to give ourselves this tax benefit before we demonstrate, first, that we have a serious, credible plan for balancing the Federal budget that is not just smoke, mirrors and ideas in the minds of a few people, but rather concrete law that has been passed, signed by the President and is a firm national contract and commitment to its attainment, and, second, a period of demonstrated fidelity to that plan and performance under that plan.

I am the grandfather of eight young boys and girls. I know one thing about children: They like to eat their dessert before they will eat their spinach. That is what we are being asked here to do, is eat the cake and ice cream before we have the carrots and peas. I think we should not go down that path one more time.

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

Mr. BUMPERS. Mr. President, I yield 2 minutes to the Senator from Nebraska.

Mr. KERREY. The Senator from Alabama's speech was earlier. It was helpful. I have to pick up some groceries on the way home. But I did not find it to be terribly helpful in this debate, saying that Democrats have no accountability, that Democrats are not willing to make hard choices, that we are for the politics of the status quo. That is just bunk.

I just stood out on the Capitol steps a little while ago endorsing a Democratic proposal that balanced the budget in 7 years, making very tough choices but without this tax cut. And one of the hard truths that we have to face right now is, the truth of the matter is Republicans in America, Mr. President, not Republicans in this Congress, by the New York Times poll this morning, Republicans in America oppose the tax cut. Indeed, more Democrats in America support the tax cut. And the most revealing thing of all is that the lower the income goes of working people, the more they favor a tax cut. Unfortunately, they do not benefit from this tax cut.

Indeed, as a consequence of change in the earned income tax credit, and according to the Republican Joint Tax Committee, every family under \$30,000 will have a tax increase.

It is remarkable, Mr. President, in addition to not needing to cut taxes, we have got plenty of tough choices to make, and I hope we are able to vote in a bipartisan fashion for tough choices, that break the status quo of deficit financing and move us to a balanced budget.

But those are not the only goals that we need to move toward. That is not the only status quo that we need to make. We had another million Americans that moved into the ranks of the uninsured in 1994. We have another 1.5 million that will move to be uninsured in health care as a consequence of what is happening in the health care industry.

Almost 50 percent of the babies born in the State of Texas are paid for by Medicaid, working people, Mr. President, as a consequence of the status quo. There are lots of changes that need to be made. I am willing to make tough votes to change the status quo and move to a balanced budget, but not with a \$245 billion tax cut that does not benefit the Americans that need to be benefited.

Mr. BUMPERS. How much time remains?

The PRESIDING OFFICER. Three and a half minutes.

Mr. BUMPERS. I yield 2 minutes to the Senator from Connecticut.

Mr. DODD. Mr. President, I thank my colleague for yielding.

Mr. President, really what we are suggesting with this amendment is two concepts here: It is fiscal responsibility and equity. I know that there are those who believe that these tax breaks are critical. Some, I believe, honestly believe, I think, this is going to create some sort of a massive new growth, although there are no studies that I know of that indicates that is the case at all. But the cruel, hard facts here, Mr. President, are that what we are talking about is a deficit that will increase.

According to the hand-selected head of the Congressional Budget Office by our friends on the other side, they have said this produces a deficit, this proposal, in excess of \$93 billion. So for those who are seeking fiscal responsibility, the inclusion of \$245 billion in tax breaks does not get us there.

So, Mr. President, on the question of fiscal responsibility, this is irresponsible. On the issue of equity, what we are doing here with this proposal is we are taking significant cuts, far beyond what is needed to restore the integrity of Medicare or Medicaid, in order to pay for tax breaks, the bulk of which go to people at an upper-income category and simultaneously increasing the tax obligation of those people at the working class category.

If you make \$30,000 or less, you have got a \$352 tax increase. That is what is in this bill. It is in black and white, a \$352 tax increase.

If you are the top 1 percent of income earners, your tax break is almost \$6,000. That is not equitable, Mr. Presi-

dent. It is not fiscally responsible, and it is not equitable. And for that reason, we urge our colleagues to support this amendment.

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

Mr. BUMPERS. Mr. President, let me just close by saying that I can remember when there were about 10 Republicans last summer who were strongly opposed to a tax cut until we balanced the budget. I do not think the majority leader was very keen for it. And the Senator from New Mexico, chairman of the Budget Committee, was devoutly opposed to it.

So what happened along the way? I can only conclude that NEWT GINGRICH said, "This is the major part of the contract. You do not have any choice. You have got to abandon all economic reason and sanity and vote for this tax cut."

It is the height of fiscal irresponsibility to do it. But even more importantly, it is a social disaster. It makes the working people of this country second-class citizens. They are in the second tier. I do not want to say the idle rich, but the rich who do not work, who get their income from the sweat of somebody else's brow, they are in the first-class tier.

Mr. President, the real tragedy is the American people are not asking for this. If you look at the New York Times poll this morning, the American people are strongly opposed to a tax cut until we balance the budget.

Here is a USA poll taken in December of 1994. Seventy percent of the people in this country said, "We want the budget balanced before you cut taxes."

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

Mr. BUMPERS. Mr. President, what is the parliamentary situation?

The PRESIDING OFFICER. The Senator from Michigan controls 19 minutes. The time has expired on your side.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, at this time, we are prepared to yield back the remainder of our time. I inquire before I do as to whether the Senator from Nebraska is prepared to proceed with their next amendment? If not, until they are ready I will probably be putting in a quorum call request without the time running against either side.

Mr. President, I yield back the remainder of my time. I suggest the absence of a quorum, and I ask unanimous consent that the time not run against either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ABRAHAM. 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. ABRAHAM. Mr. President, at this time, I yield 5 minutes to the Senator from Texas, to be taken off our time on the bill.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, if you are looking at our budget which is now before the Senate, it addresses two basic facts that I believe alarm all working Americans.

The first fact is that the average family in America with two little children, which in 1950 was sending \$1 out of every \$50 it earned to Washington, DC, is today sending \$1 out of every \$4 it earns to Washington, DC. And if over the next 20 year, we do not start a new spending program nor eliminate an existing one, to pay for the Government we have already committed to will mean that in 20 years the average working family in America with two children will be sending \$1 out of every \$3 they earn to Washington, DC.

Bill Clinton looks at that trend and says, "Great, let's accelerate." We look at it and say, "It has to be stopped and it has to be reversed." And that is exactly what we do in our budget.

The second figure is a very simple fact and it is an alarming fact. A baby born in America today, if the current trend of Government spending continues unabated, will pay \$187,000 of taxes in their working lifetime just to pay interest on the public debt. That is not just economic suicide, that is immoral, and we are determined to stop it.

Here is basically where we are. We have written a budget that over 7 years comes into balance. President Clinton has trumpeted the fact that the deficit today is down, but he does not show us that his own budget office shows that under his budget, and the Congressional Budget Office shows convincingly, that the deficit now skyrockets under the Clinton budget. He has sent us not one but two budgets, and under both of those budgets, the deficit explodes.

We have proposed a budget that achieves balance in 7 years, and now the President is saying to us that unless we increase spending on programs that we do not need and we cannot afford that the President is going to veto our budget.

Well, Mr. President, let me say as one Member of the Senate, there is no circumstance under which I am going to go back and rewrite our budget. There is no circumstance under which I am going to agree to increase spending, to continue the deficit spree that threatens the future of our country and that threatens the future of our children.

We have proposed a budget that cuts taxes. It gives a \$500 tax credit per child for every working family in America. What it means is that if we are successful next year, every working family in America that pays taxes that has two children will get to keep \$1,000 more of what they earn to invest in their own children, to invest in their

own family, to invest in their own future.

Now Bill Clinton says the Government can spend the money better than that family can spend the money. We reject that. We think history proves that notion is wrong and we are confident that the people who do the work and pay the taxes and pull the wagon in America agree with us.

Our \$500 tax credit per child, our elimination of the marriage penalty will mean that the average working family in my State will get to keep \$1,100 more of their hard-earned income to invest in their own future, to invest in their own children, and we want that to happen.

We talk so much about balancing the budget, but it has been so long since we have done it that people forget what the benefits of a balanced budget are. First of all, since we are balancing the budget and cutting taxes, the first benefit for a working family with two children is they get to keep \$1,000 more of what they earn.

But a balanced Federal budget would mean on an average mortgage of the average working family, that their mortgage payments per year over the next 20 years would be \$1,664 less per year. In buying a new car every 4 years and financing it, as most working Americans have to do, they would pay \$180 less in interest costs for buying that car every year because we balanced the budget.

Because we will have more growth when income is going into expanding the economy, that is \$1,385 of income for every working family.

You add it all up and the average family in America gains, I repeat, gains \$4,229 a year directly from a balanced budget. It means over 1.75 million more jobs annually and reducing the national debt mortgage on our grandchildren by \$66,000.

This budget is a choice: Do you want more income, lower interest rates, higher growth, more jobs, less debt on your grandchildren and to keep more of what you earn?

We say, "Yes." The Democrats say, "No, Government can do it better."

#### MOTION TO COMMIT

Mr. BAUCUS. Mr. President, I send a motion to the desk.

The PRESIDING OFFICER. The clerk will report the motion.

The assistant legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS] moves to commit the bill S. 1357 to the Committee on Finance with instructions to report the bill back to the Senate within 3 days (not to include any day the Senate is not in session) making changes in legislation within that Committee's jurisdiction to reduce revenue reductions attributable to tax breaks benefiting upper-income taxpayers over the next seven years in an amount necessary to avoid unfair cuts in Medicare payments to rural hospitals and other rural health care providers, to maintain federal support at the levels recommended by the President of the United States for federal agriculture and nutrition programs, and to

maintain levels of federal support for education and child care in rural America.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the time allotted be reduced to 15 minutes, equally divided.

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

Mr. ABRAHAM. Mr. President, on behalf of our side, we will agree to that.

Mr. BAUCUS. Mr. President, the whole country knows about the Medicare cuts in this budget, and the threats they present to rural hospitals and to health care for seniors.

A lot of people know that a few days ago, the House Speaker NEWT GINGRICH called this bill the round one in a long-term plan to kill Medicare.

Many people know how deeply it will cut student loans and assistance for elementary and secondary education.

#### THE 1995 FARM BILL

But very few people know that this year, the budget is also the farm bill. It will reauthorize all the commodity programs and the Conservation Reserve Program. It will eliminate several more. Altogether, for the next 7 years, it sets our national agriculture policy.

It is supposed to keep rural economies stable. And it should guarantee consumers a safe and dependable food supply at a reasonable price. But on the Senate floor today, we have something entirely different.

I am sorry to say it, but laying everything about Medicare, tax increases on people making less than \$30,000 a year, education and the rest aside, this is a terrible farm bill.

#### WRITTEN IN SECRET

First, it is partisan. It is a hard-line, ideological approach to agricultural policy, not an effort to bring people together and take the best from everyone.

Second, it is secretive. It was written behind closed doors. And very, very few Americans even know it is up on the floor today.

At an absolute maximum, the agricultural part of this budget will get a grand total of 50 minutes for debate. It is a scandal, but it is not a surprise. Because if this were my bill, I would not want to say much about it either.

But in any case, I want to welcome all my colleagues to the debate on the 1995 farm bill. I imagine the other side will be awfully quiet. But we're here to make up for it.

We are going to use these 45 minutes to tell the truth about the big, gobbling, turkey out here on the Senate floor. And then we'll give the other folks a second chance.

Our motion to recommit will restore the traditional, bipartisan approach to agricultural policy. We can work together, restore some fairness and moderation. And if we adopt this motion, our friends on the other side of the aisle can have something to be proud of when they go home and talk to their farmers.

#### SEVEN LEAN YEARS TO COME

If you have read Genesis, chapter 41, you know the story of Joseph's dream. He compared the 7 years to come with:

seven kine . . . poor and very ill favoured and lean-fleshed, such as I never saw in all the land of Egypt for badness.

These seven ill-favored cattle ate up the good cattle, just as seven ears of corn, "withered, thin and blasted with the east wind" ate up seven good ears of corn. So Joseph could tell that the future would bring 7 years of trouble—7 lean years, in which "all the plenty shall be forgotten in the land of Egypt."

Well, we may not be as wise as Joseph. And the days of inspired prophecy may be gone. But on the other hand, we have a lot more than a dream to go on. We have hard facts and numbers. And these facts and numbers tell us that our farmers have 7 pretty lean years ahead.

This bill makes dramatic cuts in farm supports, which have already been cut 60 percent in the past decade. If this turkey survives Thanksgiving of 1995, the year 2002 will see us fund just half of today's Conservation Reserve Program. Bad for farmers, bad for hunters, bad for recreation.

The Emergency Livestock Feed Assistance Program will end. Our deficiency payments—the safety net our producers need in tough times—will be capped. In the very worst years, when our producers need help most, it won't be there.

Then look at nutrition. School lunch, daycare meals, and meals for senior citizens are all cut. And these are not surgical strikes—these are repeated blows with a meat axe.

These cuts affect more than farmers. They affect all of rural America. Schools, grocers, bankers, fuel dealers, equipment and automobile dealerships, and even our local and county governments will all feel the pinch.

And we are doing all this at a time when our competitors in Europe are not giving up a thing. They already give their farmers over 10 times the export subsidies we provide.

This budget cuts the Export Enhancement Program by 20 percent, and market promotion by 30 percent. We will end up exporting less, and that means lower incomes for farmers.

#### KEEPING YOUNG PEOPLE OFF THE LAND

Finally, maybe the most painful item of all. That is the apparent exclusion of beginning farmers from all these services. This spring I went to a lot of high school graduations in rural Montana. Places like Geyser, Hobson, Stanford, Opheim, Harlem and Dodson.

We have some great kids in these communities. They are looking forward to a career in agriculture like their parents. They want to work and provide for their families on their own land.

This bill shuts them out and puts them at a competitive disadvantage. Combine that with the trouble young farmers have in obtaining credit, and

the message they get from this budget is clear. There is no place for you in production agriculture. There is no place for the small family farm in America.

OUR AMENDMENT: A SECOND CHANCE

Well, we can do better. And with our amendment, we will do better.

Our amendment is very simple. It says, go back to the drawing board. Take it back to the Finance Committee. Restore some sense and moderation to agricultural policy, nutrition and our rural economic approach as a whole. The amendment doesn't dictate how we should do it, but it gives us a chance to take a second look and get it right.

Let us remember the story of Joseph. He saw the 7 lean years coming. He told Pharaoh about his dream. And Pharaoh listened to Joseph. He changed his agriculture policy, promoted production, and stockpiled corn. And therefore Egypt got through the 7 lean years.

We can do the same. If the folks on the other side will listen, we can take advantage of this second chance. We can vote for the motion to recommit, and come back with a moderate, non-partisan farm policy that is good for everyone. I hope it will get the Senate's support.

Thank you, Mr. President, and I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. I yield 4 minutes to the Senator from Illinois.

Ms. MOSELEY-BRAUN. Mr. President, there is kind of a joke in Illinois that goes: "Just outside of Chicago, there's a place called Illinois."

That joke, or that phrase, used in the tourism industry, is based upon a notion that when people think of Illinois, they often first think of Chicago, and the rest of the State is overlooked. And that part of the State, the part "just outside of Chicago," is rural. That part of the State has vital agricultural industry. That part of the State is where you will discover more rural communities than any other State in the Nation except Texas.

In fact, when you discover that fully half of the 11.5 million people of Illinois live in the places outside of Chicago, that, I think, paints a more accurate picture of what Illinois is about than what our popular mythology would lead you to believe.

The reason I mention that, Mr. President, is that what happens in this bill, in this Reconciliation Act, with regard to rural programs is, therefore, vitally important to the State that I was elected to represent.

I hope always to represent all of that State and speak to the interests of rural Illinois—speak to the interests of what we call downstate as much as any other part of my State. That part of Illinois, just outside of Chicago, is a part of Illinois that I am determined to see is not overlooked. But being overlooked, I think, captures the general

feelings shared by many rural Americans this year when it comes to Federal dollars and Federal attention this part of the country needs and deserves.

Mr. President, rural Illinoisans understand the meaning of shared sacrifice. No group of Americans should be asked to share a disproportionate burden of cuts any more than any other group. Rural Illinoisans have told me, and I have been around my State in town meetings, the deficit reduction should be a priority for this Congress. They understand that no Federal program should be off limits, that nothing should be excluded from review, and that everything should be on the table.

However, they also understand that shared sacrifice is something that means everybody. Shared sacrifice is exactly what this reconciliation bill fails to accomplish.

Some Americans will see huge and significant tax cuts from this bill. But more than half of all Americans, including most rural Americans, will see no tax cut at all. What is more, the net effect of the overall bill is to tighten the economic vise on rural America.

The \$13 billion in farm program cuts proposed by this bill means that Illinois farmers will lose over three-quarters of a billion dollars in economic protection. With \$113 million in title I education cuts, rural Illinois loses \$3 million at a time when many rural school districts face a funding crisis. The cuts proposed for grants and loans for water and waste disposal programs mean thousands of rural Americans will not have access to safe drinking water.

I understand my time is concluded. I would like a further minute to finish up.

Mr. BAUCUS. I yield 30 seconds to the Senator from Illinois.

Ms. MOSELEY-BRAUN. In closing, Mr. President, for rural America, this bill, in fact, is "Robin Hood in reverse." The cuts on the rural programs are needlessly excessive, and given the fact that the tax breaks called for in this bill are absolutely inconsistent with our objective of deficit reduction, I believe we should recommit this bill back to the Finance Committee.

Mr. President, just outside of Washington is a place called rural America, a place populated by hard-working Americans who are willing to do their share—and then some—to achieve real deficit reduction, but who cannot afford the loss of economic opportunities this bill entails.

Surely we can do better than this bill.

Mr. BAUCUS. I yield 2 minutes to the Senator from Alabama.

Mr. HEFLIN. Mr. President, I want to talk about safety nets. The policy relative to agriculture is designed around a safety net. They have target price tied to some degree to the cost of production. This is a policy that has been established where there is no payment in good years. When you have a bad year, you need a safety net.

The proposal in the House eliminates the safety net. The proposal in the Senate puts gaping holes in the safety net for farmers. The idea of doing away with farm programs over a period of time, in my judgment, fails to realize the calamities, the disasters, that farmers face. They are subject to weather, they are subject to foreign competition, to price changes, all sorts of disastrous effects that can occur to the market.

I think we are making a serious mistake. We have cut agriculture programs from \$30 million in 1986 down to \$9 million last year. Here we come along with a \$13.7 billion further cut in agriculture over 7 years. I think it is too much. We are not doing right by the farmer. We are doing away with the policy of safety net.

Mr. WELLSTONE. I yield a minute of my time to the Senator from Alabama.

Mr. BAUCUS. I yield 1 minute to the Senator.

Mr. HEFLIN. I want to mention, also, the safety net in regard to rural hospitals and the people.

In effect, what we are doing under the Medicaid and Medicare situation, we are eliminating a safety net for hospitals for rural America. In my judgment that is a mistake.

Safety nets go across the board. In my judgment, this bill is wrong in regard to what it does to rural America.

Mr. BAUCUS. I yield 2 minutes to the Senator from Minnesota.

Mr. WELLSTONE. Mr. President, 2 minutes is hardly any time at all.

Let me just put it to you this way. This is thoughtless. This is not a farm bill. It is not agricultural policy. It is slash and burn. It is \$48 billion over the next 7 years. It plays off children and nutrition programs against family farmers, against the environment. It is a 50-percent cut in the Conservation Reserve Program, which in my State of Minnesota and I bet every State, has brought together those that love outdoor recreation and the environmentalists and the farmers.

This is really, Mr. President, the opposite of a careful policy—the very opposite of a careful policy. What we have here is the worst of all worlds—keep the farm prices low, then have some subsidy. Have the subsidy in inverse relationship to need, with taxpayers having to pick up the cost.

Mr. President, why do we not understand that rural people are not going to stay out of sight and out of mind? Why are we picking on the people that we think do not have the voice, picking on the people we think do not have the power, picking on people who are not the heavy hitters, not the players, are not the big contributors.

That is what this is about. We should not have these tax cuts that go to wealthy people. We should not have a Pentagon budget that is \$7 billion over what the Pentagon wanted, and we should not lavish subsidies on most of the major large corporations and financial institutions in the country.

Rural people in Minnesota, the people of greater Minnesota, ask for one thing and one thing only: A fair shake. There is no fair shake and there is no fairness to this plan.

That is why I am proud to be an original cosponsor of this amendment.

Mrs. MURRAY. Mr. President, I rise to support this motion to recommit. I am deeply concerned about the Republican budget proposal and its all-out assault on rural America. I understand the need to balance the Federal budget. In fact, I've supported balanced budgets. But, I do not think we should do it on the backs of our working families and farming communities. They deserve better treatment than that. Just because the voice of rural Americans is not heard as loudly on Capitol Hill as others does not mean they can be ignored.

This Republican budget attacks rural communities in my State of Washington on a number of fronts. Republican cuts to Medicare will force 157,700 older and disabled rural Washingtonians to pay higher premiums and higher deductibles for a weakened second class Medicare Program. The cuts will increase the severe financial pressure on rural hospitals in Washington. The average rural hospital will lose \$5 million in Medicare funding over 7 years, forcing some to close their doors. In addition, the American Medical Association has stated that the Medicare cuts "will unquestionably cause some physicians to leave Medicare". Rural America is already suffering from a shortage of doctors when compared to the Nation as a whole and it will only become worse under this budget. Rural Americans will be paying more for less, and that is unacceptable.

In addition, Medicaid cuts will eliminate coverage for children, nursing home residents, and people in need of long-term care. As many as 2.2 million rural Americans, including 1 million children will be denied medical coverage in 2002 if the Republican plan is adopted. Gordon Lederer, a farmer in Latah, WA, sits on the board of directors of the Tekoa Care Center. Patients pay \$90/day at Tekoa, and Mr. Lederer said that the board does not know how the Care Center will continue to provide service to the community if the cuts to Medicaid are enacted.

Mr. President, cuts to the earned income tax credit will cripple working families and their ability to provide for their children in rural Washington. The Republican cuts to EITC raise taxes on 49,945 working families in rural Washington by an average of \$388 in 2002, imposing a \$1.4 billion tax increase on rural Americans overall. And there's more.

The 25 percent cut to farm programs will reduce farm spending in my State of Washington by \$290 million, drastically reducing support for commodity programs. I am particularly concerned about the reductions in the loan rate for wheat. These reductions could threaten the viability of farms in my

State. In fact, I just heard from Mack and June Crow, wheat farmers from Oaksdale, WA. Their son now runs the family farm and they are deeply concerned about the impacts of the farm program cuts on their farm's income and hence, their ability to survive. Farms are a symbol of American bounty recognized worldwide. They are a major part of Washington State's export-based economy. Most importantly, they are a way of life that roots us and grounds us in our history and our land. To balance the budget on the backs of family farmers is not only unfair, it is un-American.

Republican cuts to education programs will deny basic and advanced skills education to 937 children in rural Washington. Small town schools in Washington are already having difficulty making ends meet. A 17 percent cut in title I funds will deny these schools crucial assistance as they struggle to adequately prepare our children for the future.

In addition, cuts to rural nutrition, housing, and transportation programs as well as cuts to programs designed to protect the environment and public health add insult to injury, and will further undermine our rural Americans attempts to secure a solid future for themselves and their children.

Mr. President, this Republican plan to balance the budget unfairly targets rural Americans. It burdens them with far more than their fair share of cuts. I therefore encourage my colleagues on both sides of the aisle who care about rural America to support this motion to recommit.

Mr. DASCHLE. Mr. President, today my colleagues and I offer an amendment to the budget reconciliation bill that reaffirms our commitment to rural America. This budget before the Senate today will devastate the hard-working farmers and ranchers that provide our Nation's food supply. It will also decimate the main street businesses, schools and hospitals that make up our rural communities. The agricultural cuts in this budget are too extreme, are unfair to rural America and should be restored. Our amendment proposes to do just that.

No one should be fooled. The agricultural provisions in this bill represent the bulk of the farm bill. Buried in this 2,000-page document is the heart and soul of agricultural policy for the next 7 years. There were no hearings during the development of this bill and no opportunity for Democratic input. Now we do not even get a vote on farm policy. It is all rolled up in this enormous budget bill. Everyone knows this is not the way farm bills have been developed in the past.

This farm bill rips the safety net out from under our hard-working producers by cutting \$13.4 billion from farm programs over the next 7 years. In South Dakota that translates into a loss of \$460 million for our producers. Nationwide net farm income is projected to decrease over \$9 billion over the next 7

years. Clearly family farmers who are already disappearing at the rate of 600 per week cannot tolerate this level of income reduction.

The pain of this budget does not stop at the farm gate. It bleeds into our rural hospitals. Ten to fifteen rural hospitals are projected to close in South Dakota if the proposed Medicaid/Medicare cuts are enacted. Some people already have to drive over 50 miles to reach a hospital or doctor. After this budget goes into effect they will have to drive even farther. Add to that the fact that over 2 million rural residents nationwide will be denied Medicaid, and anyone can see that this budget is a recipe for a health care disaster in rural America.

The sad truth of this situation is that it does not have to be this way. This severe level of cuts was required only to finance the lavish tax breaks for the wealthiest of Americans who do not need them. This amendment my colleagues and I are offering provides the opportunity to send the agricultural provisions back to the drawing board and to do it right.

Rural Americans deserve better than what they are getting under this budget. Farmers and ranchers are committed to balancing the budget as long as it is done fairly. Reducing farm income to pay for tax breaks is not remotely fair. No one is asking for a handout—only a fair shake. This budget gives rural America, the very heartland of the Nation, little more than a cold shoulder. We can and should do better than that.

Mr. BAUCUS. Mr. President, I yield 2 minutes to the Senator from North Dakota.

Mr. DORGAN. Mr. President, as I have said previously, this bill is about choices; 2,000 pages of making choices.

All across this country people got up this morning and ate breakfast food. Some ate rice that was crisped, called rice krispies. Some ate flaked corn, called corn flakes; wheat that was puffed, puffed wheat.

It is interesting. We have folks that raise these crops. They plow and raise wheat and corn. Down South they raise rice. Then we have a lot of folks that process it—the ones that put the crisp in it, put the flake in it, put the puff in it.

The big agrifactories have plenty of reason to smile at this. This bill is a really nice deal for them: tax cuts, major advantages.

But, the folks who get up in the morning and plow, they do not have much reason to smile. They get big cuts.

The President said \$4.2 billion in cuts. We agreed to that.

But the Republican majority came along and more than tripled it. You cannot write a decent farm program that way. They painted themselves in the corner.

So instead of bringing a farm bill to the floor, which we have always done before, for the first time in history

they threw it into a reconciliation bill and hoped nobody would notice.

Their approach is to say to farmers, do not worry. If you are a family farmer in trouble, move to downtown. That is their answer.

It is not an answer for North Dakota, in my judgment. A lot of farm families rely on us writing a decent family farm program. These people work hard, and all they are asking for is a fair shake.

We ought not to ask them to bear the entire burden of all the budget cuts. They have had a 60 percent cut in support prices alone in recent years. Now we are told to take a much higher proportion of cuts than virtually any other area of the Federal budget.

Frankly, it is not fair and it is not right. It ought not be done.

Mr. BAUCUS. I yield 3 minutes to the Senator from Vermont.

Mr. LEAHY. Mr. President, 2 weeks ago I spent a crisp Monday morning at Claude Bourbeau's farm in St. Albans, VT, with Secretary Dan Glickman and a number of Vermont dairy farmers. I wanted to give him a chance to visit with some hard-working honest folks who will be severely affected by this budget bill.

Many of those farmers are concerned about this budget. I am too. I told the farmers that they lose thousands of dollars a year in revenue under the Senate Republican plan.

I asked the farmers, "Which of you could afford a cut like that?" Not a single hand went up.

It turns out that I was underestimating the impact when I was in Vermont. Just this morning, the Food and Agricultural Policy Research Institute and Texas A&M University released a new study.

This new, independent study says that under the Senate Republican plan, a typical 70-cow dairy farmer in Vermont would see net cash income fall by \$9,050—from \$31,120 to \$22,070—in the next year. The House Republican plan is even worse—it would cost a typical farmer \$17,850. Farm income would decline from \$31,120 in 1995 to \$13,270 in 1996. Under these plans, typical dairy farmers will lose 30 to 60 percent of their annual incomes. These farmers are already working dawn to dusk just to get by.

These numbers are consistent with a new analysis that USDA released a couple of days ago.

When those farmers in St. Albans hear how bad these cuts are, they will be stunned.

This budget is a war on rural America in many ways.

Over 27,000 working families in Vermont alone will see their taxes increase because the Republicans are scaling back the earned income tax credit.

The typical rural hospital will lose \$5 million a year or more in Medicare. In rural Vermont, doctors and hospitals will lose \$290 million in Medicare funds. I am afraid that doctors will simply abandon the small towns.

Schools in rural Vermont will lose \$1.2 million in education funding. Our schools cannot afford that kind of hit.

Republicans want to create giant tax breaks for rich people and big corporations. The average rural family is not wealthy enough to benefit from the Republican budget. In Vermont, 63 percent of taxpayers earn less than \$30,000—those are the people who will see their taxes increase.

According to Congressional Research Service, over half of all heads of households working in the agricultural sector qualify for the earned income tax credit, which Republicans cut.

In 1994, 328,000 farm families qualified for the EITC. Many of these were farm laborers, but 100,000 were farm operators and managers. Over one-third of all farm operators and managers nationwide will see their taxes increase under this Republican budget.

This Nation's farmers are struggling, and this budget says to them, "Tough luck."

The Finance Committee cut the EITC but it passed over \$200 billion in tax breaks. Most of those tax breaks will benefit families earning over \$100,000 a year. Only 3 percent of rural households earn that kind of money.

Several Senators addressed the Chair.

Mr. BAUCUS. Mr. President, how much time remains?

The PRESIDING OFFICER. Four minutes.

Mr. BAUCUS. I yield to the Senator from North Dakota.

Mr. CONRAD. Mr. President, this plan for rural America is the equivalent of dropping a neutron bomb in the middle of rural America. Remember the neutron bomb? That is where the buildings remain standing but the people are gone. That is what will happen in much of rural America if this farm plan and this plan for rural America ever becomes law.

The Republican plan would force farmers off the land. In a low-price year, it would mean a 60 percent reduction in net returns to farmers in my State. It would close hospitals in rural areas. The hospital association in my State has just done a survey and they say 26 of the 30 rural hospitals in North Dakota would go to negative returns on their Medicare patients. It would shutter nursing homes and represents unilateral disarmament in the world trade battle over agricultural trade.

We would pull the rug out from our producers at the very time our competitors are already supporting their farmers at a level three times ours. That would be a profound mistake, not only for the rural parts of this country but for the trade balance of the United States.

Agriculture is one of the two areas in which we still enjoy a substantial trade surplus. We ought not to wave the white flag of surrender in this trade fight. We would never do it in a military confrontation. We should not do it in a trade battle.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, at this time I yield 5 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, obviously I rise to oppose the motion that is before us. It may be well intended, but let me tell you, the simple truth is that this amendment will hurt the very people, the very rural America, and the very family farms that, according to their statements, it is intended to help.

People on the other side of the aisle probably do not intend it this way, but the fact of the matter is, with their tax policy, they do not believe in taxation, they believe in confiscation. Because, when you leave high estate taxes, when you leave high capital gains taxes and the impact of inflation on each, you are in a situation where, when you tax inflation, it is confiscation and not taxation.

The estate tax laws, the way they are—and they have not been changed for 15 years; the capital gains tax laws, and they have not been changed since 1986—are tying up a lot of property in rural America that will not move because people are not going to pay confiscatory, high rates of taxation. One sure thing, if you do not need the income and you do not have to sell, you are not going to sell and give it all to the Federal Treasury, because in most of the farms of America, the lifetime of savings is tied up just to create an income and a job for one family.

So, if you want to help rural America, we have to transfer the property from one generation to another, and I do not know how you are going to do that if you do not do it by increasing the exemption and encouraging people to sell their property.

People suggest what we are doing in this reconciliation bill on farm policy is wrong.

The fact is that the President's budget is not good for agriculture because it does not achieve balance in the next 7 years.

The Food and Agriculture Policy Research Institute ran some numbers on the impact of a balanced budget on farm income. They estimate that by the year 2002, under a balanced budget scenario, farmers will save \$2.3 billion per year due to expected reductions in interest rates. It is important to note that farming is a very capital-intensive industry and benefits greatly from low interest rates.

Furthermore, FAPRI's preliminary numbers indicate that farmers' cash flow will increase \$300 million per year due to the increased economic activity resulting from the balanced budget.

So the net positive impact on farm income from a balanced budget will be \$2.6 billion per year. This gain will be lost if we adopt the President's budget numbers.

Mr. President, another vital point that my Democratic colleagues fail to

mention is that their doomsday numbers on agriculture assume that the cuts will be made to the program as it is currently structured. They would want you to believe that the Republicans are taking \$13.4 billion out of farmer's pockets.

This assumption reveals a lack of understanding about how farm programs work and a failure to recognize the important reforms contained in this bill. The next farm bill will significantly reduce the regulatory burden on farmers, allow farmers to plant for the marketplace, and continue to aggressively promote new markets and new uses for agriculture commodities.

Specifically, farmers will no longer be required to idle productive land because of a mandate from Washington. Furthermore, farmers will have the flexibility to produce whatever commodity they chose in response to market signals. These reform measures, along with reducing the regulatory burden and finding new markets for our products, will lead to an increase in farm income in the future.

It is true that Government payments to farmers will be reduced. But the future of U.S. agriculture must rest on the ability of farmers to earn income from the marketplace. The reforms to the farm programs contained in this budget reconciliation package achieve this goal and will allow our farmers to flourish.

So I urge you to vote against this motion. I yield the floor and yield the remainder of my time.

The PRESIDING OFFICER (Mr. CRAIG). Who yields time?

Mr. COVERDELL. Mr. President, I yield 5 minutes to the Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. THOMAS. Mr. President, we have moved away again a little bit and have gone into posturing this afternoon, I guess not unusually. There has been a good deal of misinformation floating around this budget and its effect on rural areas with respect to health care. Contrary to what we have heard, there are several provisions designed to recruit providers and to ensure that 24-hour emergency care is available, which we have not had in my State, even though the Senator from Montana has had some in his.

It is interesting, also, that several of the provisions talked about here my friends on the other side of the aisle supported last year when they were in the Clinton health care plan—reducing the updates for inpatient hospital services, section 4101. The Republican plan does not apply 2 percent reductions to all hospitals like the Clinton health care plan did. Rather, it receives the 1 percent reduction.

The copayment for health care services—this is a fee we have heard a great deal about—somehow it was not as devastating last year when it was in Clinton health care plan, section 4134.

But, happily, there are a number of provisions that are most helpful. One is

the limited services hospitals. Frankly, there are going to be a continuing number of these in rural areas. With hospitals that are built relatively close together, you simply cannot support the hospital as a coservice hospital because there is not enough utilization. And we have had some experience with this. Under this bill, they can be reorganized and downsized into emergency rooms, or stabilizing facilities, and be reimbursed by HCFA—that is a very important change—so that you will have the facility in the town that cannot afford to have a full-blown hospital.

Medicare-dependent hospitals. The Clinton 1993 budget let this program expire, but the Republican plan reinstates it. The purpose is to assist high Medicare patient loads in Iowa, Wisconsin, Kansas, and other Midwest States. But it also has the extension of the sole community hospital. The Republican plan plans to extend these special payments to hospitals that have 50 beds or less and are 35 miles or more away from the nearest hospital. Wyoming, Montana, Idaho, and other Rocky Mountain States receive the most money.

Medicare HMO payments. It intends to put these on an equal footing and to put some parity in these payments. These HMO payments in Medicare were based on the fee-for-service history. In one instance, in Bronx County in New York, the payment was \$678 a month as opposed to South Dakota where it was \$177. We need to find some equity in that. This program does that.

Medicare bonus payments, payments to primary care physicians to help hold primary care providers in rural areas, a 10- to 20-percent increase there if they practice in health care professional shortage areas.

These are the things that are in this bill to help rural health areas. Specifically, we have been working on it for several years with our rural health caucus, both in the House and in the Senate.

Telemedicine grants. We are going to find that we can save a great deal of money and provide better services by using telemedicine. There are some grants here that allow for that to be developed as well as to develop systems within rural States to deliver services.

So, Mr. President, contrary to what we have been hearing for the last few minutes, there are some substantial rural health additions to assist in delivering rural health services.

I urge the defeat of this amendment. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield now to our distinguished leader in agriculture, a strong spokesman in our country for agriculture. I yield 2½ minutes and to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. BAUCUS. I yield the remaining time.

Mr. HARKIN. Mr. President, I thank the Senator for yielding.

Mr. President, in times past, when rural America was hit with droughts or floods, we brought disaster bills to the floor of the Congress. These bills were to ease the suffering of rural communities in hard times and to help stop disasters.

Yesterday morning we were handed this, a brand new 2,000-page disaster bill. But this bill does not cure a disaster in rural America; it provokes one. This is a disaster bill for agriculture. We were supposed to have a farm bill this year with a full debate on a sound food and agriculture policy for the Nation. Instead, agriculture has now been slipped into these 2,000 pages—I bet no one has really read the darned thing—and we have had no opportunity for real debate or amendments.

Once again, agriculture is being forced to take unfair and unreasonable cuts amounting to 25 percent over the next 7 years—even though agriculture has already been reduced significantly and commodity programs amount to about one-half of 1 percent of the budget. One-half of 1 percent, but commodity programs take a 25 percent cut over the next 7 years. Tell me if that is fair.

This is a disaster bill for rural health care. We all know that access to quality, affordable health care in rural communities has been a serious problem for years—especially for seniors. This disaster bill, with its drastic Medicare cuts, makes it even worse in rural America.

This is a disaster bill for America's farm families, who are already having a tough time making ends meet. Net farm income in real dollar terms will be at its lowest level this year since 1986, in the depths of the farm crisis. This disaster bill makes it worse by lowering farm income another \$9 billion, according to USDA estimates.

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

The majority controls 15 minutes 30 seconds.

Who yields time?

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I think we are in the process of trying to work out a unanimous-consent agreement that will start us voting. So I am going to suggest the absence of a quorum.

Mr. HARKIN. May I finish my statement? May I have enough time to finish my statement?

Mr. DOMENICI. How long does the Senator wish to speak?

Mr. HARKIN. For a minute and a half. I was on a roll, and I did not want to stop.

Mr. DOMENICI. Of course; 2 minutes. Can the Senator pick up the roll?

Mr. HARKIN. I will pick up the roll.

The PRESIDING OFFICER. The Senator from Iowa is yielded 2 minutes.

Mr. HARKIN. I thank the chairman for yielding me an additional amount of time because I did want to make another point—that this 2,000-page bill really destroys our basic commodity programs that we have had to put a safety net under our farm families. It puts a hard cap on deficiency payment rates, doubles the percentage of unpaid base acreage and decimates USDA's ability to respond to price-depressing surpluses.

What if commodity prices and farm income fall as they did in the 1980s? Under this disaster bill, if corn prices fall to \$2 a bushel an Iowa farmer with a 350-acre corn base—which is a modest size—would lose over \$10,000 of income protection compared to the current farm bill. And, if corn prices fell to \$1.80 a bushel, which is not out of the question, that farmer would lose over \$17,000 in income protection compared to what we have now in the law.

Also, this is a disaster bill for hungry kids. The nutrition cuts in this bill are excessive and unsupportable. It is unconscionable that this bill is cutting our commitment to school lunches, school breakfasts, summer meals, and the special milk program.

Mr. President, these drastic cuts to rural America are driven by ideology and not by common sense. They are unfair, unreasonable, and unconscionable.

Enough is enough. Rural America is already paying its fair share for deficit reduction. So this amendment offered by the Senator from Montana is to send this disaster bill back to the Finance Committee with instructions to pare back the upper income tax windfalls, and to reduce the assault on rural America.

It is time, Mr. President, to put common sense ahead of ideology and to put the interests of rural communities over the interests of a privileged few.

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

Mr. COVERDELL. Mr. President, our side yields back its time, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

#### UNANIMOUS-CONSENT AGREEMENT

Mr. DOLE. I have been informed by Senator DASCHLE, the Democratic leader, that they will limit their amendments that they will offer after all time has expired, and with that commitment I now ask unanimous consent that all first-degree amendments pending to motions to recommit and all pending second-degree amendments be withdrawn.

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

Mr. DOLE. This will leave the following issues that need to be disposed of

by rollcall votes that have been debated yesterday and up to this point today: The Rockefeller motion concerning Medicare, followed by the Abraham amendment concerning Medicare fraud, and the Bradley motion concerning EITC; the Graham, of Florida, motion concerning Medicaid; Kennedy amendment concerning education; Bumpers motion concerning deficit reduction; Baucus motion concerning rural restoration.

Therefore, I ask unanimous consent that all votes in this sequence after the first vote be limited to 10 minutes in length, with 2 minutes for explanation between each vote to be equally divided in the usual form.

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

Mr. DOLE. I further ask that Senator KASSEBAUM or her designee now be recognized to offer a first-degree amendment concerning education and the time be limited to 10 minutes equally divided in the usual form, with no amendments in order to the amendment, and the vote occur immediately following the vote on or in relation to the Kennedy amendment in the voting sequence.

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

Mr. DOLE. I further ask unanimous consent that the next 10 Republican amendments and the next 10 Democratic amendments be limited to 10 minutes equally divided in the usual form, with no amendments in order to any of the next 20 amendments offered.

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

Mr. DOLE. Let me explain to our colleague where we go after the voting sequence that will occur after 10 minutes of debate by Senator KASSEBAUM or her designee. Republicans will be entitled to offer the next three amendments in a row as a result of a previous agreement. Then each side will alternate until the remaining amendments, limited to 10 minutes each, have been debated.

The Senate will then begin voting on those debated amendments, and then begin voting on all amendments Members are going to offer which would have no debate time. We would just offer it. There will be a little explanation. It will be the majority leader's intention to keep the Senate in until approximately midnight tonight and resume the voting sequence until concluded on Friday.

We could vary a little bit either way this evening depending on how much progress we make. And I have discussed this with the Democratic leader. It is our hope that we could finish voting and have final passage by midafternoon tomorrow. That will depend, of course, on whether Members on the other side feel compelled to continue to offer amendment after amendment after amendment when all time has expired.

But that will be determined later. And I thank the Democratic leader for his cooperation.

I will be happy to yield to the Senator from South Dakota.

The PRESIDING OFFICER. The minority leader.

Mr. DASCHLE. I thank the majority leader for that explanation, and that is in keeping with our agreement. We have three tiers of amendments. We have just completed our work on the first tier, for which now there will be votes, without second-degree amendments.

Once those votes have been completed, we will go to the second tier, for which there will be debate of up to 10 minutes on either side. I should say 10 minutes total for 10 amendments on the Democratic side and 10 amendments on the Republican side.

That will then expire all of the time. We will then go to the third tier of amendments for which there will be no time, and we will encourage Senators to write the purpose of their amendments clearly enough to allow the clerk to read the purpose and give us the opportunity then to vote.

We would also expect that on occasion the managers might find the need to explain a particular amendment. But there would be no time for discussion of that third tier set of amendments.

I think this is a very good agreement. It is what we had hoped to achieve now for some time. I appreciate the cooperation of all of our colleagues on both sides of the aisle. I think this will allow us to accommodate our work and accommodate many of the priorities we have been talking about now for several hours.

Mr. DOLE. Mr. President, I just say to my colleagues this would not be a good day to be absent. Neither will tomorrow be a good day to be absent. I assume there will be anywhere from 40 to 60 votes between now and tomorrow afternoon.

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. May I inquire of the majority leader when the vote on the Bumpers deficit reduction amendment and Baucus rural restoration amendments will occur. I was a little bit confused as I listened to the leader read the list and then say the Kassebaum amendment would come up after the Kennedy amendment. There was an ambiguous point as to when the vote on the Bumpers amendment and vote on the Baucus amendment would occur.

Mr. DOLE. They will occur after the Kassebaum amendment or her designee. So it will be KASSEBAUM or her designee, then BUMPERS, then BAUCUS.

Mr. BAUCUS. And then the other second-tier amendments?

Mr. DOLE. Then second-tier amendments. And then third-tier amendments, which we hope will find a way to the wastebasket.



Mr. DASCHLE. Mr. President, just one clarification, I ask the majority leader. I would expect that we will vote en bloc on the second tier. I wonder if it would not be appropriate to have a minute, 30 seconds on a side, just to remind everybody what that series of second-tier votes are prior to the time we vote. We may have done that. I do not have the agreement in front of me. We are going to do that on the first tier with 2 minutes on a side. We vote on the second tier and have 30 seconds on a side just to be sure people understand.

Mr. DOLE. I so amend my request.

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

Mr. DOLE. One minute equally divided.

The PRESIDING OFFICER. One minute equally divided.

Mr. DOLE. Divided very quickly.

Mr. DASCHLE. That is right.

Mr. DOMENICI. Could I ask a question?

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. We have agreed to this, have we not?

The PRESIDING OFFICER. Yes.

Mr. DOMENICI. Could I ask, yesterday, when the Abraham amendment was being discussed on fraud and abuse, we heard a comment from your side that it would be accepted. If that is still the case, we can just save a little bit of time. We are up against time constraints. I wonder if that is still the case.

Mr. DASCHLE. I would want to consult with our ranking member. It is my understanding we would be able to accept it, but let me confirm that after consultation.

Mr. DOMENICI. In any event, we are not precluding that and if the Senator could find that out, we would save a little bit of time.

Mr. President, I am informed that the other side ought not work too hard on that request. It may be that we do not want you to say yes to our request.

Mr. DASCHLE. Mr. President, I would ask that the quorum call not be taken from either side as it relates to the time available on the bill, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The quorum call at this time will not be charged.

Mr. DOMENICI. It would not be because a vote is pending in any event. We are just following the rules?

The PRESIDING OFFICER. The Senator from New Mexico is correct.

The absence of a quorum has been noted. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DASCHLE. Mr. President, I ask unanimous consent that the quorum call be dispensed with.

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

Mr. DASCHLE. I yield 3 minutes to the distinguished Senator from Hawaii off the bill.

The PRESIDING OFFICER. The Senator from Hawaii has been yielded 3 minutes.

Mr. AKAKA. Mr. President, I rise to express my deep concern about the provisions in the reconciliation bill relating to Medicare and Medicaid. In my judgment, the proposals are a danger to the health of millions of Americans. House and Senate Republicans have called for a reduction of roughly \$450 billion in health care expenditures over the next 7 years.

They argue that they are merely reducing program growth, not cutting Medicare. But the facts tell us a different story. We have very good estimates of what it will cost to fund the Medicare program over the next 7 years. The fact is that more people will become eligible and we will continue to have health care inflation.

The Republican proposal would cut Medicare below both the medical inflation rate and the private sector rate by cutting \$270 billion, for tax breaks, from what is needed to fund the Medicare program. We are not just scaling back Medicare, we are eroding its foundation.

Medicare experts estimate that keeping part A solvent through the year 2006 requires \$89 billion in cuts, not the \$270 billion called for under the GOP proposal. Those who want to cut Medicare argue that cuts are necessary to get us to a balanced budget in 7 years. That puzzles me.

If the objective of this bill is to balance the budget, why are we simultaneously considering a plan to cut taxes by \$245 billion over the same period? Clearly, the vast majority of the cuts are not needed to keep Medicare solvent, but are needed to pay for new tax breaks.

I am deeply concerned about the size of the Medicare and Medicaid cuts, and the fact that the savings will be diverted to provide tax breaks for the wealthy. But my foremost concern is the impact these proposals will have on the poor, elderly, and the disabled who will be drastically hurt.

Under the Republican proposal, Medicare premiums and deductibles will increase, and the quality and availability of care will be seriously compromised. Seventy-five and eighty-five percent of Medicare beneficiaries have incomes under \$25,000, and the increase in out-of-pocket costs could make Medicare coverage unaffordable for many. Furthermore, the portion of cuts that do not fall on beneficiaries directly will be borne by the providers who deliver Medicare services. These cuts will be shifted to the rest of the population in the form of higher medical bills and higher health insurance costs.

I would also like to discuss briefly the provisions of the bill pertaining to the Medicaid Program. In addition to cutting \$182 billion in Medicaid over 7 years, the proposal before us replaces the current Medicaid Program with a block grant capped at fixed dollar amounts each year. The bill would

offer only minimal coverage and benefits, eliminate all Federal Standards for providers and delivery systems, and abolish the Federal standards set for nursing homes and institutions caring for the mentally retarded.

In 1987, national standards for nursing home care were established with broad bipartisan support. These standards were designed to protect nursing home patients because of the horrendous treatment many were receiving and because State regulations were inadequate. Yet the Republican plan to cut Medicaid by \$182 billion contains a provision repealing the national standards for nursing homes, even though these standards have improved care substantially.

Mr. President, we all agree that we must balance the Federal budget. However, we must do it the right way. We must ensure a basic safety net and make adequate investments for the future. I question the priorities set forth in this legislation. This bill does not safeguard health care for our Nation's elderly, poor, or disabled; it does not ensure proper care of vulnerable people in nursing homes; and it certainly does not make adequate investments in our future.

Mr. President, I sincerely hope that we recognize the tremendous benefits these programs have made in our society and urge that we continue the fight for dignity and security for our Nation's most vulnerable as we work to balance the Federal budget.

I yield the floor.

Mr. LEAHY. Mr. President, this budget bill is a raw deal for Vermont. It makes deep and unnecessary cuts in Medicaid, Medicare, student loans, and dairy programs that will devastate our economy for years to come. And it will raise taxes on 63 percent of working Vermont families. This is the wrong way to try to balance the budget.

This bill cuts Medicaid by \$182 billion over the next 7 years and turns this vital program into a block grant to the States. Over the next 7 years, these cuts will reduce Federal Medicaid payments to Vermont by \$205 million. This plan defaults on our guarantee that seniors would receive health care assistance when they need it the most.

Vermont's acceptance of this enormous responsibility would leave the State hundreds of millions of dollars short of funds to provide necessary health care over the next 7 years.

The plan also eliminates requirements for nursing homes to provide proper health standards, a loophole that will be seized by some to lower the quality of care and life in these institutions.

It is not an easy decision to place a parent or a spouse in a nursing home, but often it is the only alternative to ensure that they get proper care. And it will be even more difficult if the Republican plan prevails.

The bill cuts Medicare by \$270 billion over the next 7 years. It will cut payment rates to providers and hospitals,

make seniors pay higher premiums and increase deductibles. Vermont will lose \$356 million in Medicare payments over the next 7 years, losing \$88 million in 2002 alone.

In Vermont, 73 percent of our elderly population have incomes of less than \$15,000. And 1 dollar of every 5 dollars of that fixed income is spent on health care. Yet Republicans are cutting Medicare and Medicaid to finance tax cuts that will mostly benefit Americans making over \$100,000 a year—less than 3 percent of Vermonters make that kind of money.

Republicans have the gall to tell us that these massive cuts are supposed to “preserve, protect and strengthen Medicare.” I think William Wells of Rutland, Vermont, who recently wrote to me, had the right response to this claim.

With true Vermont common sense, Mr. Wells wrote: I have heard politicians say “they want to save Medicare.” Their way of saving Medicare is like a hunter ‘saving’ a moose by shooting it and having it mounted by a taxidermist. It is still there but no longer functional.

Let us be honest with the American people. Congress can balance the Medicare budget and keep the system solvent—but the cuts must be gradual and spread over a longer period of time.

For 30 years, Medicare and Medicaid have contributed greatly to the decline in poverty and improved the health of seniors in America. We are now asked to turn our backs on the elderly and distribute the “savings” among our wealthiest citizens.

Mr. President, I will oppose any plan that attempts to dismantle the health care delivery system that has served our Nation’s seniors so well.

This bill also makes short-sighted cuts in education. It cuts student loan programs by \$10 billion over the next 7 years. Students will be hit with 70 percent of these cuts—increasing the costs to the 20,000 Vermonters receiving higher education and their families by at least \$5,800 over the life of a student loan. Because of rising tuition costs, Congress should be working to make education more affordable—not less.

These additional financial burdens will discourage many students to continue their education after high school. The Contract With America has sealed the fate of the next generation of Americans. They may never have the chance of post-high-school training or a college education—the key to a better paying job.

This bill also makes deep cuts in our dairy program. The Senate plan scraps the price support system for butter and nonfat milk and sharply limits the price supports for cheese. Under the bill, the average Vermont dairy farm will lose more than \$7,000 a year in revenue. These dairy cuts will deal another blow to Vermont’s dwindling family farms.

At a time when many working Vermonters are struggling to make ends

meet, the Senate Republican budget would hike Federal taxes on low- and moderate-income families by cutting \$43 billion from the earned income tax credit—a program that rewards work and compensates for low-wages.

This Federal tax increase will also raise State taxes in seven states, including Vermont, that have a State earned income tax credit tied to the federal credit. As a result, 27,000 Vermont working families earning less than \$30,000 a year—about 63 percent of Vermont taxpayers—will be forced to pay higher taxes. This is a double whammy on working families.

Mr. President, this budget bill is a raw deal for Vermont. It will leave my home State in an economy crisis for years to come. And I will urge the President to veto it.

Mr. HATFIELD. Mr. President, the Balanced Budget Reconciliation Act of 1995 is proof that this Congress is willing to make the difficult decisions that are needed to balance our Federal budget. That there is agreement between Congress and the executive branch, between Republicans and Democrats, and between the House of Representatives and the Senate, of the need to balance the budget at a date certain is a victory in and of itself. While we may not all agree on how to accomplish that feat, we are at least all proceeding toward a common goal.

This legislation continues the effort that is already underway in the Appropriations Committee to balance the budget. To date the Appropriations Committee has reduced Federal spending by \$24 billion. My colleagues who have worked to put this legislation together know full well that reducing spending is not an easy task. However, given the size of the national debt, all members know that we must act now and make those tough choices.

The prime example that we are ready to make tough choices is proven in this bill’s attempt to reign in the exponential growth in entitlement spending. Earlier this year I stated on this floor that I was sobered by the demise of the Bipartisan Commission on Entitlements and Tax Reform. The Commission was unable to agree on a specific set of recommendations on how to address the issue of continued entitlement growth. I am very happy that the taboo of reforming entitlements may finally be gone. Entitlement spending will continue to grow from 49 percent of the Federal budget in 1995 to 59 percent of the total budget in 2002. Based on these numbers it is clear the entitlement beast has not been slain, but at least the Balanced Budget Reconciliation Act of 1995 takes us in the right direction on the entitlement issue.

Like many Members in this chamber, I have some disagreements with the spending decisions in this legislation adrafted. One of those areas of disagreement relates to the \$11 billion reduction in education spending over 7 years. Some members have argued that

this cut is small in comparison to total spending in this area, or that the impact is painless on a per person basis. What these arguments fail to consider is the critical role education plays in the success of the Nation’s children, the success of this Nation’s industries, and the success of this Nation’s standing in the world community. Education is an investment in the future. The Senate would be shortsighted to cut this investment short. I plan to work with my colleagues to ensure that this provision can be fixed before the Senate finishes its work on this legislation.

I am also concerned that this legislation deals a blow to States that have been innovative in addressing the rise in health care costs. The State of Oregon began an experiment in 1994 to expand health care coverage to more Oregonians. The Oregon Health Plan, as it is known, has increased access to basic health care to more than 120,000 low-income Oregonians. This has been accomplished by making rational choices about the effectiveness of health care services and making the delivery system more efficient. Already Oregon has seen significant results. Our costs per beneficiary are 10 percent less than the national average; hospital charity care has decreased by 30 percent; emergency room visits are down by over 5 percent; and our welfare caseloads have decreased by 8 percent in the past year. Unfortunately the legislation before the Senate would inadvertently penalize Oregon for being innovative in its delivery of medical services. I am working with the leadership to ensure that this type of creativity and effective governing is not penalized.

There are a number of tough choices in this legislation and the authors should be commended for their work. However, given the fact that 15 percent of the current budget is spent to pay interest on the debt, these tough choices need to be made. We have before us a proposal that will do the job. While I would like to see some reordering of priorities in the legislation, I am looking forward to working with my colleagues to assure that a balanced budget becomes a reality.

#### PENSION REVERSIONS

Mr. BINGAMAN. Mr. President, I rise today in opposition to a provision in the budget reconciliation legislation before us that could put at risk the pensions of hard-working Americans. Specifically, I refer to the provision allowing corporations to take money out of funds deemed overfunded by the IRS for deductibility purposes, and use that money for other employee benefits, without paying an excise tax. Of course, because money transferred in this manner is fungible, the money could actually be used for almost any purpose.

The principal problem with this provision is that pensions funds considered

overfunded by IRS for tax policy consideration are not overfunded on an actuarial termination basis. As I understand it, this means that while the plans have enough money to meet their current ongoing obligations, if for some reason the plan terminated, the people who had paid into that plan would have no guarantee that the plan could provide the pension benefits that they earned over the years. In such a case, the U.S. taxpayer, through the Pension Benefit Guarantee Corporation [PBGC], would be forced to step in and pay the benefits.

Mr. President, we know that workers are concerned about their ability to retire with a decent standard of living. We also know that our Nation is suffering from a lack of savings and capital for economic expansion, and that institutional investors like pension funds are the single largest investors in capital. It therefore makes absolutely no sense to me to provide an incentive to decrease pension security, savings, and available capital through provisions like the one included in the budget reconciliation legislation before us.

I think we should be doing more to promote sound pension plans, and expand coverage for American workers. This provision seems to me to be doing just the opposite: putting existing plans at greater risk without expanding coverage. In the time since this and a similar House provision have come to the public's attention, numerous pension experts, including the American Academy of Actuaries and the PBGC, have expressed concern about the effect this provision could have on pension fund soundness. I have also heard from constituents expressing similar concerns. For all of these reasons, I urge my colleagues to strike this provision.

Mr. BOND. Mr. President, in many respects this is an amazing debate we are having today, a debate I was not sure I would ever see—should we, or should we not, pass a bill which will get our budget into balance over the next 7 years.

It is historic. It is bold. It is unprecedented. And judging by the reaction, it is real.

Unfortunately, \$5 trillion in debt has piled up waiting for this day, so even with this action, we are still passing on a huge debt to our children and their children.

When I first got to Washington, after coming from State government where we had to balance the budget every year, I was amazed at the cavalier attitude taken by so many about budget crisis.

It did not take me long to learn that walking away from budget problems had become so ingrained that success was defined as holding the deficit to only \$200 billion—meaning we only added \$1 trillion to the debt every 5 years.

Unfortunately, that is where President Clinton remains today. While we are willing to put before the public the real questions—when do we stop adding

to the debt? When do we get serious about slowing the growth of runaway programs? When will Congress be willing to actually say No to a special interest, or a pet program and say "Sorry, I'm worried about adding to my kid's debt."

No one said it would be easy—but with the leadership of Senator DOMENICI, and the willingness of Members to stand up and vote for action instead of just talking a good game—this Senate will soon take that step.

Make no mistake, the step is a big one, as for the first time in 25 years Congress has the opportunity to pass a budget which will get us to a surplus—rather than just keep adding to our debt.

The budget before us is tough. It sets priorities. It recognizes that government cannot do it all. And it makes the statement that the time has come for leaders of today to start paying attention to the financial and economic devastation they are creating for tomorrow's generations.

We have heard many speeches about the need to cut spending, reduce the deficit, and get our Nation's books into balance. Everyone who looks at our nearly \$5 trillion debt recognizes the need to do something so that we don't keep piling on that debt for our children and grandchildren.

Over the next few days the American people will have a rare opportunity to see exactly what the political leadership's visions for our country's future are.

Too often Congress legislates for the present, ignoring the costs for the future. Political expediency replaces thoughtful debate, and at the end of the day it is with shock and dismay that the public finally realizes what has occurred—and recognizes what additional debt they or their children will be forced to pay.

It takes a long time to build up a \$5 trillion debt. And even starting today it will take 7 years to get us to a balance, meaning that we won't even begin paying off a dime of debt until 2002.

Some would like us to put off the tough choices for a little longer. Others have abandoned finding a solution to the real budget crisis we are facing in their zeal to make political points. And still others claim to be on board with the concept of balancing the budget—they just don't like our approach.

But as I have said before—talk is cheap. If you say you want to balance the budget, let's see your plan.

If you say you understand Medicare is going broke, and must be fixed, let's see your plan.

Unfortunately, what we have seen and heard so far is much heat—and no light.

Medicare is one of the best examples. Medicare today is paying out in claims more than it is collecting in premiums. It is only because of the interest earned on the trust fund's surplus that Medicare is not insolvent right at this moment.

This means that as I speak, for every dollar a senior is paying in, more than a dollar in claims is being paid out. So why is everyone not saying stop, something has to be done?

Next year even including the interest earned on the trust fund's won't be enough to pay out all the claims. Thus next year Medicare will be insolvent, and it will be forced to start eating into its rainy day fund—the money which has been built up in order to be available for the baby boomers who start to retire in the next decade.

And then if nothing is done, by the year 2002 the surplus will be gone and the entire program will be bankrupt and will be forced to shut down.

So again I ask, why is the President not saying we must do something to fix this drastic problem—not just delay it again like has been done so often before—but actually fix it?

Why are my colleagues in the Democratic party not saying let us get to work on this problem?

Instead they want to paper over the problems in Medicare, only fiddling around the edges, while making no effort to make fundamental changes in the program as we realize must be done. We want to make savings by giving seniors a real choice—they offer a 2-year bandaid to get them beyond the next election.

So what does our bill do? It takes on the task of reforming and overhauling Medicare—both to protect it for today's seniors, as well as preserve it for tomorrow's. It also expands choices, and bring the program of the 1960's into the health care system of the 1990's. And it gives us 25 years of additional solvency—versus the 25 months of the Democrats' plan.

How much clearer can the choice be? A thoughtful long-term solution—or a get-me-through one more election BandAid.

Mr. President this debate is much bigger than Medicare. It is much bigger than Medicaid, agriculture, civil service retirement, or welfare. It is about what financial legacy we want to leave to our next generations.

It is about whether people believe that \$5 trillion in debt is enough, and whether we in Congress have the courage to hit the spending brakes.

I hope we do. And hope that the President will find the courage to do the same.

Finally, I would like to express my opposition to the amendment that the senior senator from Arizona has indicated he plans to offer.

That amendment would, allegedly, eliminate 12 pork programs—a goal I would support if it delivered on that promise. Unfortunately, however, the amendment would target several programs which are critical to our international competitiveness and our ability to create high-paying export jobs. Let me quickly touch on just a few examples:

First, the amendment would require the Export Import Bank to raise loan

fees which would have the impact of making Exim financing uncompetitive vis-a-vis other countries' export finance agencies. That means U.S. companies will lose deals and U.S. workers will lose jobs.

Second, it would reimpose recoupment fees on commercial sales of military equipment overseas. The Bush administration eliminated this fee because it was making U.S. export uncompetitive and costing jobs. It makes no sense to reimpose it.

Third, it would cancel NASA's subsonic and supersonic research programs. These programs are aimed at ensuring U.S. aerospace companies retain their technological edge into the 21st century. If it becomes technically possible, it will be economically viable to build only one supersonic airplane. I want that plane to be built by Boeing or McDonnell Douglas, not by Airbus.

#### CAPITAL GAINS—FAIRNESS

Mr. HATCH. Mr. President, we need to consider some very important facts concerning the fairness of the capital gains tax rate reduction in the reconciliation bill before us.

We have heard some statements here on the Senate floor over the past few days by some of our colleagues who believe that a broad-based capital gains tax rate reduction somehow favors the rich at the expense of middle- and lower-income taxpayers. I want to set the record straight on this issue.

#### WHO PAYS CAPITAL GAINS TAXES?

First, Mr. President, let us start by examining who pays capital gains taxes in this country.

The fact of the matter is that most of the tax returns reporting capital gains come from taxpayers in the lower- and middle-income categories.

Since there are varying views as to where the middle-income category begins and ends, I have prepared two pie charts contained within chart 1 to illustrate who these taxpayers are.

The pie on the left shows that, on average, from 1985 to 1992, 62 percent of all returns reporting capital gains came from those reporting \$50,000 or less of adjusted gross income [AGI]. I repeat, 62 percent. This amounted to more than 5½ million taxpayers per year.

The pie on the right, Mr. President, shows the same information for taxpayers with higher incomes, but still within what most would consider as the middle-income category.

As you can see, 79 percent of all returns reporting capital gains came from those reporting \$75,000 or less of AGI. On average, this was over 7 million taxpayers per year.

Capital gains realization is hardly the exclusive domain of the rich.

Actually, these figures dramatically understate the number of people in the lower- and middle-income categories who will benefit from the capital gains deduction.

It is estimated that about 44 percent of all people reporting capital gains recognize such gains in only 1 out of 5 years, on average.

In 1986 alone, of the 7.6 million returns reporting capital gains, 3.1 million of these taxpayers reported no capital gains in the previous year.

#### THE "OCCASIONAL RECOGNITION PHENOMENON"

Since many taxpayers do not have capital gains each year, it is obvious that there are millions more of lower- and middle-income taxpayers than this chart indicates who will benefit from a lower capital gains tax rate.

This occasional recognition phenomenon also illustrates why the numbers cited for the rich are consistently overstated by capital gains tax cut opponents.

By only looking at 1-year segments, capital gains tax cut opponents erroneously conclude that once a taxpayer experiences an unusually large capital gains recognition in a particular year, he or she will stay in the rich category forever. Such is simply not the case.

Take, for example, a typical farming couple in Cache County, UT, who has struggled over the years to make ends meet and finally decides to sell the farm and move to the warmer climate of southern Utah.

Even though this couple may never have reported more than \$30,000 of farming income in any given year, in that 1 year of sale they will be lumped in with the rich because they reported a \$250,000 of gain on the sale of their farm.

To conclude that this couple is rich because they realized a large capital gain in only 1 year of their life is ridiculous. Yet, this is exactly the basis for many of the statistics given by my friends on the other side of this issue.

One study looked at those reporting over \$200,000 of income per year from 1981 to 1984. Taking just single-year snapshots of the realizations, such taxpayers accounted for almost 40 percent of all capital gains reported.

However, when the entire 4-year period was considered as a whole and the occasional nature of recognitions was taken into account, their proportional share dropped to just 22 percent.

Thus, the more years that are included in the comparison, the smaller the share of gains going to the so-called rich.

Let me repeat, Mr. President, studies that show lower- and middle-income taxpayers who receive an occasional larger capital gain as being rich are misleading.

#### OPponents IGNORE BENEFIT TO LOWER- AND MIDDLE-CLASS TAXPAYERS

Now, I am the first to admit that some who are truly wealthy will benefit from a lower capital gains tax rate, and rightly so, as I will discuss in a few moments.

However, the impact of the benefits of a capital gains tax cut to the wealthy are greatly overstated, while the positive benefits to lower- and middle-income taxpayers are mostly ignored by those who oppose this change.

For example, a Treasury Department study estimates that nearly half of the dollar value of all capital gains are re-

ported by taxpayers reporting wage and salary income of \$50,000 or less.

Moreover, the same study estimates that three-fourths of all tax returns with capital gains are filed by taxpayers with wage and salary income of less than \$50,000. Yet, to listen to capital gains tax opponents, one could conclude that only the rich would be affected by a lower rate.

Mr. President, to get a better feel for how many lower- and middle-income taxpayers will actually benefit from the capital gains deduction in this bill, consider the following.

It is estimated that about 12 million lower- and middle-income workers participate in some sort of stock equity plans with their employers—12 million.

Moreover, many millions of Americans own investments in stocks, bonds, and mutual funds. In fact, as of September 1994, there were 93.6 million mutual fund accounts in America. It is interesting to note that 52 percent of the 30.2 million families owning mutual funds report incomes of \$50,000 or below and that 80 percent of those families report incomes of \$75,000 or below. This is middle America. This is the teacher who married the police officer planning for their future.

In addition, millions of people in the lower- and middle-income categories own homes and rental properties that could be subject to capital gains taxes upon sale. This bill will benefit all of these taxpayers.

#### CAPITAL GAINS TAX RATE DIFFERENTIALS

Mr. President, it is well known that in 1986, Congress raised the capital gains tax rates on the rich, from a 20-percent top rate to a 28-percent top rate. What is lesser known, however, is that we raised capital gains taxes on middle-income taxpayers as well.

For example, a family of four earning the median income saw a 50-percent increase in their capital gains tax rate. A family of four earning twice the median income—and these would be the upper middle class rather than the rich—saw a 47 percent increase in their capital gains tax rate.

In 1990, Congress once again created a differential between the top tax rate on capital gains income and the top tax rate for ordinary income.

By putting in a new 31 percent bracket, but keeping the top rate on capital gains income at 28 percent, we once again began to favor capital gains income—for some.

The differential was further increased in 1993 when Congress created the 36 and 39.6 percent tax brackets and again capped the capital gains tax rate at 28 percent. The result is that taxpayers in the highest brackets currently enjoy a lower rate on capital gains, but those in the 15 percent and 28 percent brackets do not.

As you can see from chart 2, Mr. President, this bill remedies this situation by giving those in the lowest tax brackets the largest percentage reductions in their effective capital gains tax rates.

Note that the wealthiest Americans will get only a 25-percent decrease in their effective capital gains tax rates, while those in the lowest tax brackets will enjoy a full 50-percent reduction.

Not only will large investors receive incentives to create jobs, but this relief will now be enjoyed by smaller investors as well.

It is high time that lower- and middle-income families get some meaningful capital gains tax relief. For the first time in years, lower-income taxpayers will enjoy single digit rates of taxation on their capital gains.

INFLATION

One of the best reasons for a cut in the capital gains tax rate is that a sizeable portion of all capital gains reported are caused by inflation. In fact, economists estimate that on average, about half of all capital gains are inflationary in nature.

Mr. President, I have never heard anyone try to argue that taxing inflationary gains is fair—either for the rich or for anyone else. There is simply nothing fair about having to pay tax on inflationary gains.

In fact, a tax on inflationary capital gains is not a tax on income at all or even on the increase in the real value of the asset. It is purely a tax on capital, very much like the property tax, but assessed only when the property is sold.

This bill helps to ameliorate inflationary gains by providing a 50-percent capital gains deduction. In most cases, this should effectively nullify the tax on the inflation element. This is fair tax treatment—for everyone.

TAX DISTRIBUTION

Many of my colleagues on the other side of the aisle have expressed concern that the dollar amounts of a capital gains tax cut will go disproportionately to those in the highest tax brackets. Let me make three points about this, Mr. President.

First, despite the continual rantings and ravings by liberals about tax breaks for the rich, our tax system has gotten more and more progressive over the past years, as illustrated by chart 3.

Note that in 1993, the top 1 percent of all taxpayers paid almost 29 percent of all income taxes while the bottom 50 percent of all taxpayers paid less than 5 percent.

Since 1980, our income tax system has gotten much more progressive. If capital gains tax cut opponents think our system is so drastically unfair, I want to ask them a question: If these percentages do not satisfy you, what percentages will?

Second, many millions of American families currently pay no Federal income taxes at all. It makes little sense to talk about these people in terms of tax relief. A hundred percent of zero is still zero.

By definition, it is impossible to give income tax relief to those who pay no income taxes in the first place. If we want to talk about taking from higher-

income taxpayers and giving to lower-income taxpayers, let us call it what it really is—welfare.

Third, opponents of capital gains tax relief must assume that wealthier taxpayers who realize capital gains take the money and bury it in the back yard or stuff it into a mattress.

Opponents ignore the fact that this money is almost always immediately put back into the economy, where it goes to work creating jobs and adding to investment capital available for business creation or expansion. The ultimate fairness of the cut in the capital gains tax is that economic and job opportunities will be enhanced for all Americans because of this bill.

In conclusion, Mr. President, for the reasons cited in chart 4, I firmly believe that the capital gains tax cut provisions in this bill are fair. They are fair for all American families because all American families will derive a great deal of benefit from them.

I sincerely hope that my colleagues will take the time to consider the points I have made and vote in favor of this much-needed reform to our tax law.

The bottom line, as I see it, is that our current capital gains tax rates are an effective tax on initiative, investment, and planning ahead—all things that we say we should encourage people to do.

It is time for our tax policy to reflect our national values.

Mr. President, I ask unanimous consent that the two tables referred to in my statement be printed in the RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

Chart No. 1—Who reports capital gains?

	Percent
AGI >\$50,000, 3.4 million people .....	38
AGI of \$50,000 or less, 5.5 million people .....	62
2.9 million people, AGI >\$75,000 .....	21
AGI of \$75,000 or less, 7 million people .....	79

Source: Treasury Department.

CHART NO. 2—WHO ENJOYS THE GREATEST TAX RATE REDUCTION?  
[In percent]

Income tax brackets: .....	39.6	36	31	28	15
Current capital gains tax rate .....	28	28	28	28	15
Effective rate under this bill: .....	21	18	15.5	14	7.5
Percentage Reduction: .....	25	36	45	50	50

\* Assumes the Alternative Minimum tax applies.

CHART NO 4.—Why Is the Capital Gains Deduction Fair?

It gives the largest percentage decrease to those in the lower tax brackets.

Most of the returns filed showing capital gains come from lower- and middle income taxpayers.

It reverses the 1986 capital gains tax increase on the middle-class.

It reduces, if not eliminates, the cruel and unjustifiable tax on inflationary gains.

It stimulates the economy to create more jobs and opportunity for those on the lower rungs of the economic ladder.

PMA VICTORY

Mr. PRESSLER. Mr. President, I rise today to declare victory for rural com-

munity and small city electric ratepayers. I am pleased that both the House and the Senate budget reconciliation bills do not contain any language requiring a sale of the Southeastern, Southwestern or Western Power Marketing Administrations—collectively known as the PMAs. As I have stated on this floor many times before, this is a critical issue to my fellow South Dakotans.

As my colleagues know, during Senate consideration of the Budget Resolution earlier this year, my colleague from Montana, Senator BAUCUS, and I offered an amendment that expressed the Senate's opposition to the sale of the Southwestern, Southeastern and Western Area Power Administrations. The Senate voted overwhelmingly against a motion to table that amendment.

The balanced budget reconciliation bill now before us reflects the wishes of the Senate. The PMAs represent a government program that works. They provide affordable power to rural communities and small cities and still manage to turn a profit for the Federal Government.

As I have said again and again, sale of the PMAs would have a devastating effect on South Dakota citizens in rural communities and small cities—and on people across the country.

Public power serves many functions in South Dakota. As a sparsely populated State, utilities are faced with the challenge of how to get affordable electricity for those who live in small cities and rural communities where there are less than two people per mile of transmission line. Public power provides the solution.

Public power, purchased through the Western Area Power Administration, known as WAPA, costs South Dakotans an average of 2.5 cents less than the market rate. This lower cost is essential to encourage economic development in small cities and towns. It allows revenue to be reinvested in additional transmission lines, and better service. The availability of hydropower from the Missouri River to rural cooperatives and municipalities has helped to stabilize power rates. With 7,758 miles of transmission lines in the Pick-Sloan region, WAPA can serve 133,100 South Dakotans—without charging them an arm and a leg.

Public power has brought more than electricity to South Dakota. For example, Missouri Basin Municipal Power Agency, based in Sioux Falls, has embarked on a program offering incentives for planting trees. The goal is to plant at least one tree for each 112,500 meters in the Agency's membership territory.

Public power also brings new jobs to the communities it serves. In part due to the low cost of power from East River Electric, there are now three injection molding plants based in Madison, SD.

East River Electric also is involved in other economic development activities. It provides classes to help the