

We can agree to come down half a percent per year and that will get us to the 19 percent we need to be at within the 6 or 7 years that it will take to adopt a balanced budget amendment. That is a rational, disciplined, proper way to achieve the balanced budget amendment.

Those who say that we should propose our plan before we adopt the discipline of a constitutional balanced budget amendment overlook the fact that we can impose an implementation plan without all of the specifics of every single budget. There is not a one of us here who knows how we are going to balance our own household budget 3 years from now, but we sure enough know we are committing ourselves to the fiscal discipline of doing it.

We also understand the way we have to do it is to conform our spending to our income, and that is what the Congress would be doing by immediately adopting an implementation plan to achieve a balanced budget through spending limitation.

So when our colleague from Utah, the chairman of the Judiciary Committee, Senator HATCH, proudly proclaims that the balanced budget amendment has passed the U.S. Senate, I think the very next thing we should do is to say, "And here is how we are going to do it so that you States who are considering whether to adopt it or not, to ratify it, will know we mean business back here in Congress, we don't mean to pass the costs on to you." That is the second part of the two-part commitment we made to the States. The first part we already adopted as legislation prohibiting unfunded mandates.

So with those kinds of commitments from the U.S. Congress, we can be assured that the States will adopt or ratify a balanced budget amendment to the Constitution and finally put this country on the road to fiscal discipline.

Mr. President, I thank you and certainly thank the chairman of the Judiciary Committee for the many years of hard work he has put into this very important endeavor.

Mr. HATCH addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, I want to compliment the distinguished Senator from Arizona. I cannot tell you what it means to me to have him on the Judiciary Committee and with his broad background in the House of Representatives as well as here on this amendment.

His suggestions are very valid, and the point that he has made, I think, overwhelms some of the arguments that have been made for tax increases in this body. No matter what we do, that line stays relatively the same, which means tax increases do not always produce more revenues. Sometimes they produce less revenues. We found, as in the case with capital gains, since 1960, every time capital gains rates went up, revenues to the Government went down; every time capital

gains rates went down, revenues to the Government went up. There are \$8 trillion in capital assets locked up out there because people do not want to pay 28-percent capital gains.

But his chart is a very important chart. The distinguished Senator makes a very interesting and good case. I wish that we were able to take some of his ideas and incorporate them in an amendment that could get the broad support that this amendment does have. But to his credit, even though he knows that if we used the 19 percent as a line in order to balance the budget, we would probably be better off if we did that. But he also knows that this amendment is the only one that we have that we can get a widespread consensus on. It is bipartisan. It is an amendment that involves Democrats and Republicans and one that he is willing to help support.

So I personally just want to express to him how much I appreciate him, how much I appreciate his knowledge and his explanations to us of how his approach would work if we could put it through.

I have to say that I could easily support his approach. I think it is a very, very good one, and I want to thank the Senator for being such a stalwart on this issue.

Mr. KYL. Mr. President, may I say, I thank the Senator from Utah for his very kind remarks and look forward to continuing cooperating with him in passing this very important amendment.

Mr. HATCH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

FEDERAL EDUCATION SPENDING

Mr. PELL. Mr. President, I am deeply concerned with the rumors and talk about town regarding cuts in Federal education spending. While the Federal contribution constitutes only about 6 cents of every \$1 spent in education in our country, it is a very concentrated and highly important amount of money. At the postsecondary level, it makes up 75 percent of all the grants, loans, and campus-based aid that enable deserving students to pursue a college education. In elementary and secondary education, it comprises over 60 percent of all the funds that go to help disadvantaged students learn on a level with their peers. To my mind, we should not be looking at cuts in education but, instead, should be examining how we might increase and strengthen the Federal contribution.

One of the education cutbacks receiving greatest attention is the potential elimination of the in-school interest

exemption for students who obtain Federal loans to help finance their college education. Elimination of this exemption would increase student indebtedness by 20 to 50 percent. It would only worsen an already unfortunate trend in which students and their families are having to borrow more and more money. It would be the wrong step in the wrong direction at the wrong time.

Mr. President, as I have stated on many occasions, few things in life are more important than the education of our children. They are the living legacy that we leave behind and their education determines the future of the American Nation.

As part of the possible proposed spending cuts, it has been suggested that the in-school interest subsidy feature of the Federal student loan program be eliminated. This term subsidy is somewhat of a misnomer. What the phrase actually refers to is the in-school interest exemption feature of the loan program. This is a critically important feature of the loan program that shows the Federal commitment of providing help to hard-pressed middle income families. Its elimination, however, is one of the possible funding cuts in education that could be made to help pay for the Contract With America supported by the majority party in the U.S. House of Representatives. Because of this, I thought it very important not only to let my colleagues know of my strong opposition to such a proposal but also to let them know the terrible impact it would have on students who must borrow in order to pay for their college education.

In a recent letter I received, a director of financial aid at an institution in California expressed great concern over this proposed cut. He noted that eliminating the interest exemption feature will compound the already high debt levels of students.

Under the proposed cut, student loan indebtedness will increase from around 17 to 30 percent for the average undergraduate and graduate student. Elimination of the interest exemption feature will also hinder the students' ability to compete and participate in the economic marketplace if they are forced to begin their careers with such increased debt. The end result could well be an economy where college graduates cannot purchase homes or other necessities that are the economic stimulus of our society.

These harsh consequences would especially affect students from middle-class families, those same students for whom the loan program was originally designed. The ability to obtain and repay a loan is a major issue confronting college students. Increasing the amount they will owe when they finish school will most certainly affect students' decisions whether or not to attend college in the first place or go on to graduate school after undergraduate study is completed. Without the in-

school interest exemption, it is estimated that students who are enrolled for bachelors degrees could see their debt burden increase by \$20,000 or more.

For example a student that attends a 4-year college and borrows the maximum amount would owe \$17,125. If interest is charged while the student is in school, the student would owe an additional \$3,407 or \$20,532 upon entering repayment. This 20-percent increase in the amount to be repaid would increase the monthly payment from \$205 per month to \$246 per month. The additional cost over the life of the loan would be about \$5,000.

This proposal is truly penny-wise and pound-foolish. Students who today pursue graduate study would have an enormous increase in what they owe. Those same students have the lowest default rate in the loan program. Increasing their debt burden, however, will certainly increase the risk of default.

The effects on graduate students are even more profound for a student who attends 4 years while earning a bachelor's degree and attends graduate school for an additional 2 years to earn a masters degree. Upon graduation, the student would owe \$34,125. If the interest exemption is eliminated, the student would owe an additional \$9,167 for a total of \$43,292. This represents a 27-percent increase in educational indebtedness and would increase the monthly repayment amount from \$409 to \$520 per month.

Every day families are making decisions about sending their children to college. Certainly one of, if not the major obstacle they face is how to pay for college. The loan is their last resort. It provides the extra but necessary money they must have after exhausting their own resources and obtaining any grants for which their children might be eligible. Increasing the amount their children owe after graduation may well place the dream of a college education beyond their reach. That, to my mind, would be a tragedy of truly immense proportions. In fact, recent studies show that the people who are the most uneasy about borrowing funds are those with low incomes. But these are the same low income students who will turn away from taking the loan because of the monetary increase. Without the funds, an education becomes an unachievable dream.

The proposal to eliminate the in-school interest exemption also comes at a particularly bad time. The cost of a college education continues to escalate at all levels, but particularly in the public sector where a previously affordable education is in danger. State after State has trimmed support for its public institutions. The result: Students and their families have had to pay more through higher tuitions and other related costs.

The need to borrow to pay for a college education is already increasing at an alarming rate. According to a recent study by the American Council on

Education, the volume in the Stafford Loan Program increased by 45 percent last year, and the average loan size grew by nearly 20 percent. The study also found that the increase in borrowing over the past year was far greater than any previous year's increase.

Unfortunately, borrowing is more necessary because we have failed to provide sufficient funding for our grant programs in general and the Pell Grant Program in particular. When we reauthorized the Higher Education Act 3 years ago, we sought to extend Pell grant aid to middle income families, but the sad fact is that funding has been inadequate to accomplish that objective. The consequence has been that more and more American families have been forced to borrow more and more money to pay for a college education. Elimination of the in-school interest exemption will only exacerbate an already worsening situation.

For example, at the University of Rhode Island in my home State, borrowing increased from \$8.2 million in 1988-89 to over \$26.7 million in 1994-95. For the current school year alone, cutting the in-school interest exemption would add another \$2 million in debt burden. That is not the direction in which we should be moving.

Mr. President, I care deeply about the education of our children. If the in-school interest exemption is eliminated, we will be removing an essential and very helpful feature of the federal loan program. I urge my colleagues to talk with college officials in their respective States and to learn just how devastating elimination of the in-school interest provision would be not only to their schools but particularly to their students. I also urge my colleagues to join me in expressing early and strong opposition to such a proposal so that it might be removed from any and all lists of education cuts under consideration.

Mr. HATCH. Mr. President, as in executive session, I ask unanimous consent that nominations to the offices of inspector general, excepting the Office of Inspector General for the Central Intelligence Agency, be referred during the 104th Congress in each case to the committee having substantive jurisdiction over the department, agency or entity, and if and when reported in each case, then to the Committee on Governmental Affairs for not to exceed 20 days.

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

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages

from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-313. A communication from the Under Secretary of Defense, transmitting, pursuant to law, the report of a violation of the Antideficiency Act, case number 93-9; to the Committee on Appropriations.

EC-314. A communication from the Under Secretary of Defense, transmitting, pursuant to law, the report of a violation of the Antideficiency Act, case number 94-02; to the Committee on Appropriations.

EC-315. A communication from the Director of the Office of Management and Budget, Executive Office of the President, transmitting, pursuant to law, the report on direct spending or receipts legislation within five days of enactment; to the Committee on the Budget.

EC-316. A communication from the Deputy Director of the Defense Security Assistance Agency, transmitting, pursuant to law, the report of the status of loans and guarantees issued under the Arms Export Control Act; to the Committee on Foreign Relations.

EC-317. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report of the analysis and description of services under the Arms Export Control Act; to the Committee on Foreign Relations.

EC-318. A communication from the Assistant Legal Adviser for Treaty Affairs, Department of State, the report of the texts of international agreements, other than treaties, and background statements; to the Committee on Foreign Relations.

EC-319. A communication from the President of the United States, transmitting, pursuant to law, the report entitled "Procedures Established for Effective Coordination of Research and Development on Arms Control, Nonproliferation and Disarmament"; to the Committee on Foreign Relations.

EC-320. A communication from the Comptroller General of the United States, transmitting, pursuant to law, notice of the reports and testimony for December 1994; to the Committee on Governmental Affairs.

EC-321. A communication from the Director of the Office of Government Ethics, transmitting, a draft of proposed legislation entitled "Office of Government Ethics Authorization Act of 1995"; to the Committee on Governmental Affairs.

EC-322. A communication from the Acting Executive Secretary of the National Labor Relations Board, transmitting, pursuant to law, the report under the Government in the Sunshine Act for calendar year 1994; to the Committee on Governmental Affairs.

EC-323. A communication from the Director of Communications and Legislative Affairs, transmitting, pursuant to law, the report under the Government in the Sunshine Act for calendar year 1994; to the Committee on Governmental Affairs.

EC-324. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 10-302 adopted by the Council on