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Senate

The Senate met at 8:30 a.m., and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Almighty God, by Your grace You guided the founding of this Nation to be a demonstration of democracy under Your sovereignty. We praise You for Your timely inspiration and interventions all through our history. Our motto, ''In God we trust,'' and our affirmation, ''One Nation under God,'' express our sure confidence and the source of our courage.

As we begin the work of this Senate today, we commit ourselves anew to You. We thank You for the privilege of pressing forward to the next phases of Your vision for our beloved Nation. We open our minds to think Your thoughts. Give us Your perspective on the problems we face and Your power to solve them.

Help the Senators to listen to one another so that their debate on issues will be a dialog leading to creative resolutions combining the best of supernatural wisdom that You provide through many minds.

Bless the entire Senate family engaged in so many different tasks today to enable the work of the Senate to be done effectively. Make each person sense Your presence, encouragement, and strength. In the name of our Lord. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The distinguished Senator from Rhode Island is recognized.

SCHEDULE

Mr. CHAFEE. Mr. President, on behalf of the majority leader, let me say there will be a period of morning business until the hour of 10 o'clock. At 10 o'clock, the Senate will resume consideration of S. 1664, the immigration bill, with Senator SIMPSON to be recognized to offer an amendment.

Rollcall votes can be expected throughout the day on the immigration bill. It is the hope of the majority leader that we may complete action on that bill, the immigration bill, during today's session. It is also possible for the Senate to consider the omnibus appropriations conference report if that measure becomes available.

MORNING BUSINESS

The PRESIDING OFFICER (Mr. BURNS). Under the previous order, there will now be a period for morning business.

Mr. CHAFEE. Mr. President, I believe that Senator BREAUX and I have an hour of morning business starting now.

The PRESIDING OFFICER. The Senator is correct.

BALANCED BUDGET COMPROMISE

Mr. CHAFEE. Mr. President, 4 months ago Senator BREAUX and I asked a small group of our colleagues to get together on a bipartisan basis to discuss how we might reenergize the stalled negotiations on a balanced budget. At that time neither the White House nor the congressional budget negotiators were making the compromises necessary to reach a final balanced budget agreement.

You may recall, Mr. President, at that time there could not even be agreement on what economic assumptions were to be used as the starting point.

In advancing our efforts, Senator BREAUX and I hoped to demonstrate to the Republican congressional leadership and to the White House, the administration, that a group of Senators—Democrats and Republicans, from the middle of the political spectrum—were willing to set aside partisanship to reach a balanced budget agreement. We strongly believe that the single most important action that this Congress can take for the benefit of our Nation is balancing the budget.

The members of our group come to this effort with a wide range of perspectives on how we ought to solve the budgetary problems. Each of us, if left to our own devices, might come up with a different balanced budget agreement than the one we arrived at. But nonetheless, all of us made concessions and compromises in order to forge our plan.

This chart shows the problem that faces the Nation. And by the way, these figures come from the Congressional Budget Office. That is the official group that provides budget projections to this body. These are not the administration's figures, they come from our own budget office. Here is the deficit today, somewhere around $140 billion. Left unchecked, it will increase each and every year, until in the year 2006, which is only 10 years from now, Mr. President, it is projected to exceed $400 billion.

Those are the bills that we are sending to our children because we refuse to take the steps that are necessary to balance this budget.

Senator BREAUX and I and our group of some 22 Senators, 11 Republicans and 11 Democrats, have come up with a proposal, and this chart compares the different plans. The first column is the Chafee-Breaux plan. The second is what the leadership of the Republican Party has presented. The third is what the administration has presented.

It is a fairly busy chart so I will not go into all the details, but I will point

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

out one distinct feature in our approach that is different from the others' approach, and that is discretionary spending.

What is discretionary spending? Discretionary spending is all the normal things that occur in the budget—defense, libraries, the FBI, highways, the payment for the State Department and our Ambassadors around the world, all of those normal things. You will see that we believe we can save out of this category $268 billion over the next 7 years.

How do we do that? We do that by some very, very tough measures. We say that the spending in discretionary will be frozen for the next 7 years, without any increases for inflation. That is tough medicine, and we think that is as far as we can go, and it is unrealistic to suggest that savings can be achieved above and beyond this level.

But here you will see the administration and, indeed, the Republican proposals go way beyond that. We consider that totally unrealistic, and that when the appropriations bills come up in 1998 and 2000 and 2002, Congress will not make those cuts and we will not realize these savings.

The point I am making here is the Chafee-Breaux plan is a realistic proposal, whereas the other budgets in this particular area are totally unrealistic.

So how do we make up the money? Others save, as we see in the Republican proposal, nearly $100 billion more than we do. And we do it with an item that you will see at the bottom of this chart called the Consumer Price Index.

What is the Consumer Price Index? The Consumer Price Index is used as an estimate of what inflation is for the year. And the Consumer Price Index, according to studies that have been made, overstates inflation. In other words, the estimate of the inflation for the year is too high. It is not accurate. And we recognize that. So we make a modest correction in the Consumer Price Index as follows: We lower the Consumer Price Index by five-tenths of 1 percent in the first 2 years and by three-tenths of 1 percent in every year thereafter. Indeed, the Advisory Committee to Study the Consumer Price Index, which was established by the Finance Committee to study this issue, has said that the Consumer Price Index is overstated by as much as 2 percentage points. The Commission's range of overstatement is between seven-tenths of 1 percent and 2 percent. So we take a more conservative approach. We do not go as far as they do. We are not as tough, if you would. We say we will only reduce it by 0.5 in the first 2 years and 0.3 thereafter.

That is a very, very important step, because when you deal with the inflation index and take the steps that we have taken in the Consumer Price Index by reducing it by a very modest amount, that yields tremendous savings in the outyears. So this is not a budget that we presented that only just squeaks into balance in the year 2002 and then the lid comes off in future years; not at all. This is a budget that is going to produce these savings in future years as well, and the country will thus be in balance, not only in the year 2002, but 2003, 2004, and the outyears as well.

Some of these steps are tough steps. The only way these savings can be achieved, particularly in the Consumer Price Index, is through a bipartisan effort. We feel very, very strongly that now is the time. Now is the time for the Senate to set the pace, to set the standards and to adopt a budget that will achieve balance.

Others will be talking on particular features of our plan as we go along, but I want to take this opportunity to thank every Senator, all 22 Senators who participated in this effort. Each of them showed his or her commitment to solving this problem. We are driven by the fact we do not want to continue to send bills for expenditures we are making to our children and our grandchildren.

In particular, I thank Senator JOHN BREAUX, who has been tremendous in his dedication to this effort. Without his participation and his leadership, this would have failed a long time ago. So, for his unswerving dedication and invaluable leadership, I thank him. He deserves a tremendous amount of credit.

Mr. President, there will be other speakers.

Mr. BREAUX addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I think we have an agreement of the allocation of 1 hour, perhaps half and half. Under that, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator is correct.

Mr. BREAUX. Mr. President, I want to start by recognizing my good friend and colleague, Senator CHAFEE. He was very kind and generous in his remarks about my role. I would say exactly the same thing for Senator CHAFEE. He and I have worked together because I think we were able to put aside partisanship, and we were able to say there are a number of Senators, a large number of Senators, who really do want to work in a bipartisan fashion for what is good for this country. I think, really, the majority of all Senators feel that way.

I particularly want to say to Senator CHAFEE, it is because of his leadership on the Republican side of the aisle that our organization was possible. Without his help, it would not have been possible. It is just that simple. He has taken some very courageous stands. I think all Members of this body should applaud him for that.

They said it could not be done. They said it was impossible, particularly in an election year, when a third of this body was up for election and when both parties have candidates who are now running for the Presidency of the United States. It was said it was absolutely impossible that Members of the Congress, Members of the Senate, could come together in a bipartisan fashion and put together a product that actually balanced the budget in a 7-year period, a budget that would be scored by the Congressional Budget Office in a way that everybody can agree with the figures.

It was said that it could not be done because this is a political year and people fight over these things. They sometimes say the best way to win the political battle is to blame the other side for not doing enough. We have a centrist coalition of 22 Senators, bipartisan in nature, who said that is not the way we want this body to govern. We do want to work toward a balanced budget, and we know it cannot come just from the left nor can it come just from the right; that any kind of agreement on the big problems of the day has to come from working from the center out, by forming centrist coalitions in the middle that gradually build up enough support to become a majority.

That is exactly what we have been able to do. How many times have we gone back to our respective States and have had people come up to us on the streets and in coffee shops and before civic clubs and say, "Why can't you guys in Washington get together? Why can't you sit down and do the job we elected you to do and expected you to do when you took your oaths of office as Senators and Members of the Congress? Why can't you reach out to each other and say, 'Yes, I can't have it all my way all the time'?" That we do have to make compromises and that compromise is not a dirty word, that it is the art of being able to govern in a society that is, indeed, a democracy.

That, I think, is what we have done. Today we are announcing one of the worst-kept secrets in this city, that there has been a centrist coalition that has been working together since our first meeting in October 1995, when we sat down and made a dedicated effort to try to come up with a compromise budget that got the job done. We were dedicated less to which party got the credit and less to which party got the blame and more to trying to get the bottom line achieved in a consensus recommendation. We have done that.

I am optimistic, despite all the things we have not been able to do—and there have been a lot. There have been two partial shutdowns of the entire Government because we have not been able to come together. We had 13 temporary spending bills that have had to pass because we were not able to get the job done. But, despite that, I am optimistic. Today, this Congress will pass a budget for fiscal year 1996. That is encouraging. It is 7 months late, but it is encouraging that, at least, I think today we will have gotten it done. So progress is being made.

I am also encouraged by statements in the press. I see the President yesterday suggested that it would be a good idea to reach a balanced budget agreement for 7 years if a centrist coalition of moderate Republicans and moderate Democrats in favor of deficit reductions could get together and work together to come up with a balanced budget agreement.

Guess what? We have done that. We have put together a group of good men and women who, in a bipartisan fashion, have dedicated ourselves, and particularly our staffs, to days and hours and months of working together to try to produce a document which, in fact, meets that very goal that the President has suggested. I think everybody wins when we get the job done, and everybody loses when we do not. It is just that simple.

Our recommendation today addresses some very tough, hard problems that have been out there for a long time. For instance, on Medicare, we have made a Medicare proposal that is real Medicare reform. It reduces the cost of Medicare by almost $154 billion. We have made some real, major recommendations in Medicaid.

We have addressed welfare. We have a program that I think is tough on work and yet is good for children. We have a tax cut in our package that is larger than some would like and is smaller than others would like, but it represents a true compromise.

Yes, we have even taken on the very difficult job of saying to the American people that the increases you get in entitlement programs will be realistic; they will more accurately reflect what the increase should be. All the economists tell us that the increases have been larger than they should have been. Our budget proposal, I think, takes the correct and, I think, politically courageous step of saying there is going to be an adjustment in the Consumer Price Index.

Mr. President, for all in this city who have said it could not be done, today we stand and say it can be done. In fact, it has been done, with our recommendation.

I ask unanimous consent that the summary of the centrist coalition balanced budget plan be printed in the RECORD.

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

SUMMARY OF CENTRIST COALITION BALANCED BUDGET PLAN

For the past several months, a bipartisan group of 22 Senators has worked to craft a seven-year balanced budget agreement that is fair to all Americans. We have made the difficult choices and compromises necessary to reach an agreement because we are concerned about the effect a continuing deficit will have on the quality of life for each and every American.

If we act, we can foster economic growth and prosperity. If we fail to act, we undermine the future of our children and grandchildren. This is an historic opportunity and we should not let it pass.

Balancing the budget will spur economic growth, and help families make ends meet by lowering interest rates on home mortgages, car loans, and education loans.

Balancing the budget will also brighten our children's future. Last year's report of the Bipartisan Commission on Entitlement and Tax Reform illustrates the magnitude of the problem facing future generations. Left unchecked, by the year 2012, projected outlays for entitlements and interest on the national debt will consume all tax revenues collected by the federal Government, leaving nothing for national defense, roads, or education. We cannot stand by and let this happen.

We formed this Centrist Coalition because we believe a balanced budget is possible only if Democrats and Republicans work together. We offer this proposal as a way to bridge the gap between our two parties. We hope our effort will spur the President and our colleagues in the House and Senate to work together to enact a balanced budget this year.

Robert F. Bennett, Christopher S. Bond, John B. Breaux, Hank Brown, Richard H. Bryan, John H. Chafee, William S. Cohen, Kent Conrad, Dianne Feinstein, Bob Graham, Slade Gorton, James M. Jeffords, J. Bennett Johnston, Nancy Landon Kassebaum, J. Robert Kerrey, Herb Kohl, Joseph I. Lieberman, Sam Nunn, Charles S. Robb, Alan K. Simpson, Arlen Specter, Olympia J. Snowe.

MEDICARE (ESTIMATED SAVINGS: $154 BILLION)

Expands choices for Medicare beneficiaries: Beneficiaries can remain in the traditional fee-for-service Medicare program or choose from a range of private managed care plans, based upon individual need. Options include point-of-service plans, provider sponsored organizations and medical savings accounts (on a demonstration basis).

Promotes the growth of managed care: By creating a new payment system for managed care—which blends national and local payment rates—the plan encourages growth in the availability and accessibility of managed care. Indirect Medical Education payments would be redirected to teaching hospitals; currently, they are paid to managed care plans.

Ensures the solvency of the Medicare Trust Fund: By slowing the rate of growth in payments to hospitals, physicians and other service providers, the plan extends the solvency of the Medicare Trust Fund.

Higher income seniors should pay more: Through affluence testing, the plan reduces the Medicare Part B premium subsidy to higher income seniors, and asks them to pay a greater share of the program's cost.

MEDICAID (ESTIMATED SAVINGS: $62 BILLION)

Incorporates a number of NGA's recommendations: The proposal incorporates many of the principles of the NGA proposal regarding enhanced state flexibility, while also maintaining important safeguards for the federal treasury and retaining the guarantee of coverage for beneficiaries.

Sharing the risks and rewarding efficiency: Funding is based upon the number of people covered in each state, ensuring federal funding during economic downturns. States will be able to redirect the savings they achieve toward expanding Medicaid coverage to the working poor.

Guaranteed coverage for the most vulnerable populations: The plan maintains a national guarantee of coverage for low-income pregnant women, children, the elderly and the disabled (using the tightened definition of disability included in welfare reform legislation).

Increased flexibility for the states: States can design the health care delivery systems which best suit their needs without obtaining waivers from the Federal Government. Under this plan, states can determine provider rates (the Boren amendment is repealed), create managed care programs, and develop home and community based care options for seniors to help keep them out of nursing homes.

WELFARE (ESTIMATED SAVINGS: $45–$53 BILLION)

Includes many of NGA's recommendations: The plan, which includes several prominent features of the NGA proposal, is based upon the welfare reform bill that passed the Senate by a vote of 87–12 in September 1995.

Tough new work requirements: States must meet a 50-percent work participation requirement by the year 2002.

Time limited benefits: Cash assistance is limited for beneficiaries to a maximum of 5 years.

A block grant providing maximum state flexibility: States will be given tremendous flexibility to design welfare programs, in accordance with their own circumstances, that promote work and protect children.

More child care funding to enable parents to work: The plan provides the higher level of child care funding ($14.8 billion) recommended by the NGA to enable parents to get off welfare and to help states meet the strict work participation requirements contained in the plan.

Extra funds for states to weather recessionary periods: The plan includes a $2 billion contingency fund to help states through economic downturns.

Important safety nets maintained: The plan preserves the food stamp and foster care programs as uncapped entitlements. States must provide vouchers to meet the basic subsistence needs of children if they impose time limits shorter than 5 years (states set amount of voucher).

Encourages states to maintain their investment in the system: States must maintain their own spending at 80 percent to get the full block grant, and 100 percent to get contingency and supplemental child care assistance funds; contingency and child care funds must be matched.

Reforms Supplemental Security Income programs: The plan disqualifies drug addicts and alcoholics from receiving SSI benefits, and tightens eligibility criteria for the children's SSI disability program.

Retargets Earned Income Credit: The Earned Income Credit is retargeted to truly needy by reducing eligibility for those with other economic resources. The plan also strengthens the administration of the Earned Income Credit by implementing procedures to curb fraud.

ECONOMIC GROWTH INCENTIVES (ESTIMATED COST: $130 BILLION)

A three-pronged tax relief program for working families: The plan establishes a new $250 per child credit ($500 per child if the parent contributes that amount to an IRA in the child's name); expands the number of taxpayers eligible for deductible IRAs, creates a new ''backloaded'' IRA, and allows penalty free withdrawals for first time homebuyers, catastrophic medical expenses, college costs, and prolonged unemployment; and provides for a new ''above the line'' deduction for higher education expenses.

Encourages economic growth: A capital gains tax reduction based on the Balanced Budget Act formulation (effective date of 1/1/96): 50 percent reduction for individuals; 31 percent maximum rate for corporations; expanded tax break for investments in small business stock; and capital loss of principal residence. The proposal also provides for AMT relief (conformance of regular and alternative minimum tax depreciation lives).

Important small business tax assistance: An exclusion from estate tax on the first $1 million of value in a family-owned business, and 50 percent on the next $1.5 million. Increases the self-employed health insurance deduction to 50 percent.

Extension of expiring provisions: The plan provides for a revenue neutral extension of expiring provisions.

LOOPHOLE CLOSERS (ESTIMATED SAVINGS: $25 BILLION)

Closes unjustifiable tax loopholes: The cost of the economic growth incentives is partially offset by the elimination of many tax loopholes, and through other proposed changes in the tax code.

CPI ADJUSTMENT, (ESTIMATED SAVINGS: $110 BILLION)

A more accurate measure of increases in the cost of living: The plan adjusts the CPI to better reflect real increases in the cost of living by reducing it by half a percentage point in years 1997–98, and by three-tenths of a percentage point thereafter. The proposed adjustment is well below the range of overstatement identified by economists.

DISCRETIONARY SPENDING (ESTIMATED SAVINGS: $268 BILLION)

Achievable discretionary spending reductions: Unlike most of the other budget plans, this proposal provides for discretionary spending reductions which can actually be achieved. The plan proposes a level of savings which is only $10 billion more than a ''hard freeze'' (zero growth for inflation), ensuring adequate funds for a strong defense and for critical investments in education and the environment.

OTHER MANDATORY SPENDING (ESTIMATED SAVINGS: $52 BILLION)

Balanced reductions acceptable to both parties: The plan includes changes that were proposed in both Republican and Democratic balanced budget measures in the areas of banking, commerce, civil service, transportation and veterans programs.

Additional mandatory savings: The plan adopts other changes, including a cap on direct lending at 40 percent of total loan volume, extending railroad safety fees, and permitting Veterans' hospitals to bill private insurers for the care of beneficiaries.

MEDICARE (ESTIMATED SAVINGS $154 BILLIONS)

The plan proposes a variety of reforms to the Medicare program designed to promote efficiency in the delivery of services and strengthen the financial status of the Trust Fund. The proposal retains the traditional, fee for service Medicare program, but also encourages the formation of private managed care options for seniors and the disabled, allowing point of service plans, provider sponsored organizations, and medical savings accounts (on a demonstration basis).

The plan's provider payment savings and the expanded availability of managed care delivery of services will lower the cost of the Medicare program over the next 7 years thereby extending the solvency of the Medicare Trust Fund.

Program reforms

Increase choice of private health plans. Under the proposal, preferred provider organizations (PPOs), provider sponsored organizations (PSOs), Medical Savings Accounts (as a demonstration project), and other types of plans that meet Medicare's standards are made available to Medicare beneficiaries.

Annual enrollment. The plan allows beneficiaries to switch health plans each year during an annual ''open season'' or within 90 days of initial enrollment.

Standards. The Secretary of HHS, in consultation with outside groups, will develop standards which will apply to all plans. These standards will involve benefits, coverage, payment, quality, consumer protection, assumption of financial risk, etc., which will apply to all plans; PSOs will be able to apply for a limited waiver of the requirement that plans be licensed under State law.

Additional benefits. Under the proposal, health plans would be permitted to offer their participants additional benefits or rebates in the form of a reduced Medicare Part B premium. Plans would be prohibited from charging additional premiums for services covered by Medicare Parts A&B.

Payments to private health plans. Payments to managed care plans will be delinked from traditional fee-for-service payments and will be computed using both locally-based and nationally-based rates. Future payments will grow by a predetermined percentage and a floor will be established in order to attract plans to the lowest payment areas.

Commission on the effect of the baby boom generation. The plan proposes the creation of a commission to make recommendations regarding the long-term solvency of the Medicare program.

Conform Medicare with Social Security. The eligibility age for Medicare is increased to 67 at the same rate as the current Social Security eligibility age is scheduled to increase.

Part A program savings (hospitals)

Hospital market basket update reduction. For hospitals, the proposal sets the annual update for inpatient hospital services at the market basket minus one and one-half percentage points for fiscal years 1997 through 2003.

Capital payment reduction. For hospitals, the proposal reduces the inpatient capital payment rate by 15 percent for fiscal years 1997 through 2003.

Reduce the indirect medical education reimbursement rate. The proposal phases-in a reduction to the additional payment adjustment to teaching hospitals for indirect medical education from 7.7 percent to 6.0 percent.

Reduce DSH payment. The plan reduces the extra payments made to certain hospitals that serve a disproportionate share of low income patients by 10 percent less than current-law estimates.

Skilled nursing facility payment reform. The proposal adopts a Prospective Payment System (PPS) for Skilled Nursing Facilities by November 1997. In moving to the new methodology, a temporary freeze on payment increases is imposed and then an interim system is implemented until the full PPS system is implemented.

Part B program savings (physicians)

Physician payment reform. The proposal adjusts the Medicare fee system used to pay physicians. A single conversion factor would be phased-in for all physicians instead of the current three conversion factors. Surgeons would be phased-in over a 2 year period. The conversion factor for 1996 would be $35.42 and the annual growth rate would be subject to upper and lower growth bounds of plus 3 percent and minus 7 percent.

Reduce hospital outpatient formula. The proposal adjusts the current Medicare formula for hospital outpatient departments to eliminate overpayments due to a payment formula flaw.

Reduce oxygen payment. The proposal would decrease the monthly payment for home oxygen services and eliminate the annual cost update for this service through 2003.

Freeze durable medical equipment reimbursement. The proposal eliminates the CPI–U updates for payments of all categories of Durable Medical Equipment for fiscal years 1997 through 2003.

Reduce laboratory reimbursement. The proposal lowers expenditures on laboratory tests by reducing the national cap for each service to 72 percent of the national median fee during the base year for that service.

Ambulatory surgical center rate change. The proposal lowers the annual payment rate adjustment by minus three percent for fiscal years 1997 and 1998 and then reduces the rate by minus 2 percent for remaining fiscal years through 2003.

Part A and B program savings

Medicare secondary payer extensions. The proposal would make permanent the law that places Medicare as the secondary payer for disabled beneficiaries who have employer-provided health insurance. It also extends to twenty-four months the period of time employer health insurance is the primary payer for end stage renal disease (ESRD) beneficiaries.

Home health payment reform. The proposal reforms the payment methodology used to pay home health services by the beginning of fiscal year 1999. While a prospective payment system is developed, current payments are frozen and an interim payment system implemented.

Fraud and abuse changes. The proposal includes a number of provisions designed to improve the ability to combat Medicare fraud and abuse by providers and beneficiaries

Medicare part B premium reform. The plan retains the pre-1996 financing structure for the Part B program by requiring most participants to pay for 31.5 percent of the program's costs. Premiums for lower income seniors are lowered to 25 percent of the program's costs. In addition, the proposal eliminates the taxpayer subsidy of Medicare Part B premiums for high income individuals.

MEDICAID (ESTIMATED SAVINGS $62 BILLION)

The proposal incorporates many of the principles of the NGA proposal regarding enhanced state flexibility, while also maintaining important safeguards for the federal treasury and retaining the guarantee of coverage for beneficiaries.

Payments to States. States are guaranteed a base amount of funds that may be accessed regardless of the number of individuals enrolled in the State plan. Each state would have the ability to designate a base year amount from among their actual Medicaid spending for FY 1993, 1994, or 1995. Approximately one-third of disproportionate share hospital payments would be included in the base year amount, one-third would be used for deficit reduction, and one-third would be used for a Federal disproportionate share hospital payment program.

In addition, states will receive growth rates which reflect both an inflation factor and estimated caseload increases. If the estimate for caseload in any given year was too low, states would receive additional payments per beneficiary from an ''umbrella fund'' to make up the difference. Conversely, if the caseload was overestimated, the estimate for the following year would be adjusted downward. Regardless of caseload, a state's allocation never fall below the base year allocation for that state. The plan retains the current law match rates and restrictions on provider taxes and voluntary contributions.

Eligibility. The proposal maintains current law mandatory and optional populations with the following modifications: states would cover those individuals eligible for SSI under a more strict definition of disabled (tightened by the welfare reform changes included in this proposal) as well as SSI-related groups; states would have the option of covering current-law AFDC beneficiaries or those eligible under a revised AFDC program (includes one-year transitional coverage); and, states are permitted to use savings in their base year amount to expand health care coverage to individuals with incomes below 100 percent of the Federal poverty level without obtaining a Federal waiver.

Benefits. The plan maintains current law mandatory and optional benefits except that Federally Qualified Health Center (FQHC) services would be optional rather than mandatory. The proposal also gives the Secretary of HHS the authority to redefine early periodic screening and diagnosis treatment (EPSDT) services.

Provider payments. The proposal repeals the so-called Boren amendment as well as the reasonable-cost reimbursement requirements for FQHCs and rural health clinics, thus allowing states full flexibility in setting provider rates.

Quality. States would be allowed to set provider standards. States would no longer be required to obtain a waiver to enroll patients in managed care plans, provided the plans met the state's standards developed for private plans.

Nursing home standards. The proposal maintains current nursing home standards with existing enforcement. Streamlines certain requirements.

Enforcement. Individuals and providers are required to go through a state-run administrative hearing process prior to filing suit in federal court.

Set asides. The plan establishes a federal fund for certain states that have high percentages of undocumented aliens, as well as a fund for FQHCs and rural health clinics.

Program structure. The reforms are made to the existing Medicaid statute.

WELFARE (ESTIMATED SAVINGS $45 BILLION–$53 BILLION)

Block grant. The proposal transforms existing welfare programs into a block grant to states to increase program flexibility and encourage state and local innovation in assisting low-income families in becoming self-sufficient. This structure provides incentives to states to continue their partnership with the Federal Government by encouraging states to maintain 80 percent of their current spending on major welfare programs. While the plan provides maximum flexibility, it requires states to operate their programs in a way that treats recipients in a fair and equitable manner.

Contingency fund. To protect states facing difficult economic times, the plan calls for the creation of a $2 billion Federal contingency fund.

Child care. The plan provides $14.8 billion in mandatory federal funds for child care and ensures that those child care facilities meet minimum health and safety standards so that children are well-cared for while their parents go to work.

Maintenance of effort. To encourage states not to substitute these new federal funds for current state spending, a 100-percent maintenance of effort and a state match are required in order to access additional federal money for child care and contingency funds.

Work requirement and time limit. The plan requires states to meet tough new work requirements—50 percent by 2002—and limits a beneficiary's cash assistance to five years, so that AFDC becomes a temporary helping hand to those in need, rather than a permanent way of life.

Retention of certain safety nets. The proposal retains important protections for welfare's most vulnerable beneficiaries, the children. It allows states to waive penalties for single parents with children under school age who cannot work because they do not have child care, gives states the option to require those parents to work only 20 hours a week, and requires states with a time limit shorter than 5 years to provide assistance to children in the form of vouchers.

Out-of-wedlock births. The plan encourages a reduction in out-of-wedlock births by allowing states to deny benefits to additional children born to a family already on welfare and rewarding states that reduce the number of out-of-wedlock births.

Curbing SSI Abuse. The proposal repeals the Individualized Functional Assessment (IFA) used to determine a child's eligibility for Supplemental Security Income (SSI) and replaces it with a tightened definition of childhood disability. It maintains cash assistance for those children who remain eligible for SSI under this new criteria. It also eliminates SSI eligibility for addicts and alcoholics.

Foster care and adoption assistance. The federal entitlement for foster care and adoption assistance (and their respective preplacement and administrative costs) is maintained under the proposal. States are required to continue to meet Federal standards in their child welfare and foster care programs.

Food stamp and child nutrition programs. The proposal streamlines the food stamp and child nutrition programs, while retaining this critical safety net as a federal entitlement. The work requirement for single, childless recipients in the food stamp program is toughened.

Promoting self-sufficiency for immigrants. The plan establishes a five-year ban on most federal ''needs based'' benefits for future immigrants, with exceptions for certain categories of individuals (such as veterans, refugees and asylees) and certain programs (such as child nutrition, foster care and emergency health care under Medicaid). The plan also places a ban on SSI for all legal immigrants, but exempts current recipients who are at least 75 years of age or disabled; veterans and their dependents; battered individuals; those who have worked 40 quarters; and for a five-year period refugees, deportees and asylees. Finally, future deeming requirements are expanded to last 40 quarters, but do not continue past naturalization.

Retargets earned income credit. The Earned Income Credit is retargeted to the truly needy by reducing eligibility for those with other economic resources. The plan also strengthens the administration of the Earned Income Credit by implementing procedures to curb fraud.

TAXES ($130 BILLION TAX CUT; $25 BILLION LOOPHOLE CLOSERS)

Child credit. The proposal provides a $250 per child tax credit for every child under the age of 17. The credit is increased to as much as $500 if that amount is contributed to an Individual Retirement Account in the child's name.

Education incentives. The plan provides two separate education incentives. The first is an above-the-line deduction of up to $2,500 for interest expenses paid on education loans. The second incentive is an above-the-line deduction for qualified education expenses paid for the education or training for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents. Both deductions will be phased out for taxpayers with incomes above a certain threshold. The phaseout thresholds and the dollar amounts for the deductions are subject to revenue considerations.

Capital gains: Individuals. The proposal allows individuals to deduct 50 percent of their net capital gain in computing taxable income. It restores the rule in effect prior to the Tax Reform Act of 1986 that required two dollars of the long-term capital loss of an individual to offset one dollar of ordinary income. The $3,000 limitation on the deduction of capital losses against ordinary income would continue to apply. Under the plan, a loss on the sale of a principal residence is deductible as a capital loss. These changes apply to sales and exchanges after December 31, 1995.

Capital gains: Corporations. The plan caps the maximum tax rate on corporate capital gains at 31 percent. This change applies to sales and exchanges after December 31, 1995.

Capital gains: Small business stock. The maximum rate of tax on gain from the sale of small business stock by a taxpayer other than a corporation is 14 percent under the proposal. The plan also repeals the minimum tax preference for gain from the sale of small business stock. Corporate investments in qualified small business stock would be taxed at a maximum rate of 21 percent. The plan increases the size of an eligible corporation from gross assets of $50 million to gross assets of $100 million, and repeals the limitation on the amount of gain an individual can exclude with respect to the stock of any corporation. The proposal modifies the working capital expenditure rule from 2 years to 5 years. Finally, an individual may roll over the gain from the sale or exchange of small business stock if the proceeds of the sale are used to purchase other qualifying small business stock within 60 days. The increase in the size of corporations whose stock is eligible for the exclusion applies to stock issued after the date of the enactment of this proposal. All other changes apply to stock issued after August 10, 1993.

Alternative minimum tax relief. The plan conforms the Alternative Minimum Tax depreciation lives to the depreciation lives used for regular tax purposes for property placed in service after 1996.

Individual Retirement Accounts. The proposal expands the number of families eligible for current deductible IRAs by increasing the income thresholds. In addition, the annual contribution for a married couple is increased to the lesser of $4,000 or the combined compensation of both spouses. Penalty-free withdrawals are allowed for first-time homebuyers, catastrophic medical expenses, higher education costs and prolonged unemployment. The plan creates a new type of IRA which can receive after-tax contributions of up to $2,000. Distributions from this new IRA would be tax-free if made from contributions held in the account for at least 5 years.

Estate tax relief. The plan provides estate tax relief for family-owned businesses by excluding the first one million dollars in value of a family-owned business from the estate tax and lowering the rate on the next one and one-half million dollars of value by 50 percent. To preserve open space, the plan excludes 40 percent of the value of land subject to a qualified conservation easement.

Other provisions. The proposal contains a revenue neutral package extending the expired tax provisions. The plan also calls for increasing the self-employed health insurance deduction to 50 percent.

Loophole closings and other reforms

The plan includes a package of loophole closers and other tax changes designed to reduce the deficit by $25 billion over seven years. Changes include, for example, phasing out the interest deduction for corporate-owned life insurance, eliminating the interest exclusion for certain nonfinancial businesses, and reforming the tax treatment of foreign trusts. In addition, the Oil Spill Liability tax and the federal unemployment surtax are extended as part of the plan.

CONSUMER PRICE INDEX (ESTIMATED SAVINGS $110 BILLION)

The plan includes an adjustment to the Consumer Price Index to correct biases in its computation that lead to it being overstated. The proposal reduces the CPI for purposes of computing cost of living adjustments and indexing the tax code by one-half of a percentage point in 1997 and 1998. The adjustment is reduced to three-tenths of a percentage point in 1999 and all years thereafter.

DISCRETIONARY SPENDING (ESTIMATED SAVINGS $268 BILLION)

The plan holds discretionary spending to an amount that is slightly below the fiscal year 1995 level for each of the next 7 years. This is $81 billion less than the cuts proposed as part of the Balanced Budget Act and $29 billion less than the cuts proposed by the Administration.

OTHER MANDATORY SPENDING (ESTIMATED SAVINGS $52 BILLION)

Housing. The proposal reforms the Federal Housing Administration's home mortgage insurance program to help homeowners avoid foreclosure and decrease losses to the federal government. It also limits rental adjustments paid to owners of Section 8 housing projects.

Communication and spectrum. The plan directs the Federal Communications Corporation to auction 120 megahertz of spectrum over a 7-year period.

Energy and Natural Resources. The proposal call for the privatization of the US Enrichment Corporation and the nation's helium reserves. It extends the requirement that the Nuclear Regulatory Commission collect 100% of its annual budget through nuclear plant fees. The proposal allows for the sale of the strategic petroleum reserve oil (SPRO) at the faulty Weeks Island location and leases the excess SPRO capacity. Under the plan the Alaska Power Market Administration, various Department of Energy assets, Department of Interior (DOI) aircraft (except those for combating forest fires), Governor's Island, New York, and the air rights over train tracks at Union Station would be sold. The plan raises the annual Hetch Hetchy rental payment paid by City of San Francisco and authorizes central Utah prepayment of debt.

Civil Service and related. The plan increases retirement contributions from both agencies and employees through the year 2002, delays civilian and military retiree COLAs from January 1 to April 1 through the year 2002, and reforms the judicial and congressional retirement. Finally, the plan denies eligibility for unemployment insurance to service members who voluntarily leave the military.

Transportation. The proposal extends expiring FEMA emergency planning and preparedness fees for nuclear power plants, vessel tonnage fees for vessels entering the U.S. from a foreign port, and Rail Safety User Fees that cover part of the cost to the federal government of certain safety inspections.

Veterans. The plan extends seven expiring provisions of current law and repeals the ''Gardener'' decision thereby restoring the Veterans Administration's policy of limiting liability to those cases in which an adverse outcome was the result of an accident or VA negligence. Pharmacy co-payments are increased from $2 to $4, but not for the treatment of a service-connected disability or for veterans with incomes below $13,190. Also, the increase applies only to the first 5 prescriptions that a veteran purchases per month. The proposal authorizes a veteran's health insurance plan to be billed when a VA facility treats a service-connected disability.

Student loans. The proposal caps the direct lending program at 40 percent of total loan volume. It imposes a range of lender and guarantor savings. The proposal does not include fees on institutions, the elimination of the grace period, or any other provisions negatively impacting parents or students.

Debt collection. The plan authorizes the Internal Revenue Service to levy federal payments (i.e. RR retirement, workman's compensation, federal retirement, Social Security and federal wages) to collect delinquent taxes.

Park Service receipts and sale of DOD stockpile. The proposal raises fees at National Parks. It directs the Defense Department to sell materials in its stockpile that are in excess of defense needs (i.e., aluminum and cobalt)—but not controversial materials such as titanium.

Long-Term Federal retirement program reforms. The plan increases the normal civil service retirement eligibility to age 60 with 30 years of service, age 62 with 25 years of service, and age 65 with 5 years of service. Military retirement eligibility for active duty personnel is increased to age 50 with 20 years of service, with a discounted benefit payable to a person retiring before age 50. No changes are proposed for the retirement eligibility of reserve servicepersons. These changes would not apply to current or previously employed federal workers or anyone who is now serving or who has previously served in the military. Although these changes will not produce budget savings in the coming seven years, they do provide significant savings over the long-term.

Mr. BREAUX. Mr. President, I reserve the remainder of our time.

Mr. CHAFEE. Mr. President, I yield 4 minutes to the Senator from Vermont.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 4 minutes.

Mr. JEFFORDS. Mr. President, I rise today to speak on one of the most critical issues of this Congress—balancing our Federal budget. I support the effort to balance the budget over the next 7 years. It is a task that is long overdue, one that we should have tackled long before the Federal debt began to escalate in the early 1980's. Our carelessness in financial planning is a terrible legacy to leave our children and grandchildren.

First, I want to commend the two Johns, Senator JOHN CHAFEE and Senator JOHN BREAUX. The ability to develop a budget structure agreeable to enough Senators in the middle to become a model for passage is a daunting task. It has taken hundreds of hours. It has a real chance to be the model to end the balance the budget deadlock. It is probably unrealistic to expect we can get the 1996 reconciliation package revised, but there is a real chance it can be used for the soon arriving 1997 budget.

When I voted in the House in 1986 against the balanced budget constitutional amendment I stated at the time we could not wait the number of years required to get it approved by the States. However 10 years later the situation has become much worse. Now I also realize that it is imperative we move forward without the amendment. Any further delay will greatly increase the damage to national economic stability.

The basic problem is the increasing cost of entitlement programs. These are programs outside of the appropriations process. They have increased well beyond the growth of revenues and population. In addition it appears through generosity or otherwise they have increased at a rate greater than the actual cost of living created by inflation. Our proposal recognizes this for the future. This will make additional cuts in discretionary programs such as education less necessary. But it does so in a way which may actually protect from a greater decrease which will be recommended this June by a panel of experts.

The entitlements that have provided the greater problems are in the area of health care. The increasing projected costs in Medicaid and Medicare represent about one-half of the increasing cost problem. We cannot continue to run a Federal-fee-for service system. Trying to control costs without controlling utilization has not worked. There are too many ways that costs can be shifted to these programs. Progress in this area will be controlled by more State responsibility. But those of us on committees of relevant jurisdiction must work to move to a Federal capitated system combined with utilization of private insurance methodologies and Federal guidelines to get these costs under control. It is interesting to note that in 1954 the Eisenhower administration introduced legislation along these lines when it recognized some Federal system was required. This was H.R. 8356. The purpose of the bill was ''to encourage and stimulate private initiative in making good and comprehensive services generally accessible on reasonable terms through adequate health prepayment plans, to the maximum number of people * * * (b) by making a form of reinsurance available for voluntary health service prepayment plans where such reinsurance is needed in order to stimulate the establishment and maintenance of adequate prepayment plans in areas, and with respect to services and classes of persons, for which they are needed.'' I believe this gives us a possible route implemented through individual choice to get us out of our preset health care cost mess. We must find the way to control uncontrolled cost shifts and to spread the cost of the sick over the widest base. Hopefully the Finance Committee and the Labor and Human Resource Committee will join in achieving this goal.

Mr. President, like my colleagues in this bipartisan coalition, I want a Federal budget that is balanced in an equitable manner. In reaching a balanced budget we must be careful not to cut those programs which could be counterproductive to balancing the budget. In other words, cuts in one program can result in increased costs in other programs, thus making it more difficult to balance the budget.

The bipartisan budget proposal accomplishes this goal by making the tough decisions necessary to balance within 7 years and still maintain a strong commitment to discretionary and mandatory spending. Unlike other budget proposals, this plan provides for cuts to the overall discretionary spending that are both achievable and modest. If we are successful in getting health care costs under control it should be possible to actually make needed increases in such accounts.

Mr. President, there are many important programs within the discretionary accounts that need to be maintained. The centrist group realizing the importance of discretionary spending provided modest cuts to the discretionary account.

I would like to highlight just a few examples of the importance of maintaining the discretionary accounts. One example can be seen in Federal health research spending. We are nearing discoveries and new treatments to the causes of many illnesses and diseases, such as Alzheimer's and Parkinson's. The centrist coalition provides the flexibility to maintain spending on medical research. It is well known that for every dollar spent on health research, several dollars are saved by the Federal Government. This spending on health research could allow for the potential to eliminate tens of billions of dollars in Federal health care costs over the next decade or more.

Another example of this group's commitment is in providing adequate education funding. As a group we understand that this Nation faces a crisis—a crisis which is costing us hundreds of billions of dollars in lost revenues, decreased economic productivity, and increased social costs, such as welfare, crime, and health care.

Mr. President, business leaders warn us that unless improvements are made in our educational system, our future will be even bleaker. The rising costs of higher education combined with the lower income levels of middle-income families is causing thousands not to finish college, and fewer to attend graduate school in critical areas such as math, science, and engineering. As chairman of the Education Subcommittee, I am particularly concerned about maintaining funding for education, and I have worked with my colleagues in this centrist group to ensure that adequate funding will be protected within education programs.

Finally, in order to help solve the deficit problem, and as importantly, to prevent unnecessary hardship to individuals, this group's plan protects the Federal commitment to education, health research and many other discretionary spending areas by providing the least amount of cuts of any plan yet offered.

Mr. President, I am committed to balancing this budget, but not on the backs of the poor, the elderly and our children. This budget proposal is the only plan that protects the neediest Americans while balancing the budget.

THE IMPORTANCE OF PROTECTING EDUCATION UNDER A BALANCED BUDGET

The Federal role within education is vital to the continued health of this Nation's economy. Therefore, I want to highlight the importance of providing adequate education funding. Recently, the U.S. Bureau of the Census released a report which states that increasing workers' education produces twice the gain in workplace productivity than tools and machinery. This simple but powerful finding shows that the importance of educational investments cannot be ignored. In another economic study, entitled "Total Capital and Economic Growth," John Kendrick corroborates this finding. He shows that education alone accounts for over 45 percent of the growth in the domestic economy since 1929.

Americans understand intuitively that investing in education is the key to our future success, and the best possible national investment that we can make as a country. The evidence is clear: Countries which spend more on education per pupil yield higher levels of per capita GDP. Economists estimate the returns to investment in college education at over 30 percent in the 1980's. And some institutions, such as Motorola University, report corporate savings of $30 to $35 for every $1 spent on training. That is a 3000 to 3500 percent rate of return.

Several studies have concluded that a more highly educated work force is key, if we are going to balance the budget without substantially raising taxes. It is a crucial factor for increasing the Federal resource base.

People, as rational consumers, also realize that investing in their own education leads to substantially higher lifetime earnings. A person with a bachelor's degree earns over 1½ times the income of a person with a high school degree only. A professional degree brings over 350 percent higher lifetime earnings than a high school diploma in itself.

A recent study shows that over the past 20 years, only college graduates have increased their real earning potential, while everyone else lost ground. College graduates have earned 17 percent more in real wages, while the earnings of high school dropouts fell by one-third. Thus, it is clear that education is an important investment for personal as well as national competitiveness.

As our economy continues to shift from a manufacturing base toward information and services, education becomes the single most important determinant of economic success, for the individual and the country at large.

Finally, the plan recognizes we must delay tax cuts until we have taken the above actions to insure getting entitlements under control, and our priorities reordered so they are not counter productive in their results. This is end increasing the deficit, not reducing it.

Mr. President, I yield the floor.

Mr. President, this has been a wonderful experience for those of us who have participated with, as they have been referred to, "the Johns," JOHN BREAUX and JOHN CHAFEE, that so many of us can get together from each party and deal with the very difficult issues that we are faced with and come up with a compromise proposal for the budget that will reach the goals took a lot of hard work. Let me just run through some of the areas that we have tackled and have hopefully come up with some solutions.

As hard as the vote was on the balanced budget amendment—and I suffered through that, having voted for it. Before, in 1986, I voted against it, then, because I said there is no way we can wait for the length of time for a balanced budget amendment to go through the States—we have to do it now. It is 10 years later and we are worse off than we were, so I voted for it. That was the easy part. Now it comes down to how to balance the budget.

The main problems that we have to deal with are the toughest ones—the entitlements. How do you take entitlements that people have depended upon and bring them in so that you can possibly get through the budget process without totally devastating the discretionary spending?

The basic one, and the most important one, is health care reform. If we do not have health care reform—and I am dedicated to working to do that—there is no way we can get the budget under control. That is half the problem. But we can get it under control if we get it out of the fee-for-service system and get it back to where it ought to be, with the regular private efforts with respect to the insurance and coverage and working with providers and ensuring that there are adequate funds for people in Medicaid and Medicare.

Other entitlements have to be brought under control, there is no question about it. Willingness to face that also requires a willingness to face the fact that we overstate the CPI and, therefore, create a worse problem every year.

But the impact upon discretionary spending—and I serve on the Appropriations Committee as well as the Labor and Human Resources Committee—makes it clear to me we also have to reorder priorities, because if we just mindlessly cut, we will make the problem worse rather than better.

I have been working very hard and working with Senator SNOWE. We brought this to the Senate this year. We convinced the Senate that you cannot cut education because one-half trillion dollars of costs in our budget right now are due to a failing of our educational system. So we have been successful working together. The moderates, I believe, on both sides have brought that one under control. We have agreed not to cut education.

Other types of things that we have to look at are training and all the other things that go into the losses because of our poor position in this world with respect to our competitiveness.

Let me just stop and point out that the priorities we must have is health care reform, and this can be done and we have to work on that, and education must be frozen. We have to start making sure that we do not destroy the base any further than it already is. Finally, we have made the difficult decision that you have to put your tax cuts in after you have brought the budget under control, not before, as we did in the failure to bring the budget under control in 1981.

I am proud to have worked with this group. I know there are many more to come forward and support us when they examine what can be and must be done.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BREAUX. I yield 4 minutes to Senator KOHL.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized for 4 minutes.

Mr. KOHL. Mr. President, I thank Senator BREAUX.

The balanced budget we are presenting today is balanced not only on the bottom line, but it is balanced in its political support, balanced in the sacrifices it asks from all of us, and balanced in the benefits it bestows.

Balance and fairness has not been the hallmark of previous budget plans presented to this Senate. Let me put this on a more personal level. I could not ask the people of Wisconsin to support a budget that cut their benefits while it was giving me a big tax break, and I could not ask them to support a budget designed to improve my party's chances in the 1996 Presidential election rather than their children's chances in the world economy of the 21st century. But I can ask them to support the plan we are releasing today because it is fair, it is smart, and it is bipartisan.

The budget we present today contains almost $600 billion in proposed savings over 5 years, and that is without calculating the savings in interest costs from reduced debt. Those savings are spread across almost every group in society and almost every Government program. Medicare, Medicaid, welfare, Federal retirement programs, and even Social Security are slated for spending reductions. Corporate welfare is cut. Payments to chronic individual welfare recipients are eliminated. Defense and domestic spending are brought below a freeze. Savings proposals from both Democratic and Republican balanced budget offers, affecting areas from banking to veterans, commerce to communications, are incorporated in our plan. If our plan was to be enacted, most of us would contribute an amount so small that we would not even notice, but our small contributions will add up to a big chunk of deficit reduction.

Aside from the CPI adjustment, the spending cuts laid out in our plan are approximately 60 percent from entitlement programs and 40 percent from discretionary programs which we pay for through our annual appropriations bills. According to the President's budget, our actual spending in 1996 was 60 percent for entitlement programs and 40 percent for discretionary programs. So our plan distributes the cuts in exact proportion to the size of these programs in the budget. It favors no group, no special type of program, and no political sacred cow. Again, the cuts are evenhanded, unbiased, nonpartisan—in other words, fair.

We believe that the fairness evident throughout our plan is necessary in a balanced budget if it is going to win popular and political support. We need to seek the balance in our fiscal policy that I am afraid is too often missing in our economy.

It is now a generally accepted fact that our economy is growing more unequal. What that means for the average family is that they are working harder, longer hours, and tougher jobs just to maintain the standard of living that their parents enjoyed. Between 1973 and 1993, the productivity of the American worker grew by 25 percent, and over the same period, the hourly compensation of the average American worker was flat.

That is not the story of an American opportunity that I, or any of my colleagues, grew up with. We know an American economy that values a fair day's work with a fair day's pay, and we know an America that comes together to solve big problems by sharing our burdens. We know an America where each generation has the opportunity to leave to their children a better standard of living.

Mr. President, our budget is true to that vision of America. It calls for fair and equal sacrifice. It provides for a small amount of fairly distributed benefits and, most important, it brings our deficit down to zero and stops the accumulation of debt that has buried the economic opportunities of the next generation.

So I ask all my colleagues to take a good look at this plan. Let us take this last, best chance to put aside politics and adopt a balanced budget that is real, bipartisan and fair.

I yield the floor.

Mr. CHAFEE. Mr. President, I yield 4 minutes to the Senator from Maine.

The PRESIDING OFFICER. The Senator from Maine is recognized for 4 minutes.

Ms. SNOWE. Mr. President, I rise this morning to join more than 20 of my colleagues in presenting our bipartisan balanced budget proposal—the only bipartisan budget plan in Congress. Over the past 5 months, we have all observed the on-again, off-again budget negotiations, the two Government shutdowns, and several close calls on the debt limit.

In the wake of these fiascoes, the unveiling of our budget offers reassurance and hope, because, despite everything you have seen or heard, this package proves that Republicans and Democrats can work together and find common ground on this—the most important issue facing our Nation.

I would like to join my colleagues in thanking Senators CHAFEE and BREAUX for their leadership in bringing this group together. Without their efforts, it would not have been possible to present this bipartisan plan today.

Mr. President, we are in danger of becoming the first generation in the history of our Nation that will not leave a better standard of living for the next generation. For nearly 200 years, we took it for granted in this country that those who followed us would have a better life than we did. Well, that is simply not the case anymore.

The fact is, the United States has not balanced its budget since 1969. And today—27 years later—our unwillingness to address its problem in a meaningful way is the ultimate example of politics as usual and status quo governing. And as a result of our Government's continuing failure to live within its means, we are bequeathing a legacy of debt and darkness to our children and grandchildren.

Mr. President, the Members of this body who are presenting this bipartisan budget plan today believe that this reckless disregard for our children's future is unacceptable.

Our bipartisan group has been working today with an eye on tomorrow, because as Herb Stein of the American Enterprise Institute notes, "The problem is not the deficit we have now, it's the deficit we will have in the next century."

Well, Mr. President, the next century is only 3½ years away. And every day we wait, deficit spending continues, interest on the debt accumulates, and our economy moves closer to the brink. Consider these numbers:

Under current economic policies, the debt will reach $6.4 trillion by the year 2002. And according to estimates from the President's own Office of Management and Budget, the deficit will double in 15 years, then double again every 5 years thereafter. And by the year 2025, OMB estimates that the deficit in that year alone will be $2 trillion. OMB also forecasts that if we continue our current spending spree, future generations will suffer an 82-percent tax rate and a 50-percent reduction in benefits in order to pay the bills we are leaving them today. With those numbers, it's no wonder babies come into the world crying.

When six Republicans and six Democrats first gathered in Senator CHAFEE's office last December, it was out of a shared conviction that this Government has no right to leave such a crushing burden of debt to the next generation. We believe that balancing the budget is not an option, it's an imperative.

We wanted to show that if we put the interests of the American people first, our system could work, that we could produce results. And with that vision in mind, we have come together, split the differences between the President's budget and the Republican plan, and have reached agreement on a plan that balances the budget while still maintaining the priorities shared by all Americans.

Mr. President, the benefits of passing a balanced budget are enormous: Some economists estimate that a balanced budget would yield a drop in interest rates of between 2.5 and 4 percent. In practical terms, this means that the average family with a home mortgage, a car loan, or student loans would save about $1,800 a year. And real income for the average American would increase by an astounding 36 percent by the year 2002.

Furthermore, the Joint Economic Committee projects that a 2.5-percent drop in interest rates would create an additional 2.5 million jobs. And in terms of economic growth, CBO estimates that balancing the budget would lead to a 0.5-percent increase in real GDP by the year 2002, and that over time, national wealth would increase by between 60 and 80 percent of the cumulative reduction in the deficit.

More than 20 Republicans and Democrats have already agreed that this proposal is an acceptable way to reach balance. Bipartisanship was the key to turning our shared commitment for a balanced budget into a plan—and bipartisanship will be the key to Congress moving forward and enacting a balanced budget proposal this year. And, frankly, our plan represents perhaps the last, best chance for passing a balanced budget in this Congress.

As with any balanced budget plan, there are provisions in this proposal that can be opposed by just about any person or any group. But the difference between our plan and any other plan being put forward is that this plan has bipartisan support.

Our proposal has strong bipartisan support because—unlike some other proposals on the table—our plan does more than pay lip service to providing realistic, long-term protection to our shared commitments to education, the environment, and economic growth. While other proposals rely on unrealistic cuts in discretionary spending to reach balance, our proposal does not.

Specifically, at the time our proposal was crafted, our bipartisan plan contained $30 billion less in discretionary spending cuts than the President's budget offer, and $81 billion less in discretionary spending cuts than the Republican proposal.

As a result, while other proposals would leave future Congresses with the choice of providing adequate funding for some programs while utterly eviscerating others, our proposal does not.

Mr. President, no issue is more critical to the economic future of our Nation—and the economic future of our children and grandchildren—than that of balancing the budget. In the words of John Kennedy, ''It is the task of every generation to build a road for the next generation.''

Mr. President, this bipartisan budget plan is the road toward fiscal responsibility that will give our children and grandchildren a better tomorrow. We cannot let this moment pass us by. We cannot allow the forces of politics to overcome the forces of responsibility. We must act now.

I am very pleased to rise and express my appreciation to both Senator CHAFEE and Senator BREAUX for their outstanding leadership. Without their efforts, it would not have been possible to not only assemble this bipartisan group but also to present the only bipartisan balanced budget plan in this Congress.

I think over the past 5 months, we have all observed the on-and-off-again budget negotiations, the close calls on the debt ceiling and also the two Government shutdowns. In the wake of all those fiascoes, the unveiling of our budget offers reassurance and hope that despite everything you have seen and heard, that Republicans and Democrats can come together and reach common ground on one of the most important issues facing this country.

Frankly, Mr. President, there is no more important issue to the economic future of this country than that of balancing the budget. There is no more important issue to the future of our children and our grandchildren than that of balancing the budget.

Our unwillingness to address this issue really represents, unfortunately, the ultimate example of politics as usual and status quo governing. We, as a bipartisan group, look to the future. As Herb Stein of the American Enterprise Institute said recently, the problem we have with the deficit is not now. The problem is the deficit in the next century, and the next century is 3½ years away.

Just consider the numbers. The debt will be $2.4 trillion in the year 2002. It will double in 15 years. Then it will double every 5 years. Then at the point in 2025, in that year alone, the deficit will be $2 trillion. It will require future generations to pay a tax of 82 percent and see a reduction in their benefits of 50 percent based on our current spending and economic policies of today. Our bipartisan group considered that a reckless disregard for future generations by bequeathing them that legacy of debt.

I want to point out, as far as this bipartisan budget plan, a very significant factor and one which Senator JEFFORDS touched on, and that is the issue of discretionary spending. We have been paying lip service to the most important programs we have embraced in this institution, ones that everybody talks about. That is education and the environment, for example.

Take a look at this chart, for example, on discretionary spending. We propose very realistic spending levels for discretionary spending. We took a hard freeze, which is $258 billion, and only proposed $10 billion more than that in terms of discretionary spending over the 7 years.

But if you look at the GOP offer in January and the President's offer in January, we have, for example, the January offer by GOP, $258 billion, and beyond that $90 billion in cuts beyond a hard freeze.

The President's offer is $258 billion in a hard freeze and $40 billion beyond that in terms of discretionary spending cuts. It is unrealistic. What is worse is that they postpone many of these cuts for discretionary spending to future Congresses, not even in the next Congress. It will be in the year 2001 or the year 2002 that most of those cuts will occur.

I do not think it is fair to expect that any future Congress in the year 2001 or 2002 is going to have to cut anywhere between $40 to $90 billion in additional discretionary spending in order to reach their goal of a balanced budget. You know exactly what will happen. It will not happen.

So we propose a very realistic level of discretionary spending on the very programs that we consider important to the American people, the very programs that already have been cut significantly over the last 10 years. So I hope that the Members of this Senate will look very carefully at this budget, recognizing that this is a major step forward, that it is achievable, that we split the differences to reach this common ground.

I hope furthermore that we in this Congress will not allow the forces of politics to overcome the forces of responsibility. Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BREAUX. Mr. President, I yield 4 minutes to the distinguished Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida is recognized for 4 minutes.

Mr. GRAHAM. I thank the Chair.

Mr. President, I strongly concur in the statements that have been made by each of my colleagues this morning.

This is the time for public officials in Washington to stop the procrastination, bickering, the confrontation, to start the process of governing for the benefit of the people of America.

I am encouraged from reports this morning that indicate that we may be on the verge of reaching a resolution to the budget for fiscal year 1996. I deplore the fact that it took until the 25th of April to reach a budget resolution which should have been realized prior to October 1st of 1995. But later is better than never at all.

Mr. President, we are at a historic moment in terms of our opportunity to balance the Federal budget. The leadership of the House and the membership of the House want a balanced budget. The same is true in the Senate. The President wants a balanced budget. We are on the verge of producing the first balanced budget that we have had in almost two generations.

Missing this premier opportunity, muddling along into the election beyond, is a sure path for continued public disdain of our commitment and our ability to achieve an important national purpose. It would be a tragedy to let this opportunity drift away. In some ways it would be more than a tragedy, it would be a disgrace and an outrage.

It is for exactly the avoidance of those negative perceptions that the Centrist Coalition was formed, to see if it was not possible to put together a reasonable plan to bring our Federal budget into balance and to keep it there and to do so on a bipartisan basis.

One of our principles was that if you are going to have sustained Government programs at the domestic or foreign level, that it is critical that they be premised on a foundation of bipartisanship.

Let me just mention what I think are a few of the principal aspects of this Centrist coalition budget. The budget is honest. It brings us into balance with a reasonable annual movement towards that balance. It does not postpone all the tough decisions to the last year. The budget also sustains this balance by making critical structural changes. It will help assure we stay in balance into the future.

This balanced budget will produce broad economic benefits for the Nation. Virtually every economist agrees that if we can have a balanced budget plan that we are committed to realizing that it will result in noticeably lower interest rates over the next period than those interest rates will be if we fail in this effort.

That will mean every month in the wallets of American families additional dollars that they can spend—rather than spending on interest—for their home mortgage. It will mean for young people coming out of colleges, universities, that they will have lower interest cost student loans. Virtually every American will benefit by this contribution.

Mr. President, just briefly in the moments left to me, let me say that I particularly worked on the section of this budget plan that relates to Medicaid. It is a complicated area, which our recommendations will be explained in more detail later.

But basic principles that will be preserved in this important area include the safety net for low-income and elderly Americans. A continuing Federal role in assuring that safety net is maintained. But substantial additional flexibility is given to the States in order to innovate and to assist in realizing the significant savings which we think are possible in this program.

This balanced budget will help preserve access to health coverage to 37 million Americans. It gives Medicaid a shot in the arm—while at the same time reducing costs by $62 billion dollars.

Some reformers have seized upon this budget debate as a way to abolish the Federal role in Medicaid. Others steadfastly defend the status quo, saying that Medicaid needs no medical attention whatsoever. Both approaches are wrong. Medicaid doesn't need major surgery. But it could use some preventative care to continue its efforts into the 21st century. Our budget does that.

Several months ago, the National Governors Association proposed a bipartisan plan to tend to Medicaid's infirmities. We share many of the Governors' goals.

First, we agree that mending Medicaid—and balancing the budget—depend on using aggressive therapy to control rising Medicaid costs. Our plan's savings will go a long way toward making Medicaid more efficient and balancing the budget.

We agree that one of the best ways to reduce costs is to give states more freedom to design, create, and innovate. In our plan, that means no more waivers for managed care, home care, and community based care. It means repeal of the Boren amendment. And it means dozens of other measures to encourage flexibility and state innovation.

Like the Governors, we feel strongly that the basic health care needs of our Nation's most vulnerable populations must be guaranteed. That means protecting the Federal-State partnership that has so successfully provided for the health care needs of low-income Americans.

But we take this goal one step further. Thanks to Medicaid, 18 million children have access to hospital, physician care, prescriptions, and immunizations. We can't throw that away.

So even though the Governors' plan scales back coverage to children under 133 percent of the poverty line, we maintain Medicaid's historic guarantee to cover children under 185 percent of the poverty line. Our children deserve healthy and safe lives.

We also agree with the Governors that Medicaid must lose its addiction to old budgets and old demographics. Most of the Medicaid officials who created the program are no longer around. But their 30-year-old statistics and funding formulas still serve as the basis for Medicaid policy decisions.

In this new era, we must adopt new thinking. Medicaid funds should follow health care needs. States must be protected from unanticipated program costs resulting from economic fluctuations, changing demographics, and natural disasters.

Because our centrist plan is all about balancing the budget, we adopt an additional principle. We protect the Federal Treasury from Medicaid fraud and abuse.

In the 1980's Medicaid created the Disproportionate Share Hospital [DSH] Program to assist hospitals with large numbers of low-income patients. Some States saw this as a way to reduce their contributions to Medicaid. Others saw it as an opportunity to transfer Federal Medicaid dollars to other priorities.

As a result of this abuse, Federal Medicaid costs exploded. Congress implemented aggressive defensive therapy and cracked down on Medicaid abuse. Yet incredibly, Congress is now considering the repeal of those laws we passed to crack down on abuse. That won't help to control costs. It won't help us balance the budget.

It is high time for us to produce the balanced budget the American people deserve. For more than 20 years, Washington has been asleep at the wheel while the Federal budget has headed over the cliff.

Let's stop being modern-day Rip Van Winkles. Now is the time for reasonable, bipartisan compromise. Now is the time to balance the budget.

So, Mr. President, I conclude by commending my colleagues who have joined in this effort who have provided such effective leadership. We do not purport that this is Biblical. This is the product of men and women, fair-minded, trying to develop a compromise in the best traditions of democratic government. We hope that this will serve to stimulate others to move forward and bring a plan for a balanced budget to the American people in 1996.

I thank the Chair.

Mr. CHAFEE. Mr. President, I yield 4 minutes to the Senator from Maine.

Mr. COHEN. Mr. President, first I would like to pay tribute to Senator JOHN CHAFEE of Rhode Island. Whether the issue is health care reform or indeed dealing with a balanced budget, JOHN CHAFEE has been in the forefront. He has demonstrated the kind of leadership that he demonstrated many years ago at Guadalcanal.

He has continued to take the lead on tough issues, joined by Democrats who show a similar amount of courage. I am thinking of JOHN BREAUX, BOB KERREY of Nebraska, and so many others who are here on the floor today. Without that kind of leadership, we would not be able to forge this bipartisan consensus. I take my hat off to Senator CHAFEE for the courage he has shown over the years.

People are disenchanted with politics and politicians today. I think there is a good reason for that. Because we have been drawing profiles in cowardice. We have failed to tell the people, in Walter Lippmann's words, "What they have to know and not what they want to hear." As a result, we have misled them over the years by promising them more and more without the corresponding obligation they have to pay for those promises.

We are where we are today because we have misled them. And so this represents a break in that particular tradition. The role of success in the past has been to keep promising more and more and never having to pay for it. Borrowing from our children, sacrificing their future, all the while paving our way to electoral success. What this group is saying is that has to stop.

I was looking at an article last evening in the Atlantic Monthly. I call all of my colleagues' attention to it. It was written by Pete Peterson, the president, founder of the Concord Coalition. He has been writing about this for years now. The article—I will just quote a couple of things from it. It is one of the most powerful and persuasive cases one could possibly make about the need for this kind of proposal.

He quotes from Herbert Stein saying: "If something is unsustainable, it tends to stop." Or, as the old adage advises, "If your horse dies, we suggest you dismount."

Then he goes on to cite some really overwhelming statistics. My colleague from Maine, Senator SNOWE, mentioned some of them. I am just summarizing it. Basically it says that if the Social Security trust fund and the Medicare hospital insurance, if they remain as they are, the combined cash deficit in the year 2030 will be $1.7 trillion. In other words, the horse will be quite dead. By 2040 the deficit will probably hit $3.2 trillion, and by 2050, $5.7 trillion; and even discounting inflation, without counting inflation, the deficit that year for these two senior citizen programs will approximate $700 billion or nearly four times the size of the entire 1996 Federal deficit.

The numbers are staggering. The demographics are overwhelming. Consider the fact that in just 4 years 76,000 Americans are going to live to be 100 years old, the baby boomers, out of the baby boomers more than 1 million will reach the age of 100. In just four decades one-fourth, 25 percent of our population, is going to be over the age of 65 and our nursing home population is going the double. The demographics are simply overwhelming.

If we are looking at tax increases, while both parties are talking about tax cuts, tax increases by the year 2040, the cost of Social Security as a share of worker payroll, is expected to rise from today's 11.5 percent to either 17 or 22 percent. If you add the Medicare Program, the workers will be paying between 35 and 55 percent of their payroll just for those two programs, not counting anything else in the entire Federal budget.

The numbers are overwhelming. It is as if, Mr. President, we were told by our scientists that a giant meteor is rocketing its way toward Earth. It will arrive in about 10 or 15 years. When it strikes, it will destroy all life in the United States—maybe the entire planet. What would our reaction be? Ignore it? Say it is a lie? Or it is inevitable and nothing can be done? Besides, we will be dead and it will not matter. It is our children and our grandchildren's problem; let them contend with it. Or would we exercise the kind of courage and vision that, say, a John F. Kennedy did when he said, "In the next decade, we are going to put a man on the moon."

That is the kind of courage and vision we need to start exercising now. We need to say there is a giant meteor coming and we need to build something that will destroy it before it destroys us. That is the reason we are here today. I commend my colleagues, Senator CHAFEE, Senator KERREY, who has been a leader in facing up to the issues of the needs of reform in our Social Security system, which is a third rail of politics, and all the other colleagues on the floor. I commend each of you for your effort to reach a bipartisan consensus on what we have to do to destroy that giant meteor that is out there heading this way.

Mr. BREAUX. I yield 4 minutes to the Senator from Nebraska.

Mr. KERREY. Mr. President, I, like my other colleagues, want to praise both Senators CHAFEE and BREAUX for keeping this group on task and hope that this proposal, this bipartisan proposal, equally divided between Republicans and Democrats, will provide a foundation upon which this Congress can act to enact a balanced budget plan sometime yet this year.

I will focus my attention on the reforms in this proposal that address the unsustainable growth of entitlements that the distinguished Senator from Maine earlier referenced. There are three pieces to this proposal that will be regarded by many as controversial and by many as impossible to do.

This chart is not a birthday cake here to my left, as the Senator from Louisiana joked earlier. This represents the kind of cuts that are going to be required in discretionary spending over the next 7 years. In the agreement just announced last night between the White House and the Congress, rather than cutting or raising taxes, we essentially sold 4.7 billion dollars worth of assets in order to be able to balance the budget—in order to be able to get an agreement, because nobody wanted to cut any deeper. Very few people want to cut deeper in discretionary programs. Next year, we will have to do 28 billion dollars worth of asset sales. By the time you get down to the seventh year under the President's balanced budget plan—let me applaud the President, I appreciate very much that he has a plan on the table because I think it is helpful—$91 billion in discretionary spending, defense and nondefense. It is impossible.

I do not think there is anybody in this body that can come up with a list of things they would cut today of $91 billion. What that means is we are kidding ourselves. What it means is if you do not want to raise taxes, you have to go under the entitlement programs to be able to take the pressure off of discretionary spending. Even still, as the bipartisan proposal shows, even still we are suggesting substantial cuts in discretionary programs that will be very, very difficult to implement.

My guess is these modest changes in entitlements that will be regarded as draconian and difficult, and there will be a wail of protest to change the CPI down one-half of 1 percent. That saves $100 billion over 7 years. We will hear all kinds of rationales and reasons why that cannot be done. All kinds of numbers will be put forth, and horror stories will be told as to why this change in the Consumer Price Index should not be enacted.

In the alternative, you will have to do this sort of thing, or even worse. For those who oppose it, those who say, "No, I do not want to do it," the first question for the citizen needs to be, then, does that mean you support these deep cuts in education, these deep cuts in investment, deep cuts in defense, deep cuts in law enforcement? Is that what you are supporting?

You cannot merely oppose this. You have to come up with something that you will substitute in its place. Perhaps, the Member of Congress or the citizen supports a tax increase. Let them. Let them say so. Do not just stand and say, "Gee, I do not want to adjust the Consumer Price Index because I will have an interest group or individual who says I do not want to take less." That is basically the formula here.

We are on a course, as the Senator from Maine described, as a meteorite. We are converting our Federal Government into a transfer machine. We have an unprecedented event that begins in the year 2008: The largest generation in the history of the country, the baby boom generation, begins to retire. It is not like anything we faced in the past. We cannot afford to wait until we reach crisis.

The second and third things that are done, we adjust the Medicare eligibility age to correspond with Social Security eligibility age, and we adjust civil and military service retirement age for future employees of the Federal Government of the armed services.

I hope to have a chance to come back as the coalition builds. I urge colleagues who will hear from citizens saying "do not support the Consumer Price Index change, do not support Medicare eligibility change, do not support adjusting civil and military service prospectively," I urge my colleagues to keep the powder dry. In the alternative, this is the sort of thing you will end up having to support.

I applaud the junior Senator from Rhode Island, Senator CHAFEE, and the Senator from Louisiana, Senator BREAUX, for their leadership.

Mr. CHAFEE. I yield 3 minutes to the Senator from Washington.

Mr. GORTON. Mr. President, with a modest degree of courage and a generous share of good will, this bipartisan report may well be remembered as a landmark in political and economic history of the 1990's.

Personally, I never believed that we would reach the goal of a balanced budget except during the first 6 months of a new Presidency, in which that President made it his highest priority. In spite of that belief, last year we almost did so with a Republican proposal that would, in fact, have balanced the budget. That proposal was rejected by the President, but, nevertheless, it moved us forward on the right road. It was followed by a proposal by the President, and another by Democrats in this body, that moved the two sides closer together but still left a great gulf between them.

Now, working together, we do have a proposal before the body this day for a very real balanced budget, a very real balanced budget based on the reform of entitlements which are both expensive and expansive and which will ultimately destroy the financial security of this country. Modest in some areas, dramatic in other areas, yet, nevertheless, will do the job.

Now, Mr. President, to many people in the United States, all of whom basically support a balanced budget, it is, nevertheless, something of an abstraction—a good to be sought but not one well understood. Perhaps the most important part of this budget proposal is the dividend that it will pay not just to the Government of the United States but to the people of the United States. Perhaps as much as a quarter of a trillion dollars will end up being saved by the Federal Government in lower interest payments on the national debt and in greater revenue collections from a more healthy and vibrant American economy.

At least three times that much will be paid in a dividend to the American people in lower interest rates on their homes and on their automobile purchases and in higher wages from more and better jobs. A good estimate will be that every family, the average family in the United States, will be $1,000 a year better off if we do this than if we do not do it. Of course, if we do not do it, the downside over the decade will be immense.

We owe a great debt of thanks to the two JOHNS, Senator CHAFEE and Senator BREAUX, who have led this effort, but leading it to success will require that courage and that good will.

Mr. BREAUX. How much time on our side remains?

The PRESIDING OFFICER. The Senator has 9 minutes and 40 seconds.

Mr. BREAUX. I yield 3 minutes to the Senator from Connecticut.

Mr. LIEBERMAN. I thank the Chair. I thank my friend and colleague from Louisiana and my friend and colleague from Rhode Island for the leadership of this group.

Mr. President, it has been an honor and a pleasure to participate in this bipartisan group to achieve a balanced budget.

This group has been meeting for nearly 6 months in an effort to come up with a budget that balances in 7 years.

We started with the premise that coming to balance in a bipartisan way is not an impossible task. But, it certainly was painful at times. The cost of not pressing ahead to come to balance will hurt even more in the long run. And I very much believe the economic benefits of trying to come to balance make those tough decisions about slowing spending that much easier.

I am particularly pleased with the efforts this group has made to address the growth in entitlement programs in both the short and the long term. Some of these changes will produce no savings in the 7-year budget window we are talking about. But they are much needed reforms and they will save a lot of money in the longer run.

The package we are discussing here today contains smaller cuts in discretionary spending than any of the other major budget balancing plans that have been presented to date. The discretionary spending cut number contained in this plan is far more realistic than the numbers that have been floated in other plans. As we all know, these spending cut targets will need to be met year by year through the appropriations process. As any member of the Appropriations Committee can tell you, making dramatic cuts in discretionary spending is like trying to get water from a stone. There is just not a lot of slack there anymore.

We need to go where the money is and that is in the explosive growth in entitlement spending. If we don't get a handle on this spending, we can forget about doing all of the things we believe the Federal Government ought to do. Things like improving education and building roads. Like providing for a national defense. Like keeping our air and water clean. As Matthew Miller observed in the New Republic, ''At this rate, by 2010, when the baby boom retires, entitlements and interest on the debt will take up all available revenue, meaning there won't be a cent left for the FBI, the Pentagon, (or) the national parks . . . Nor will there be a dime to bolster our lagging R&D, education and infrastructure investments, where we've trailed Germany and Japan for years.'' That is just the beginning. As Miller points out, ''Then if it's possible, things get worse.''

The critical need to control entitlement spending in this bill is growing. We learned earlier this week that Medicare's Hospital Insurance Program lost $4.2 billion in the first half of this fiscal year. This trust fund, which pays hospital bills for the elderly and disabled, lost money for the first time last year since 1972. But the loss last year was $35.7 million for the year, not $4.2 billion for half the year.

The bipartisan plan adds an element of fairness to the voluntary portion of Medicare. We ask those who have more to pay more for this valuable benefit. The group has looked at recommendations made by the Boskin Commission on adjusting the consumer price index. That commission believed the adjustment should be in the neighborhood of 0.7 to 2. By this measure our proposal is cautious in its recommendation of less than a 0.7 change in the CPI.

We have also consolidated the existing welfare programs into a block grant to States which will give States the flexibility they need to come up with innovative ways to help get the poor out of the welfare system and into the capitalist system.

This budget package also contains a number of important tax provisions. We have included $130 billion in tax cuts in our package as well as $25 billion in corporate loophole closers. It is no secret that not everyone believes we need a tax cut at this time. Indeed, not everyone in the bipartisan group believes now is the time for a tax cut but we all recognized the need to compromise if we intended to put together a package that could actually pass. Personally, I think it important to include tax cuts, particularly in the broader context of why we want and need to balance the budget. Probably the most compelling reason for us to balance the budget is to minimize the dissaving which budget deficits represent. With an unsettlingly low savings rate in this country, the last thing we need is to add to that problem through government deficits. We very much need to boost savings and make that money available for investment which is essential to improving productivity, competitiveness and ultimately to creating jobs and increasing real wages in this country. I am delighted that the tax package we have put together contains genuine incentives for savings and investment and I think such a package adds to, not detracts from, this budget proposal. In the interest of full disclosure, I should also reveal that my home State of Connecticut labors under the highest per capita tax burden in the country, making tax relief all the more important to me.

In particular, the bipartisan tax package contains a variation on a proposal that Senator BOB KERREY and I have been working on, called ''KidSave.'' The bipartisan package allows parents to take a $250 credit for each of their children under the age of 17. However, if a parent agrees to set aside their credit in a retirement savings account for their child, that credit is doubled to $500. These retirement accounts would follow virtually all IRA rules with one exception: We would allow children to borrow against them for their higher education.

Thanks to the wonders of compound interest, $500 a year invested for 17 years in a child's name at 10 percent growth a year, the average growth over the last 70 years, will yield over a million dollars by the time the child reaches age 60. That's great news for parents and kids. And it is also great news for our economy since we need to take strong steps to increase our drastically low savings rates. The bipartisan proposal would also allow parents whose income exceeds the income limits on the credit to set aside up to $500 in after-tax dollars in a KidSave account and reap the benefits of the tax-free build-up of these dollars. Under current law, it is very difficult to set up an IRA for a child since most children do not have the earned income needed to qualify for a retirement account.

The bipartisan proposal also contains a 50-percent reduction in the capital gains tax for individuals as well as a drop in the corporate capital gains rate to 31 percent. This section also allows for the deduction of a loss on a personal residence sale and a 75-percent capital gains exclusion for qualified small business stock. These proposals are very similar to those contained in S. 959, a bill I have cosponsored with Senator HATCH from Utah. We should all keep in mind that the benefits of a capital gains cut will flow to millions of Americans of all income groups—to anyone who has stock, who has money invested in a mutual fund, who has property, who has a stock option plan at work, who owns a small business. That represents millions of middle class American families. And these are just the direct beneficiaries, not even counting the many middle and lower income people who will get and keep jobs thanks to the investments spurred by a capital gains tax cut.

In addition, our proposal expands the availability of tax deductible IRA's and allows for penalty-free withdrawals from those accounts for a number of reasons. We have also included two higher education tax incentives, some significant AMT relief, estate tax relief, an increase in the self-employed health deduction to 50 percent and an extension of the expiring tax provisions.

Taken together, these tax cuts will encourage investment and savings which will in turn stimulate economic growth in this country. That growth will generate jobs and those jobs will generate greater revenues. And of course, that revenue will make it easier for us to balance the budget.

When all is said and done, I believe this is a thoughtful and meaningful set of tax provisions. They are part of a larger budget package which is thoughtful and meaningful as well. I hope that this Chamber will consider taking up this package, or something quite similar to it, in the weeks and months ahead. To not do so, would be passing up a tremendous opportunity. I hope we won't do that and I would encourage my colleagues to join us in our effort to move this bipartisan budget forward.

Mr. President, it is April 25, 1996, and we are pleased to note this morning that our respective leadership and the White House have agreed, 7 months into fiscal year 1996, on a budget for fiscal year 1996.

This is unprecedented and obviously regrettable. It has been tumultuous for those who work for the Federal Government. But, on the other hand, I would like to think that all of us have learned something from the travails of this year, the long and twisted path that we have followed, to finally be at a point where we can adopt a budget for fiscal year 1996. I hope we will take what we have learned and apply it to the broader challenge and opportunity we have to adopt a program to take us to real balance by a date certain.

Can we do it? Well, 22 of us are here this morning, Republicans and Democrats who worked side by side, dropping our party labels and agreeing that we are all Americans, and that we have a common problem here, which is to take our country out of debt and to thereby help our economy grow. This group of 22 was able to do it. And we hope that this proposal that we are presenting this morning will filter out to our colleagues in both parties and up to the leadership of the Congress and the White House to give them the confidence that they, too, can work together to bring our budget into balance. This is exactly not only what America's future demands, but what the American people want today.

Mr. President, I want to focus for a moment on the provisions of this package that deal with tax cuts. Tax cuts are controversial. Some people say—particularly on my side of the aisle—''Why have tax cuts if you are trying to balance the budget?'' But this group, wanting to present our colleagues with a package that had a chance of passage, included substantial tax cuts—$130 billion in tax cuts over the 7 years. I believe very strongly that these tax cuts are consistent with our aim of balancing the budget and, particularly, consistent with the desire that drives the movement to balance the budget. And that is the desire to get America growing—to create and protect jobs for average working Americans.

We have in here a capital gains tax cut, a 50-percent cut on the individual side, one that I think will unleash billions of dollars of capital in the private sector and create the kind of momentum that can raise our national rate of growth from the anemic place we have been, up a half point, up a full point, to create millions of new jobs and greater wealth in our country.

Mr. President, we have some incentives here for greater savings, expanded individual retirement accounts. And, Mr. President, we have some relief for the middle class. People talk about wage stagnation of the middle class. What is the best way to help overcome that wage stagnation? Put a little more money in the pocket of working families with children. Under our plan, parents can take a $250 credit for their children or agree to set that money aside in a KidSave account for that child's higher education and retirement and receive $500.

Mr. President, this is a good, strong program. These tax cuts are a vital part of it.

I yield the floor.

Mr. CHAFEE. Mr. President, I yield 3 minutes to the Senator from Kansas.

Mrs. KASSEBAUM. Mr. President, as I stand here today with my colleagues discussing a new plan to balance the budget, I can guess what many Americans are probably thinking: ''Here they go again.''

The budget has been the catalyst driving our agenda for more than a year, from our vote on the balanced budget amendment to the debates over the budget resolution, budget reconciliation package, and annual spending bills. Haven't every one of us, Republican and Democrat, stood up on this floor and professed—repeatedly—our support for a balanced budget? Why then don't we have a balanced budget?

I can guess something else Americans are thinking, because I hear it from many Kansans: We should run Government as we'd run a business, and balance our books. I agree, Mr. President, but it is more complex than that, for better or worse, and it is part of the reason we still do not have a budget agreement.

When we discuss the Federal budget, we are discussing more than a ledger sheet. We are discussing national priorities with real consequences, and we do not all agree on the priorities or their consequences. Finding middle ground becomes a challenge of its own. Yet we cannot allow the enormity of our task—or the controversy surrounding it— to scare us away from trying to restore sound fiscal policy.

Because we are discussing an endeavor of broad national significance, I do not think we can overemphasize the importance of fairness. The vast majority of Americans say they are in favor of balancing the budget, whether or not they realize what it means for programs they might like. We all talk about tough choices here, but I think we have seen that Americans are not likely to accept those tough choices unless they are convinced they also are fair. And that is what this budget is—tough but fair.

It is tough on welfare, placing a 5-year lifetime limit on benefits. But it also keeps a safety net in place for children. For example, we would allow States to ease work requirements for parents who cannot find child care for children who are not yet school-aged. In my mind, Mr. President, that's fair.

Neither is the plan selective in its toughness. One thing we all hear when we talk to constituents is that Congress must not exempt itself from these tough choices. I agree, and have been pleased to see us turn a discerning eye on ourselves—foregoing, for example, our automatic cost-of-living increases for 3 years running, as well as reducing overall spending for the legislative branch by 9 percent last year. This budget proposal, which calls for increases in retirement contributions from Federal agencies and employees, also reforms judicial and congressional retirement by conforming their accrual and contribution rates to those of all other Federal employees. Once again, a necessary and fair step.

This budget is tough but fair when it comes to discretionary programs as well. By holding discretionary spending to a level slightly below fiscal year 1995 for the next 7 years, we can achieve savings without crippling important programs, from education and crime control, to housing and transportation. In any case, it is not discretionary spending that poses the real long-term challenge to balancing the budget. That challenge comes from rapidly growing entitlement programs.

We do not ignore that challenge in this budget, making significant reforms to small and large programs, including Medicare and Medicaid. Both of those vital programs would continue to grow, but at a more manageable pace. And the way we would find savings would be fair. From Medicare, for example, we have found a balance between reforms that affect providers and those that affect recipients. Throughout this process, I have said that we should not go too far in cutting provider payments. If we do, we cannot expect that Medicare beneficiaries will continue to have access to high-quality health care services, especially in rural settings.

Our budget proposal is tough on taxes, too, eliminating unnecessary deductions and making other tax reforms to save $25 billion. We would give the Internal Revenue Service authority to deduct payments from the Federal wages, retirement checks, or Social Security checks of delinquent taxpayers. That is a tough proposal, Mr. President, but it is only fair to millions of conscientious Americans who faithfully pay their taxes.

Those reforms and others in our package allow us to propose modest but important tax cuts to middle-class families in the form of a $250-per-child tax credit. The credit could be increased to as much as $500 if parents contribute to an individual retirement account in their child's name. The package includes deductions for educational expenses and the interest paid on student loans, and it also offers important incentives to investment and growth.

A few years ago, I worked on another bipartisan piece of budget legislation, that time with Senator GRASSLEY and Senator BIDEN. You might recall that we would have frozen all Federal spending for 1 year. We did so knowing at the time that such a proposal might be viewed as austere or even rash, but then, as now, our budget crisis warranted a bold step. The idea of fairness, of every program contributing its share toward a goal that eventually would benefit them all, was appealing to me, as it was to many Americans.

This budget proposal, while not taking the shape of a formal freeze, retains that appeal for me. It is a budget that calls for shared responsibility, that neither heaps the burden of that responsibility on a single group nor exempts others from doing their share.

Moreover, the shared responsibility will pay off in the end. The tough choices we make today will preserve fundamental programs for the future. But the longer we delay, the more drastic the steps will become to keep even the most essential services viable. Senator SIMPSON talked about this on the floor earlier this week, as he and Senator KERREY have many times before. If we do nothing, in less than 20 years our choices will be made for us, because by then, all of our revenues will be consumed by mandatory spending. We will be forced to react with huge tax increases or draconian entitlement spending cuts. Then, our choices will not be tough—they will be impossible.

We can avoid that impossible situation. There is no denying that this bipartisan budget is tough, but it is fair —fair to seniors, fair to working families, fair to people struggling to get back on their feet, and above all, fair to our young people and our future. For them, the ultimate in unfairness is inaction. Let us be fair to them and consider this budget proposal as a serious step toward fiscal responsibility.

Mr. President, I commend Senator CHAFEE and Senator BREAUX, who have long been guiding lights in attempting to pull together a bipartisan effort for a balanced budget. I am sure there are many eyes that glaze over at this point as we talk about a budget once again and a balanced budget and say, ''Here they go again.'' But I would like to suggest, Mr. President, that this was a missed opportunity. We must pull together to lay out a roadmap for our country in the future, because everyone desires sound fiscal policy and wants to see our goal of a balanced budget. A budget is a catalyst that really sets our agenda. It establishes our priorities. It provides a roadmap.

Some people say, ''Well, why can you not get to a balanced budget? We have to balance our budget in our businesses. We attempt to balance our budgets in our homes. Why, then, do we not have a balanced budget?''

I think that one of the reasons is that when we discuss the Federal budget, we are discussing more than a ledger sheet. We are discussing national priorities with real consequences, and we do not all agree on the priorities or the consequences. Finding middle ground becomes a challenge to everyone. Yet, we cannot allow the enormity of our task or the controversy surrounding it to scare us away from trying to restore sound fiscal policy.

What I believe the initiative does that we have before us in this budget presentation is fairness and tough choices. It touches everybody, and that, perhaps, is one of the reasons that I think we can come together and say we have not set one group or another group aside. It makes changes that will affect everyone. This takes us to a balanced budget.

Is it important to us today, as we struggle with many issues, but all issues really are reflected in our budget. I think, most of all, what it says is that we can accomplish something here and accomplish it in a fair way, a tough way, and a bipartisan way. It will be in the best interest not only of today, as we provide priorities and initiatives in our policies, but for the future.

I suggest, Mr. President, that if we fail now, we will have failed for the future generations. That is why I think this is a monumental opportunity and a challenge.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BREAUX. I yield 5 minutes to the distinguished Senator from North Dakota.

Mr. CONRAD. Mr. President, I want to add my words of thanks to the Senator from Rhode Island, Senator CHAFEE, and the Senator from Louisiana, Senator BREAUX, who led this effort to address what I believe is the most important question facing America.

What we do here will largely determine the economic future for us and for our children. That is the stakes of the debate that we have embarked upon.

Mr. President, the hard reality is that we are facing a time bomb in this country. It is a demographic time bomb. It is the time bomb of the baby boom generation. The baby boom generation begins to retire very soon now. They are going to double the number of people who are eligible for Social Security, for Medicare, and the other entitlement programs.

We know what that means. There is no mistaking the future if we fail to act. The Entitlements Commission told us clearly, if we stay on our current course, by the year 2012, every penny of the Federal budget will go for entitlements and interest on the debt. There will be no money for roads. There will be no money for defense. There will be no money for parks. There will be no money for item after item that is important to the American people.

Mr. President, the Entitlements Commission also told us that if we fail to act, future generations will face either an 80 percent tax rate—an 80 percent tax rate—or a one-third cut in all benefits. Mr. President, that is a catastrophe. We have a window of opportunity—a narrow window of opportunity—to get our fiscal house in order before that calamity occurs. Our generation will be judged based on how we respond.

Mr. President, future generations will curse our generation if we fail to act. What this group has said is there is a way. We can do it. We have demonstrated the way. On a bipartisan basis, 22 Senators came together and wrote a plan that will strengthen the economic future of America.

Mr. President, it will mean more savings, more investment, stronger economic growth, more jobs, and a brighter economic future for our children. We can do it. We must do it. We have the opportunity to do it, if we have the courage to escape our narrow, political, partisan trenches that have prevented us from doing what must be done.

I thank the Chair and yield the floor.

Mr. CHAFEE. Mr. President, I have a little bit of time. Whatever time I have left I yield to the Senator from Louisiana.

Mr. BREAUX. Mr. President, I yield 2 minutes to the Senator from California. We are going to do this again, I say to my colleagues, hopefully on Tuesday morning,

I yield 2 minutes to the Senator from California.

The PRESIDING OFFICER. The Senator from California.

Mrs. FEINSTEIN. Mr. President, having been in this body for 3 years, one thing has become a truism for me with respect to a balanced budget. If it is a Republican plan, the Democrats are going to oppose it. If it is a Democratic plan, the Republicans will oppose it.

We have traveled various roads to get there over the last year, but we have stumbled in our efforts to make some very difficult choices and there will be a heavy price to pay for these mistakes.

But the ultimate price will be paid by the American people—our children and grandchildren—if we do not put our economic house in order.

Therefore, it seems to me that, if we believe what the distinguished Senator from North Dakota just pointed out—and I do—that for the sake of our future and our children's future, we must act and act now. If we fail to take this opportunity to change the unsustainable present course, the next generation will face either an 82-percent tax rate or we will be cutting benefits by 33 percent across the board.

What is clear to me is that the only way to solve the problem is in a bipartisan way. Therefore, I, too, want to salute the Senator from Rhode Island and the Senator from Louisiana for their leadership because without it you would not have a document to which 11 Republicans and 11 Democrats now subscribe.

The U.S. Government has not balanced its budget since 1969. Since then, the Federal debt has risen to $5 trillion. Interest on the debt alone is over $260 billion a year.

By one measure, all the personal income tax paid by people living West of the Mississippi wouldn't even pay the interest on the debt.

Today, the two fastest growing parts of the budget are: First, entitlements, such as Medicaid, Medicare, Social Security and Federal retirement programs, and second, interest on the debt.

I think all one has to do is take a look at expenditures of the Federal Government. In 1969, entitlements were 27 percent of the budget. In 1995, entitlements were almost 52 percent of the budget. Therefore, in the future, entitlements by the year 2003 and net interest on the debt alone will total more than 70 percent of the outlays.

Discretionary spending—the budgets for the Department of Justice, NASA, Veterans' Affairs, the Environmental Protection Agency, to name just a few—has shrunk from 21.3 percent of the budget in 1969 to 18.2 percent in 1995, and we are continuing to cut. Our discretionary spending has been brought under control, but entitlement spending has not.

What these charts tell you, is that, if we don't reign in the cost of entitlement programs, we could not cut enough discretionary spending to balance the budget.

Even if we eliminated the entire Departments of Justice, Health and Human Services, Education, Agriculture, Veterans Affairs, Transportation, the Environmental Protection Agency, and NASA—we couldn't balance the budget without cutting entitlements.

So this is the problem we have been trying to solve. And it's not academic—the budget deficit is a problem that affects people.

Increases in the Federal deficit mean higher interest rates. It means buying, or refinancing a home costs more. It means borrowing money for business, school or a new car is more expensive.

It saps the private sector's ability to borrow funds in order to grow and create jobs and when businesses can't borrow money to modernize or expand productivity—the economy and employment suffer. Small businesses, who don't sell stock to raise money and may have to borrow to fuel growth, are the ones who suffer the most.

The Centrist Coalition proposal balances the budget from the middle, drawing from Republicans and Democrats alike.

The Centrist plan provides targeted tax cuts of $130 billion—not as much as the Republicans wanted, but more than the administration offered—aimed at helping families, such as a ''KidSave'' a child tax credit coupled with an IRA, other IRA reforms, and tax breaks for education.

It includes tax provisions to encourage economic growth, like capital gains reform for businesses and individuals, and the extension of the R&D tax credit.

It provides an estimated $154 billion in savings from Medicare—again, not the steep cuts in the Republican proposal, but farther than the Administration was willing to go.

It saves an estimated $62 billion in Medicaid, and $54 billion in welfare spending—providing more latitude for States to further our goals of reform, but retaining Medicaid as the health insurance safety net for elderly, the disabled, AIDS patients and low-income Americans.

The Centrist plan maintains Federal quality standards and enforcement mechanisms in nursing home care, such as required staff-to-patient ratios and commitments for patient privacy.

Balancing the budget is an exercise in setting priorities. This plan may not have everything I want. It includes some things I do not support. However, this plan achieves our goal of balancing the budget in 7 years, and represents a strong, bipartisan effort to do what s right—reigning in spending, protecting our most vulnerable citizens, and investing in our future. This is a fair and good plan. I am very pleased to support it.

I thank the Chair.

Mr. BREAUX. Mr. President, I yield 1 minute to the Senator from Georgia.

The PRESIDING OFFICER. The Senator from Georgia is recognized.

Mr. NUNN. Mr. President, I will try to take less time than that.

I congratulate Senator CHAFEE, Senator BREAUX, and others who have worked on this proposal. It is truly a bipartisan proposal. This is the last train in town. If this does not go, if we do not get people to rally around this, then we are not going to get a deal this year. It does not have to be every word of this. But this is a framework, and I think our colleagues recognize that.

Mr. President, I will add one other word. If we get the balanced budget for 7 years, as this proposal would do, we have still a long way to go. This Congress and this country has to look at a 20- to 30-year fiscal picture. We will have to set in motion things now that can be implemented very gradually and very slowly. We have to reform Social Security. We have to reform Medicare. We can do it very gradually where people do not get hurt, and also for those who are near retirement and certainly for those who are already retired. But we have to address it for generations. To balance the budget by the year 2002 is not enough because it can get out of balance right after that and be back in the same picture.

I thank the Chair. I particularly thank Senator CHAFEE and Senator BREAUX for their sterling leadership.

Mr. BRYAN. Mr. President, as one of the original 22 members of this bipartisan coalition, I support of the Centrist Coalition's 7-year balanced budget proposal as a sound, moderate approach to a problem begging for a solution.

Mr. President, this balanced budget proposal came about because evey member of the bipartisan coalition took it upon themselves to find a solution to the budget impasse that grips this country. During last year's budget cycle, responsible spending decisions were buffeted about by the winds of political rhetoric. This group of Senators is concerned about the future of this country, and about what failure to balance the budget today can do to burden the lives of our children and grandchildren tomorrow.

Our coalition considered a number of balanced budget proposals. We looked at the President's budget proposal, the National Governors Association's budget recommendations, and at the House and Senate versions of the budget bill. We included elements of each proposal in our final plan.

We took the time to hammer out a bipartisan compromise on every facet of the Federal budget. I believe this plan represents the greatest chance this country has to enact balanced budget legislation.

Our burgeoning Federal debt is the greatest crisis facing our Nation today. It is gobbling up our savings, robbing our ability to invest in infrastructure and education, and saddling our children with an enormous bill that will eventually have to be paid. The interest payments on the debt consume dollars that could otherwise go for urgent needs such as infrastructure and education.

As late as 1980, our national debt was less than a trillion dollars. A decade later it had more than tripled and today exceeds 4.9 trillion. Simply limiting the Government's ability to borrow is not enough to achieve deficit reduction or to control the compounding interest on the national debt. According to CBO, ''significant deficit reduction can best be accomplished by legislative decisions that reduce outlays or increase revenues.''

When I took the oath of office in 1983 as Governor of the State of Nevada, the Nevada State Constitution required a balanced budget. The necessary, excruciating task of balancing the State budget took strong executive and legislative leadership. Those tough decisions were made, and each year the State budget was balanced.

Nevada is not alone in requiring a balanced budget; in fact, many States across the Nation require Governors to submit, and legislatures to pass, budgets that reconcile revenues and expenditures. It is time that the Congress and the President come together and make the tough decisions that are required for fiscally responsible governance.

Not only is the Federal debt itself a problem, but annual interest payments on the national debt are devouring precious Federal dollars. For more than a decade, Congress and the President have had a credit card mentality—buy goods and services today, worry about the payment later. The public must share some of this blame as well, because there are constant objections to cutting Government programs. When the bill comes due, make that minimum payment and keep charging away. As any consumer knows, if you only make the minimum payment and continue to charge, you will never pay off the balance. The finance charges will just keep accruing. Unlike real life, however, the use of this Government credit card is never denied and the amount of debt continues to grow unchecked.

History has shown that nothing is more desired and nothing is more avoided than the will to make tough choices. The last time our Federal budget was balanced was 1969.

The Centrist Coalition's balanced budget plan is fair; it restructures and reforms Federal programs that are inefficient, in addition to scaling back spending. We want to make sure we get the most bang for the Federal buck.

For instance, our balanced budget plan preserves Medicare and protects its long-term solvency. We expand the choices for Medicare beneficiaries by allowing them to remain in the traditional fee-for-service Medicare Program or to choose from a range of private managed care plans. By creating a new payment system for managed care and by slowing the rate of growth in payments to hospitals, physicians, and other service providers, our plan extends the solvency of the Medicare trust fund.

Our Medicaid reform plan protects the most vulnerable in our Nation. We incorporated a number of the National Governors Association's recommendations regarding enhanced State flexibility, while maintaining important safeguards for the Federal Treasury and retaining the guarantee of coverage for beneficiaries. Our Medicaid funding is based upon the population of covered people in each State, thereby ensuring adequate Federal funding in economic downturns. Our plan maintains a national guarantee of coverage for low-income pregnant women, children, the elderly, and the disabled. We allow States to design health care delivery systems which best suit their needs without obtaining waivers from the Federal Government. Under this plan, States can determine provider rates, create managed care programs, and develop home and community-based care options for seniors to help keep them out of nursing homes.

Our welfare reform language includes strong work requirements and child protections. The welfare reform package includes many of the National Governors Association's recommendations; it is also based on the welfare reform bill that passed the Senate overwhelmingly last year by a vote of 87 to 12. This package calls for tough new work requirements, a time limit on benefits, a block grant to provide maximum State flexibility while ensuring recipients are treated fairly, increased child care funding to enable parents to work, and a contingency fund to backstop States during recessionary times. Finally, our plan preserves the important safety net of food stamp and foster care programs.

Included in our plan are provisions for tax relief to hard-working families. Our plan establishes a new $250 per child tax credit for every child under the age of 17. We have expanded the number of families eligible for tax deductible IRA's. We also provide education incentives, the first of which is an income tax deduction of up to $2,500 for interest expenses paid on education loans. The second incentive is an income tax deduction for qualified education expenses paid for the education or training of the taxpayer, the taxpayer's spouse, or dependents.

We have cut the capital gains tax by 50 percent for individuals, and reduced the current maximum rate for corporations to 31 percent. We provide needed economic assistance to small businesses by an estate tax exclusion on the first $1 million of value in a family-owned business; and by increasing the self-employed health insurance deduction to 50 percent. Furthermore, our plan closes 25 billion dollars' worth of unjustified tax loopholes.

Our plan reforms the Federal Housing Administration's home mortgage insurance program to help homeowners avoid foreclosure and decrease losses to the Federal Government. It also limits rental adjustments paid to owners of section 8 housing projects.

This budget plan provides for discretionary spending reductions that can actually be achieved. The plan proposes a level of savings which is only $10 billion more than a hard freeze in these programs, ensuring adequate funds for a strong defense and for critical investments in education and the environment.

Finally, this plan provides for an increase in Federal retirement contributions from both agencies and employees through the year 2002. This plan adopts the judicial and congressional pension reform provisions that were based on a bill I introduced, and that were included in last year's reconciliation bill.

I fully support the Centrist Coalition's 7-year balanced budget plan. While I may not agree with every provision in it, I have accepted those provisions in the interest of the greater good to come of its passage. After the disastrous budget standoff of the past year, it is readily apparent that compromise is the only game in town when it comes to getting real work done in Washington. I am proud of the efforts and sacrifices may colleagues have made to put this balanced budget together.

Mr. BREAUX. Mr. President, I yield the remaining time to the Senator from Virginia.

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

Mr. BREAUX. I ask unanimous consent for 1 additional minute and that I be able to yield that minute to the Senator from Virginia.

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

Mr. ROBB. Thank you, Mr. President.

I am delighted to join my colleagues on both sides of the aisle in presenting this particular balanced budget today. I think it is a clear, good-faith attempt to make responsible but difficult choices that are going to have a very significant impact on the future of this country. If we are not willing to make those choices, those difficult choices honestly, the protracted debate and the gridlock that we have experienced is simply going to continue.

I commend Senator CHAFEE, Senator BREAUX, and all of those who have worked with them in attempting to deal with this extremely difficult and challenging matter.

I am pleased to be a part of that effort.

Mr. President, I am pleased to join my colleagues in discussing the merits of this bipartisan plan to balance the Federal budget. I believe this plan is an example of what can be accomplished when we put aside partisan politics and focus instead on serious questions of public policy.

Late last year, in the midst of a prolonged Government shutdown and a breakdown in budget negotiations between the Republican leadership and the Democratic administration, Senators CHAFEE and BREAUX convened a bipartisan meeting of Senators who were committed to finding enough common ground to balance the Federal budget.

Finding common ground required Democrats in the group to accept larger entitlement reductions and Republicans in the group to agree to a smaller tax cut. We had hoped that our coming together on a budget outline we could all support would jump-start the stalled negotiations.

When it became clear that the Republican leadership and the Democratic administration could not bridge their policy differences, we dedicated ourselves to translating the budget outline we had developed into a full blown legislative plan, and that is what we have presented to our colleagues today.

We are not here to suggest that this is the only way to balance the budget. We're here to illustrate that a balanced budget plan can be drafted from the middle of the political spectrum and driven by policy. Regardless of the outcome of the balanced budget debate, I think it is important that we demonstrate to the administration, the congressional leadership, and the American people what a bipartisan budget compromise would encompass.

One of the biggest differences between this bipartisan plan and either the Republican or Democrat plans is that both of their last offers reached balance on paper by relying on deep cuts in discretionary spending—cuts that would require future Congresses to make far tougher choices than any recent Congress has been willing to make. You only have to look at this year's appropriations process to realize that future cuts of the magnitude proposed by the current plans are both unwise as a matter of policy and unattainable politically.

There's no question that if we make these cuts on the defense side of the ledger, we can't possibly maintain our ability, as the world's sole remaining superpower, to protect our own shores, much less help defend freedom, and maintain peace throughout the world.

Yet, if these reductions can't be made in defense—far and away the biggest item in discretionary spending—where can we make responsible reductions of this magnitude in discretionary spending? In transportation infrastructure? In research and development? In education? In job training? In medical research funding? Do we cut mine safety inspectors, or air traffic controllers or those who ensure the safety of our food and maintain the quality of our air and water?

Fortunately, the members of our group have not only chosen a more realistic and achievable discretionary path over the next 7 years, but we have done so to protect these types of important investments, investments which are critical to raising future productivity, growth, and incomes. We are dedicated to the belief that we should not sacrifice these investments at the expense of taking on politically popular entitlement programs.

And protect discretionary spending we must, since entitlements and interest on the national debt are rapidly edging out discretionary programs in the battle for scarce federal dollars. Entitlements and interest on the national debt are projected to account for 70 percent of our budget by the year 2002, up from 30 percent in 1963. Most disturbing of all, it is projected that entitlements and interest on the debt will consume the entire Federal revenue base by the year 2012.

With such staggering expansions of entitlements on the horizon, significant entitlement reform has to be at the heart of any serious balanced budget effort. This budget makes meaningful—but fair—reductions in entitlements like Medicare, Medicaid and welfare while also seeking to protect our most vulnerable citizens. And it requires Medicare beneficiaries who can afford to pay more to make a larger—and more reasonable—contribution to the Medicare Program.

For many of us, the most important part of this plan is its downward modification of the consumer price index, which controls cost-of-living adjustments for entitlement programs and tax bracket indexing.

A report of the Senate Finance Committee indicates that the present value of the CPI overstates the actual rate of inflation by somewhere between 0.7 and 2.0 percent. By making a CPI adjustment, we are better able to control the future costs of entitlement programs, including Social Security, which has up until now been left off the table by both Republicans and Democrats alike.

From a policy perspective, a CPI modification is absolutely the right thing to do since it restrains future entitlement costs, thus helping to protect the discretionary side of the budget from unwise reductions in the future. But it is understandable, given the approaching political season, that the modification has become a political hot potato for both sides, subject to an attack from Republicans as a backdoor tax increase and from Democrats as a Social Security cut.

As I look back on the events of the last 6 months and ahead to the Presidential campaign, I sense that political considerations are again costing us an important and historic opportunity to begin to address our long-term budget problems.

And if we are ever to make serious headway on these matters, I am more convinced than ever that the American people don't need to see important issues of public policy demogogued anymore. They don't need to see interest groups fired-up to wage war against responsible change. The American people need to hear and understand the truth about the sources and seriousness of our long-term budget problems.

Patrick Henry once said, ''for my part, whatever anguish of spirit it may cost, I am willing to know the whole truth—to know the worst and provide for it.''

Only by separating the truth from the rhetoric can we balance our Federal budget the right way. And the anguish will be a lot less if the sacrificed is shared—and if we summon the courage to act now. For if we fail to act—and if we continue down the path of cowards—we will guarantee for our children, not the bright future we inherited, but the dark responsibilities we refused to accept.

I thank my colleagues for the time to speak and the chance to be a part of the Centrist Coalition. I hope that this will be the start, not the end, of our efforts to bring bipartisan and commonsense solutions to the legislative issues of our day.

With that, Mr. President, I yield the floor.

Mr. BINGAMAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. BINGAMAN. Mr. President, I ask unanimous consent I be allowed to speak for up to 5 minutes.

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

(The remarks of Mr. BINGAMAN pertaining to the introduction of S. 1702 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Mr. BROWN addressed the Chair.

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

Mr. BROWN. Mr. President, I understand we are in morning business?

The PRESIDING OFFICER. That is correct.

THE CHAFEE-BREAUX BUDGET PROPOSAL

Mr. BROWN. Mr. President, I rise to make very brief comments, and I will make them extremely brief because I know my friend from Connecticut has been here waiting, with regard to the Chafee-Breaux budget proposal.

Mr. President, as I see it, the simple facts are these. This country urgently, desperately needs legislative action to ensure the soundness of the Medicare funds, to ensure the soundness of a variety of other trust funds. I do not think anyone objects to that. I should say more precisely I do not know that anyone disputes that fact, that we need strong and urgent action to put those on track.

Second, I do not think anyone doubts that we have an enormous problem with the deficit. We are not just the world's biggest debtor, but we see a problem that seems very difficult for Congress to solve.

Third, I think it is quite clear to everyone involved that we need a bipartisan budget. The simple fact is this Congress acted in what I thought was a responsible way, in I think a moderate way, in trying to address the budget problems. We passed a budget last year. We passed a reconciliation act that had enormous progress for the country in moving these funds into solvency, and it was vetoed by the President. We have been unable to reach an agreement with the President.

Whichever side you take in that controversy, the reality is nothing got done in terms of long-term reconciliation. It is my belief that nothing is going to get done unless we have a bipartisan approach. So I rise to speak for that budget, not because I like it better than what this Congress did. I do not. I think what this Congress did in reconciliation is much better and much more responsible. As a matter of fact, I