

make those investments, we have to set priorities in our budgets. We have to have more money to spend. That is why I think balancing the budget and investing in education are not mutually exclusive goals; that you can be fiscally responsible but at the same time be visionary, be compassionate about the investments that we need to make as priorities for America. That is what a constitutional amendment to balance the budget will do, because it will require us to do it each and every year, to examine and reexamine our priorities and how well these programs are functioning.

We have an obligation to make sure that every dollar that is spent is spent wisely and efficiently. Under the current budget process, there is no such requirement.

John F. Kennedy once said, "The task of every generation is to build a road for the next generation." I cannot think of a more important road than the one that leads to fiscal security for future Americans. We have no less an obligation to ensure that, because never before has one generation delivered to the next generation a lower standard of living. But we are in danger of doing that now, and that is why I think it is so important that we grapple with reality and reach the conclusion that the only way we can ensure that prosperity and security for Americans is by enacting a constitutional amendment to balance the budget.

I yield floor.

Mr. GRASSLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. I see several of my colleagues are waiting. I am only going to speak 6 or 7 minutes. Do I have to ask unanimous consent?

The PRESIDING OFFICER. The Chair will observe that at 1:30 the Senate will proceed, under the previous order, to the Dodd amendment for 4 hours.

Mr. GRASSLEY. I will just take what time is left.

Mr. DORGAN. If the Senator will yield for a question? Mr. President, the Senator indicated he wished to speak for 6 or 7 minutes. The Senator from North Carolina, apparently, wishes to speak for 3 minutes, and I had come to the floor wanting to speak also on the legislation.

I ask the Senator to propound a unanimous-consent request that he speak for 7 minutes, the Senator from North Carolina follow for 3 minutes, after which I be recognized.

The PRESIDING OFFICER. The Chair would observe that we would need unanimous consent to deal with the Dodd amendment, as to whether or not that time would be extended.

Mr. HATCH. Mr. President, I ask unanimous consent that time be taken out of both sides equally in the Dodd amendment, because I think we have more than enough time. If we need more time, we will ask unanimous consent to get more.

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

Mr. GRASSLEY. I thank Senator HATCH very much for taking care of that, Mr. President. I appreciate that very much.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, the Senator from Maine had a very good statement that we all ought to take cognizance of, and that is based on her experience, being that her husband was Governor of Maine and they had to live within a balanced budget, year after year after year. It does force discipline upon policymakers. She gave an eloquent statement from that point of view, as well as a lot of other good reasons why we need a constitutional amendment to balance the budget.

FINANCIAL ACCOUNTABILITY AT DOD

Mr. GRASSLEY. I want to speak on a problem that I have been speaking about in the Department of Defense, but it also emphasizes the need for having a balanced budget, because the shenanigans that go on in the Defense Department would not go on if we had more discipline in this town in regard to the expenditures of taxpayers' money.

On January 28, I spoke here on the floor about irresponsible financial accounting policies being pursued over at the Department of Defense. This policy is the responsibility of the chief financial officer at the Pentagon. The person holding that position now is Mr. John Hamre, but it would be applicable to anybody holding this position. The chief financial officer is supposed to be tightening internal controls and improving financial accounting. That is exactly why we passed, in 1990, the Chief Financial Officer's Act. Mr. Hamre should be cleaning up the books at the Pentagon and watching the money like a hawk. If that had been the case, we would not need to have a constitutional amendment for a balanced budget, if we had been doing that properly over the last 25 years.

Sadly, the job is not being done. To make matters worse, the bureaucrats are pushing a new policy on progress payments that will loosen internal controls and cook the books. This new policy is embodied in draft bill language that was being circulated in the Pentagon for review as recently as January 30. I expressed my concerns about the new policy in my statement on January 28. In a nutshell, this is what I said then and it is still appropriate today:

I am afraid that this new draft language would subvert the appropriations process that is so key to keeping tight control on how the taxpayers' dollars are expended by the Congress of the United States.

I even alerted the chairman of the Appropriations Committee to the bad aspects of this language. The new lan-

guage is not one bit constructive. It would not fix Defense's crumbling accounting system. It would merely condone and perpetuate crooked book-keeping practices.

Since raising this issue here on the floor, I have exchanged letters with Mr. Hamre. I ask unanimous consent that correspondence be printed in the RECORD.

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

UNDER SECRETARY OF DEFENSE,

Washington, DC, January 29, 1997.

Hon. CHARLES E. GRASSLEY,

U.S. Senate,

Washington, DC.

DEAR SENATOR GRASSLEY: I was astounded yesterday to see that you went to the floor of the Senate to personally attack me. You made no effort to discuss your concerns with me either directly or through your staff. You did not contact me to ask me to explain my position on a draft proposal circulating within the Department for comment. And the "concerned citizen" you cite in your letter who provided this information has never contacted me. This was a Pearl Harbor attack, and I am very disappointed in it.

Frankly, we have done more in the past 3 years to clean up financial management problems in the Department than anyone else has done in the past 30 years. Secretary Perry deserves high praise for making this a priority. I have certainly dedicated myself to this task. You can ask any objective individual in town and they would tell you we have made enormous progress.

In the past 3 years we have closed over 230 inefficient accounting offices and consolidated them into new operating locations with improved business practices and equipment. We have closed over 300 payroll offices and transferred accounts from some 25 old outdated payroll systems into a new modern system with a 500 percent improvement in productivity. We have reduced problem disbursements by over 70 percent in 3 years. We have instituted new policies that freeze activity on accounts that are in deficient status, and I am forcing the Services to obligate funds to cover negative unliquidated obligations. We are prevalidating all disbursements of funds for all new contracts and have lowered the prevalidation threshold on existing contracts.

Yet without even offering to discuss the issue with me, you blast me from the floor of the Senate, claiming I am "ready to throw in the towel" on financial management reform. That is nonsense, and I am disappointed that you would suggest it. I don't blame you personally. I worked for the Senate for 10 years and I know how busy Senators are. I know that you are often given material by staff who represent the fact as correct. But it is disappointing that you would not even ask me to come over to discuss it with you. After you had heard my side, it would be perfectly fair for you to blast me if you still disagreed. But you didn't even ask me to meet with you.

For the record, the language which you criticized has nothing to do with the M account as you allege. It would not "thumb our nose" at the appropriations process or the law as you state in your speech. It would not pool funds at the contract level. This language merely clarified that progress payments are a financing device to lower borrowing costs. In their 40 year history, progress payments were never designed to do anything other than finance a contract. Every progress payment we make is linked directly to the source funds identified to the contract, and detailed audits are conducted

before the contract is closed. We don't reimburse contractors for the full costs they incur precisely to guarantee that we don't overpay contractors. This language was designed to clarify a problem we have with progress payments. Progress payments cannot be linked to funding sources unless the acquisition community mandates that every contractor in the country change its accounting systems to accommodate DoD fiscal law prohibitions and invoice us in terms of congressional appropriation categories. That would not be good business sense and violates the underlying purpose of progress payments.

Next time, Senator Grassley, please contact me first before you attack me on the floor of the Senate. You actually set back financial management reform by your attacks because people pull back from actions just to avoid the criticism.

Sincerely,

JOHN J. HAMRE.

U.S. SENATE,

Washington, DC, January 30, 1997.

Hon. JOHN J. HAMRE,
Under Secretary of Defense, 1100 Defense Pentagon, Washington, DC.

DEAR JOHN: I am writing in response to your letter of January 29, 1997, expressing anger and disappointment about my recent speech on the floor of the U.S. Senate about the lack of "Accountability at the Department of Defense."

Your anger and disappointment seem to flow from one main source. You think I made no effort to discuss this matter with you before blasting you on the floor of the Senate. You state, and I quote:

"You made no effort to discuss your concerns with me either directly or through your staff. You did not contact me to ask me to explain my position on a draft proposal circulating within the Department for comment."

John, that statement is totally false, and I demand an apology.

As soon as the draft language on progress payments came to my attention, my staff contacted your personal office directly at 703-695-3237 to express concern about it. That was the very first thing we did. My staff was informed that you were out of the building on travel and to call Navy Captain Mike Nowakowski, one of your congressional liaison officers. That was done immediately. Initially, on January 14th, Captain Nowakowski reported that he could find no trace of the draft language on progress payments but indicated that he would keep looking. At that time, my staff communicated my grave concerns about the proposal in detail, including a warning that I would go to "battle stations" if this language was, in fact, under active consideration. When Captain Nowakowski was unable to locate the language, I was able to obtain a copy elsewhere. My office faxed the document to him at 4:03 pm on January 14th. During a subsequent conversation on January 22nd, Captain Nowakowski confirmed that the language was indeed under review within the department. He also told me that he had personally briefed you on all my concerns.

John, those are the facts. The facts show that I did everything humanly possible to communicate my concerns directly to you. Your letter is out of line and inconsistent with the facts.

Furthermore, I believe Captain Nowakowski is telling the truth. He briefed you in detail about my concerns. He made that statement on January 22nd and reconfirmed it again this morning. I shared my concerns with you—as best I could through that unresponsive and cumbersome bureaucracy that is your office. So why did you say

I made no effort to discuss my concerns with you either directly or indirectly through my staff? And why didn't you react and respond to my concerns? You should have called me and asked to see me. My door is always open to you.

John, you know that when I am disturbed about some development at the Pentagon, I usually go to the floor and talk about it. My staff informed one of your other congressional liaison officers—"Hap" Taylor—that I was planning to do exactly that. When I do it, it is usually an unpleasant experience for some. But it's unpleasant only for those who fail to be responsible and accountable for the taxpayers' money. Since I am not a member of the Armed Services Committee, I think of the floor as my committee forum for defense issues.

John, you owe me two things. First, you owe me an explanation. If Captain Nowakowski is tell the truth—and I believe he is, then you need to explain the inaccurate assertions in your letter. Second, you owe me an apology.

I look forward to your response.

Sincerely,

CHARLES E. GRASSLEY

U.S. Senator.

UNDER SECRETARY OF DEFENSE,

Washington, DC, January 30, 1997.

Hon. CHARLES E. GRASSLEY,
U.S. Senate,
Washington, DC.

DEAR SENATOR GRASSLEY: I have received your January 30 letter demanding an apology. I am sorry that I won't do that because I believe I am the wronged party. You blasted me on the floor of the Senate and I wrote you a personal letter. It seems to me that a modicum of decency would hold that if you intend to criticize me by name on the floor of the Senate, I should have a chance to talk with you first before you do that. Yet you didn't do that.

You state in your letter "I did everything humanly possible to communicate my concerns directly to you." I really don't know how you can conclude that. On two separate occasions in the past I had breakfast with you. I have spoken with you in previous occasions on the phone and at hearings. I have repeatedly stated my willingness to meet with you at any time. You have written me numerous letters and I have written back. Yet on this occasion you did not call my office, you did not ask me to come to meet with you, you did not send me a letter outlining your concerns.

My staff aid, Captain Nowakowski, told me that your staffer, Mr. Charles Murphy, had a copy of this language and "had some serious concerns." At the time the document was in circulation for comment and did not represent Department policy. It is still in the coordination stage. We hadn't decided on what to do yet, so it was inappropriate to respond to a staff call expressing concerns on something that the Department had not adopted. Even then, Charlie (whom I have known for 10 years and consider a friend) didn't call me or ask to meet with me to relay your concerns.

Senator, I do respect you, but I owe you no apologies.

Sincerely,

JOHN J. HAMRE

U.S. SENATE,

Washington, DC, January 27, 1997.

Hon. TED STEVENS,
Chairman, Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR TED: I am writing to express concern about a legislative proposal that is under consideration within the Department of Defense (DOD).

This provision, if approved, would significantly loosen controls over progress payments. DOD progress payments total about \$20 billion per year. A copy of the proposed language is attached.

First, the Inspector General (IG) has been keeping a close eye on this whole problem for a number of years. IG audit reports consistently show that the department regularly violates the laws that the proposed language would undo. This is like legalizing the crime—instead of trying to fix the problem.

Second, this proposal is inconsistent with Comptroller Hamre's commitment to begin the process of matching disbursements with obligations before a payment is made. In last year's Report No. 104-286 (pages 18-19), your Committee directed Mr. Hamre to develop a detailed plan, including dollar thresholds and milestones, for eliminating all problem disbursements. The attached language would put that whole idea on a back burner indefinitely.

Third, the attached language would subvert the appropriations process. If DOD is to be authorized to merge and pool acquisition monies—R&D and procurement funds—at the contract level, then Congress must make some kind of corresponding adjustment in the way those monies are appropriated. To do otherwise might make the appropriations process irrelevant somewhere down the road.

I would like to ask you to urge Mr. Hamre to reconsider the attached proposal and search for a better way to solve the problem. Ted, there is obviously a problem in the payments process. We need to understand the problem before we try to fix it.

Sincerely,

CHARLES E. GRASSLEY,

U.S. Senator.

Mr. GRASSLEY. Mr. Hamre's letters tell me that he may not understand this issue. He seems confused. It is confusion like this that dictates more fiscal discipline in this town, and that can only come from a constitutional amendment requiring a balanced budget.

His letter of January 29, I think, contains two contradictory statements. In one breath he says that payments and appropriations are in sync. In the next breath, he admits that payments and appropriations are out of sync.

But then he goes on to say that the cost of getting them in sync would just be too high, that we cannot worry about whether payments are matched with a particular product or a particular invoice or appropriation account. He says, "that would not be good business sense." It would place an unfair burden on the contractors.

Just think, when it comes to matching disbursements of money with an invoice, it might also place an unfair burden on contractors and government accountants.

So just what is the thinking of the chief financial officer? Clearly, there is a problem in the Department of Defense's payment process. There is a major disconnect. On the one hand, we have a whole body of law governing the use of appropriations; on the other, we have payments for factory work that are supposed to be matched with corresponding appropriations.

Unfortunately, the law and the payments just don't mesh. They can't be reconciled. So long as the two are not

in sync, the Pentagon is operating outside the law, and it doesn't reflect the fiscal discipline that we need in this town and that we would get with a constitutional amendment.

Unfortunately, the new policy in this draft language that is floating around the Pentagon does not put them back in sync. It will keep them out of sync permanently.

To understand the root cause of this problem, we need to step back in time. Bureaucrats do not like it when congressional overseers revisit history, but that is what we need to do. We need to revisit an old IG report, the inspector General's audit report dated March 31, 1992. That is number 92-064. It is on the Titan IV Missile Program.

That is where the problem was first detected and exposed, and that is the problem the bureaucrats are trying to cover up in this new policy.

The Titan IV was not an isolated case. Unfortunately, the practices uncovered on Titan IV typified common practices throughout the Department. This report showed the Defense Department regularly violates the laws that the draft language would undo. Instead of fixing the problem, this proposed language would legalize the crime.

Mr. President, the laws that were violated were designed to protect Congress' constitutional control over the purse strings. Progress payments to Martin Marietta on the Titan IV contract were made in violation of those laws. Those payments were made on a predetermined sequence of appropriations. Those are words that mean the money was drawn from available appropriation accounts using a random selection process.

What a way—random selection to justify the expenditures of the taxpayers' money. That is a blatant violation of the law. That is the inspector general talking, Mr. President, not the Senator from Iowa.

Yet, as difficult as it may be to comprehend, this unlawful procedure was sanctified by Air Force Regulation 177-120, starting February 15, 1988. In other words, that is an outlaw decree.

Congress appropriates money for specific purposes. Those purposes are specified in law, and that is how the money must be spent. That's what the law says. The Pentagon bureaucrats promise to straighten up this mess after the fact, down the road, after the money goes out the door. They try to retroactively adjust—that's their language—adjust the ledgers—to make it look like the payments and the appropriations were in sync.

That is fine and dandy, Mr. President. It makes the books look nice and neat, but the books then do not reflect the reality of how the taxpayers' money was spent or what the appropriators intended. The books do not tell you how the money was really spent. If they don't do that, then they are inaccurate, and that's what I call cooking the books.

Back in 1992, the inspector general tried to shut down the Defense Depart-

ment's unlawful payment process. Mr. President, the inspector general told the Department to get on the stick, obey the law, fix the problem.

Well, guess what? The big wheels over at the Pentagon nonconcurred with the IG. That means, take a hike, in other words. They said the payment process was working just fine; it doesn't need any fixing; don't mess with it.

We should be thankful that the IG had courage and did not back down.

This dispute came to a head, after years of talk, in March of 1993. There was a high-level powwow at that time. The financial wizards in the Pentagon got together and signed a peace treaty. They said, basically, obey the law.

They were given 120 days to do it.

The treaty was signed by: Ms. Eleanor Spector, Director of Defense Procurement; Mr. Al Tucker, Deputy Comptroller; and Mr. Bob Lieberman, assistant IG for auditing.

Mr. President, 4 years have passed since that agreement was signed. Those same officials are still in the same place. But nothing has been fixed.

Now, we have the DOD CFO telling us that nothing will be fixed. The status quo will be institutionalized and legalized. Titan IV is the model for the future.

CFO Hamre is responsible for this mess.

Why didn't Mr. Hamre enforce the March 1993 agreement? What exactly has happened in the 4 years since the agreement was signed? How did we end up where we are?

We need to know the answers to these questions. We need to understand the problem before we try to fix it.

The PRESIDING OFFICER. The Senator from North Carolina is recognized.

Mr. FAIRCLOTH. Thank you, Mr. President. Mr. President, I ask unanimous consent to speak as in morning business for up to 5 minutes.

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

AVIATION SAFETY

Mr. FAIRCLOTH. Mr. President, the White House Commission on Aviation Safety and Security is going to present its recommendations to the President today, and I commend the commission for its work and support most of its recommendations.

Aviation safety should be a prominent feature on the list of bipartisan issues upon which we can find common ground this year. There are 22,000 commercial flights every day in the United States. The American air traffic control system served 550 million passengers last year. Mr. President, in my home State of North Carolina, 22 million people last year passed through the Charlotte airport.

The safety of literally millions of Americans hangs in the balance of our commitment to aviation modernization. I have a rather personal interest in this issue. I was in a plane crash in

1983 and wound up in a lake surrounded by fire in an airplane without wings.

I want to stress the importance of the commission's call for rapid modernization of our air traffic control system. These efforts to upgrade the system will necessitate certain costs, and no one in this city is more concerned about the taxpayers than I, but the system is decades old and on the verge of collapse.

Mr. President, one of the better-kept secrets around Washington seems to be the \$1.4 billion that we have squandered on a failed effort to upgrade the aviation computer network over the last several years. IBM worked for years to create a modern air traffic control computer system and spent more than \$1 billion of the taxpayers' money. The exact figure is unclear, but the contractors think—they think—that they will be able to salvage some of this work—some of it—as the process starts anew.

The system at O'Hare Airport in Chicago includes computers that are more than 30 years old, and, as you know, its failures leave some air traffic control personnel with blank screens. The lives of the passengers are in the hands of air traffic controllers hobbled by a system that is both inadequate and obsolete.

The Federal Government called for installation of a Doppler radar system to detect wind shear at airports around the country. However, Mr. President, the system is operative at just a few airports. This Congress maintains an obligation to the air passengers of this country. Clearly, this obligation is not yet met, and too much money has been wasted.

As a member of the Transportation Appropriations Subcommittee, I intend to keep a keen eye on the dollars as I always do, but I also want to see a cost-effective modernization of the system. We owe a safe system to the taxpayers. Their tax dollars are paying for it, and they are entitled to it, and they need it. It is incomprehensible that the computers at one the busiest airports in the world can go blank. This is a condition that boggles the mind.

I believe the hiring policies of airline companies and airports also merit serious thought. The airlines need to be certain that the people who service and maintain airplanes do not have questionable backgrounds. These security issues are critical to the safety of the American flying public.

There are other safety concerns of note. The American airplane fleet is aging. We need to ensure that inspections are thorough and frequent on these older aircraft. There is nothing wrong with an older airplane, but it needs to be inspected and updated, lest problems go undetected and new technologies go unused.

We need to take these and other steps to ensure that the American air traveler is safe. We can ensure safe skies without excessive inconvenience and delay, and, Mr. President, I am committed to just that.