that one-third of our Nation's school districts have buildings in need of immediate and extensive repair. The same report states that 25 million students go to schools with poor lighting and heating, bad ventilation or air quality, or a lack of physical security; 25 million boys and girls attend schools with those deteriorating conditions. It has been estimated that $150 billion will be needed to remedy this situation. That dollar amount does not include the cost to meet new school construction for expanding populations.

This affects my State. It affects all of the States of the Nation. The school facility crisis is estimated, for instance, in the State of North Dakota, to cost $450 million to remedy; $5 billion is needed in Texas, $7.5 billion in Florida, $15 billion in New York State, and $20 billion in the State of California. In Louisiana, 88 percent of the 1,500 public schools are in need of repair; 77 percent of Connecticut's more than 1,000 schools need some rehabilitation. In Illinois, 89 percent of more than 4,000 schools need improvement.

I firmly believe the administration of elementary and secondary education is the responsibility of State and local communities. It is not a Federal responsibility. The Federal Government should restrain itself from interfering with curriculum, personnel and other educational policies. But I believe there is a role for the Federal Government in helping increasingly underfunded and overburdened school districts in the construction of badly needed new schools and the renovation of existing schools. That is a role in which the Federal Government has had some history.

I recently spent a day working in a rehabilitation project on Opa-Locka Elementary School in Dade County, FL. I was impressed when I looked at the plaque on the wall of Opa-Locka Elementary School, a school which is 60 years old this year. It was built by the U.S. Public Works Administration as a Depression-era job-creation project. The Federal Government has a history of assisting school districts in meeting their capital needs and has done so without the criticism of inappropriate Federal intrusion.

Mr. President, I applaud the President's proposed school construction initiative. It was one of the 10 points in the education program that he presented to the Nation during his State of the Union Address. He has opened the door to an important Federal-State-local partnership, and we must walk through that door. However, I believe the door needs to be widened.

Our school construction needs are much greater than the President's proposal would address. States and local school districts need to have a wider range of policy and fiscal options to meet their needs. We must aggressively build on the President's plan so that States and local governments can solve their tremendous needs.

School construction is obviously not the only capital issue facing States and local governments. For example, the United States has 39 million miles of roads and 574,000 bridges. Recent estimates show that 60 percent of our roads and a third of our bridges are substandard and in need of repair. The U.S. Department of Transportation estimates that we currently invest $35 billion annually in highway construction. This is $15 billion less than is needed to keep up with deterioration and $33 billion less than the amount estimated to keep ahead of growth, change, and congestion.

Nationally, our water and sewer management investment needs are in excess of $138 billion.

The key question for us and for America is, how will we face these problems? We must address these problems in a way that is responsible, both to our commitment to a balanced budget and to the needs of States and local communities. It is vital that we find a funding source that is limited, stable and viable over an extended period of time.

I suggest that some of the principles of this new partnership of the Federal Government with State and local communities in meeting their education, transportation and environmental infrastructure needs would include these: We must form an expanded and long-term partnership. It must be a partnership built on a basic respect for the responsibilities of State and local government to make the key policy decisions.

It must also be built on a requirement that it be a true partnership with the States and as a condition of participation that they provide a matching source of funds to that which will come from the Federal Government and that they maintain their current level of effort so that this will truly be an additional effort toward meeting our unmet needs, not a substitution for current effort, and that there be maximum flexibility to the States in the form in which they choose to meet those needs and the priorities which they establish.

I am going to suggest, Mr. President, as we develop these concepts into legislation, that one of the most appealing ways in which to provide that stable and sustainable revenue source in order to be able to form this partnership is to utilize the 4.3 cents per gallon of motor fuels tax which was enacted in 1993 and which goes directly to the Federal Treasury, not as does most other federally imposed motor fuels tax into a highway trust fund. This revenue source is currently generating in excess of $6 billion.

If States and local communities are willing to provide a substantial match to these funds—and I will suggest that that match should be in the ratio of one-third State and local to two-thirds Federal—the total effect of this Federal contribution for educational, transportation, environmental needs over the next 5 to 10 years could be in excess of $200 billion, if these funds were used as the basis of innovative financing methods.

Mr. President, this will have the potential of tremendous positive impact on our Nation's economy. Clearly, the economy will benefit by having children who are educated in appropriate environments. The country will benefit by having a transportation system that can meet our current and future needs that will not impose excessive costs due to congestion and inadequacy of facilities. Our Nation will be enhanced by having quality environmental systems that will protect our water and our air and our natural resources.

Those are some of the benefits. But in addition to those, a program of this scale will provide employment for literally hundreds of thousands of people, as we strive to construct these facilities that will have such positive long-term benefits.

Mr. President, in the next weeks I expect to continue to work with my colleagues in developing this into specific legislative proposals.

Our motorists and our Nation's commercial interests need safe, modern, and reliable highways. Our communities deserve responsible water and sewer and other environmental systems. Our children will require the best quality of educational facilities in order to achieve world-class standards of educational performance. We can wait no longer to meet the needs of this quiet crisis of deteriorating infrastructure in America. Now is the time to act. Thank you, Mr. President.

Mr. BUMPERS addressed the Chair.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. BUMPERS. Mr. President, I ask unanimous consent that I be permitted to proceed for 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Arkansas is recognized.

(The remarks of Mr. BUMPERS pertaining to the introduction of S. 325, S. 326, and S. 327 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

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

BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

Mr. HOLLINGS. The distinguished Senator from Arkansas is right on target, it is the king of corporate welfare. The Senator from Arkansas has been at this for years trying to save the conscience of this particular body. I have been most interested in his factual, in-depth study and report to the Congress, and particularly here to us in the Senate. It is just astounding to me that it continues.

As he said, the public can hardly believe what he says. I want to turn to a subject that the public cannot believe, and that is what we say, because we have a funny way of talking about deficits. Specifically, if you look, Mr. President, at the budget message of the

President in the budget green book, fiscal year 1998, on page 2, and you want to see what the deficit is after the fifth year out, it says on page 2 at the bottom, ''Surplus deficit.'' Why doublespeak? You would not get that from your accountant.

Do not, by gosh, make your income tax statement in April on the basis of surplus deficit, on budget/off budget, unified budget, unified deficit. But you will see here that they show a $17 billion surplus on page 2. However, Mr. President, if you turn to page 331, buried in the back, you will find table S–16, ''Federal Government Financing and Debt.'' All one needs do to ever determine a deficit is to just look at the increase, if you please, of the debt each year. If the debt stays the same, you have a balanced budget. If the debt goes down, then you have a surplus. But, if the debt goes up, as it says on page 331, clearly you have a deficit. You can see that the debt in 2002 is $6.6525 trillion on the line which says ''Total gross Federal debt.'' Then, if you subtract the previous year's debt of $6.4852 in 2001 from the 2002 figure of $6.6525 trillion, you will get, of course, a $167.3-billion deficit. This is not a surplus as you find on page 2, but a deficit, as it states on page 331. That is the real world, and it should be our real world. It should be our real world, Mr. President, because, otherwise, the discipline has broken here in this body. Specifically, if you are going to use some offset borrowing, it is like going to the bank and the teller says, ''Well, HOLLINGS, you don't have any money left,'' and I say, ''Well, let me borrow from the next fellow's account over there and put it in mine.''

So what we do for the unified budget is borrow from Social Security and highway trust funds. Let me give you the list, Mr. President. This chart lists each President since Harry Truman in 1945, the U.S. budget, the trust funds that are used, the real deficit, the gross Federal debt, and then the gross interest costs.

I ask unanimous consent to have this printed in the RECORD.

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

President/Year	U.S. budget (outlays) (in billions)	Trust funds	Real deficit	Annual deficit change	Gross Federal debt (billions)	Gross interest
Truman:						
1945	92.7	5.4	....	....	260.1	....
1946	55.2	3.9	−10.9	....	271.0	....
1947	34.5	3.4	+13.9	....	257.1	....
1948	29.8	3.0	+5.1	....	252.0	....
1949	38.8	2.4	−0.6	....	252.6	....
1950	42.6	−0.1	−4.3	....	256.9	....
1951	45.5	3.7	+1.6	....	255.3	....
1952	67.7	3.5	−3.8	....	259.1	....
1953	76.1	3.4	−6.9	....	266.0	....
Eisenhower:						
1954	70.9	2.0	−4.8	....	270.8	....
1955	68.4	1.2	−3.6	....	274.4	....
1956	70.6	2.6	+1.7	....	272.7	....
1957	76.6	1.8	+0.4	....	272.3	....
1958	82.4	0.2	−7.4	....	279.7	....
1959	92.1	−1.6	−7.8	....	287.5	....
1960	92.2	−0.5	−3.0	....	290.5	....
1961	97.7	0.9	−2.1	....	292.6	....
Kennedy:						
1962	106.8	−0.3	−10.3	....	302.9	9.1
1963	111.3	1.9	−7.4	....	310.3	9.9
Johnson:						
1964	118.5	2.7	−5.8	....	316.1	10.7
1965	118.2	2.5	−6.2	....	322.3	11.3
1966	134.5	1.5	−6.2	....	328.5	12.0
1967	157.5	7.1	−11.9	....	340.4	13.4
1968	178.1	3.1	−28.3	....	368.7	14.6
1969	183.6	−0.3	+2.9	....	365.8	16.6
Nixon:						
1970	195.6	12.3	−15.1	....	380.9	19.3
1971	210.2	4.3	−27.3	....	408.2	21.0
1972	230.7	4.3	−27.7	....	435.9	21.8
1973	245.7	15.5	−30.4	....	466.3	24.2
1974	269.4	11.5	−17.6	....	483.9	29.3
Ford:						
1975	332.3	4.8	−58.0	....	541.9	32.7
1976	371.8	13.4	−87.1	....	629.0	37.1
Carter:						
1977	409.2	23.7	−77.4	....	706.4	41.9
1978	458.7	11.0	−70.2	....	776.6	48.7
1979	503.5	12.2	−52.9	....	829.5	59.9
1980	590.9	5.8	−79.6	....	909.1	74.8
Reagan:						
1981	678.2	6.7	−85.7	[−6.1]	994.8	95.5
1982	745.8	14.5	−142.5	[−56.8]	1,137.3	117.2
1983	808.4	26.6	−234.4	[−91.9]	1,371.7	128.7
1984	851.8	7.6	−193.0	[+41.4]	1,564.7	153.9
1985	946.4	40.6	−252.9	[−59.9]	1,817.6	178.9
1986	990.3	81.8	−303.0	[−50.1]	2,120.6	190.3
1987	1,003.9	75.7	−225.5	[+77.5]	2,346.1	195.3
1988	1,064.1	100.0	−255.2	[−29.7]	2,601.3	214.1
Bush:						
1989	1,143.2	114.2	−266.7	[−11.5]	2,868.0	240.9
1990	1,252.7	117.2	−338.6	[−71.9]	3,206.6	264.7
1991	1,323.8	122.7	−391.9	[−53.3]	3,598.5	285.5
1992	1,380.9	113.2	−403.6	[−11.7]	4,002.1	292.3
Clinton:						
1993	1,408.2	94.2	−349.3	[+54.3]	4,351.4	292.5
1994	1,460.6	89.1	−292.3	[+57.0]	4,643.7	296.3
1995	1,514.4	113.4	−277.3	[+15.0]	4,921.0	332.4
1996	1,560.0	154.0	−261.0	[+16.3]	5,182.0	344.0
1997	1,632.0	130.0	−254.0	[+7.0]	5,436.0	360.0

Source: Historical Tables, ''Budget of the U.S. Government FY 1996'': Beginning in 1962 CBO's ''1995 Economic and Budget Outlook.''

Mr. HOLLINGS. Mr. President, you go down each year and—incidentally, when I got here, in 1966, there wasn't any unified budget, or unified deficit, or unified surplus. There wasn't anything unified. There wasn't any in 1967, 1968, and 1969. When they started that under President Johnson, they said President Johnson started it as a gimmick. If you look at these figures, you will find out that President Johnson did have a surplus and a balanced budget—I voted for it; I was here then—and it did not use Social Security or any of the other trust funds.

Then, Mr. President, as I was saying, there is a table here of the different amounts used in this so-called unified budget, or deficit. In the year 1997, there was $78 billion in Social Security moneys to reduce the size of that deficit; in 1998, $81 billion; in 1999, $88 billion; in 2000, $94 billion; in the year

2001, $98 billion; and in 2002, $104 billion. That is a total of $543 billion.

Now, I am a budgeteer. I am on the Budget Committee. I go in the room and I say: Well, now, are we going to really look at the debt and see if we've got this Government on a pay-as-you-go program, or are we going to play the gamesmanship? Oh, they have reporters running all around the world, to China, to find out whether or not they made a contribution in the Presidential election. But they don't have the integrity to report the facts, truth in budgeting. The discipline is broken. I go in as a budgeteer and you say: Wait a minute, you have $543 billion, a half trillion bucks, over the next 6 years, and if I don't spend it for what I want, that fellow over there is going to spend it on defense; this one over here is going to spend it on foreign aid; the next one is going to spend it on the national parks. I might as well get my money to take back home. There is no discipline. There is no trust.

Obviously, the public has heard us talk ad nauseam about deficits and balancing budgets. And like old Tennessee Ernie sang, ''Another day older and deeper in debt.'' We have these polls taken to see whether or not they trust us. I hope they don't because we are not giving them the truth in budgeting. I am trying my dead-level best here to list these amounts.

I ask unanimous consent that this particular table be printed in the RECORD.

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

Gross debt 1996	5182	Gross debt 1997	5436
Gross debt 1995	4921	Gross debt 1996	5182
Difference	261	Difference	254

	1996	1997
Deficit	107	124
Trust funds:		
Social Security	66	78
Medicare HI [1]	−4	−10
Medicare SMI	13	−5
Military Retirement	5	9
Civilian Retirement	28	28
Unemployment	6	7
Highways	3	3
Airports	−3	−4
Other	1	3
Additional borrowing:		
Banking	16	10
Treasury loans	23	11
Total trust funds and additional borrowing	154	130
Real deficit	261	254
Gross interest	344	360

[1] The HI part of Medicare is projected to go broke by 2001. Based on numbers reported by the Treasury Department.

Mr. HOLLINGS. You will find that in the 1997 budget we use $78 billion from Social Security; military retirement, $9 billion; civilian retirement, $28 billion; unemployment compensation fund, $7 billion; highways, $3 billion; additional borrowings from banking, $10 billion; Treasury loans, another $11 billion.

So you can see the tremendous amounts that we do to obscure the size of that deficit. And this has been quite a problem for this particular Senator, because I have been trying to get one vocabulary, if you please, so when we go into the Budget Committee we all talk the same language. Then, we can have ''slush'' funds instead of ''trust'' funds. We, very lightly, make a motion and say the money is there and we will use it there, and we will use the CPI and pick up a trillion dollars over 10 years. Oh, there are all kinds of gimmicks to use. I got an initiative in the formal statutory law, which was called a gimmick less than 24 hours ago by the distinguished chairman of the Budget Committee. I don't think the law is a gimmick.

I want to talk seriously about that, Mr. President, because we can go back to the National Commission on Social Security Reform in January 1983. You will find, under section 21, a majority of the national commission recommends that the operations of OASI, DI, HI, and SMI—the trust funds, Social Security trust funds—should be removed from the unified budget. In the operations, the Social Security trust funds have been included in the unified budget. However, by including Social Security trust funds in the annual budget process, it gives a false impression to the American public. The national commission believed that changes in the Social Security program should be made only for programmatic reasons and not for balancing the budget.

Then, they projected as the reason for removing it from the unified budget was to take Social Security from a pay-as-you-go program to building up surpluses—tremendous reserves—to take care of the baby boomers in the next century. They use the year 2056 in one instance and talk about protecting the fund for 75 years in another. Now, in all the litany from these reports and emergency committees that go around studying this, they are coming back in and saying it will be broke in the year 2029, not 2056 or 75 years out as the Greenspan Commission reported.

What should we do? We should reduce benefits and increase taxes. But do you know what happens? The trust fund surpluses created by the tax increases are spent on other programs. The Social Security taxes that we passed in 1983 were formally declared as revenues for Social Security surpluses, a trust fund for the baby boomers in the next century. They were certainly not to be used for defense, or foreign aid, or housing, or any of these other endeavors. But we are spending it for any and all purposes except Social Security. It is a dirty shame what is going on. You cannot get it reported. And the effect is on us immediately, not in the next century. The effect is this particular minute. We are running up these horrendous deficits and debt to the tune now—as you can see from the table that I put in—of $1 billion a day in interest costs. It was only about $1 billion a week when President Reagan came to town. He was going to balance the budget in 1 year. I can show you the talk. He came to town and he says, ''Oops. This is the way it works. I am going to balance it in 3 years.'' He came in with ''Reaganomics.'' Brother, I can tell you the debt just went soaring through the ceiling. We had 210 years of history with the cost of all the wars, the Revolution, the War of 1812, the Civil War, the Spanish American War, the Mexican War, World War I, World War II, Korea, Vietnam—we had the cost of all the wars; we had 38 Presidents, Republican and Democrat; and we never got to a $1 trillion debt. Yet, without the cost of a war in 15 years, we now have $5.3 trillion in debt. That is the crowd around here talking about they are concerned about deficits and the next fellow is not.

When the Greenspan commission made this recommendation I was on the Budget Committee. I cosponsored and worked in a bipartisan fashion on Gramm-Rudman-Hollings. Then I went to work on really stopping this debt from soaring that nobody knew was soaring because we were using billions from the Social Security trust fund. And it took me until 1990, Mr. President, to do just exactly that. And in July of 1990, as a member of the Budget Committee, I made the motion that we do as the Greenspan commission had recommended and put it off budget; build up an accounting surplus. And the vote was 20 to 1.

I ask unanimous consent to include the vote in the RECORD at this particular point.

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

HOLLINGS MOTION TO REPORT THE SOCIAL SECURITY PRESERVATION ACT

The Committee agreed to the Hollings motion to report the Social Security Preservation Act by a vote of 20 yeas to 1 nay.

Yeas: Mr. Sasser, Mr. Hollings, Mr. Johnston, Mr. Riegle, Mr. Exon, Mr. Lautenberg, Mr. Simon, Mr. Sanford, Mr. Wirth, Mr. Fowler, Mr. Conrad, Mr. Dodd, Mr. Robb, Mr. Domenici, Mr. Boschwitz, Mr. Symms, Mr. Grassley, Mr. Kasten, Mr. Nickles, and Mr. Bond.

Nays: Mr. Gramm.

Mr. HOLLINGS. Mr. President, thereafter we had a vote on the floor of the U.S. Senate.

I ask unanimous consent to include in the RECORD that particular vote.

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

ROLLCALL VOTE NO. 283—OMNIBUS BUDGET RECONCILIATION

(Social Security Trust Funds)

YEAS (98):

Democrats (55 or 100%): Adams, Akaka, Baucus, Bentsen, Biden, Bingaman, Boren, Bradley, Breaux, Bryan, Bumpers, Burdick, Byrd, Conrad, Cranston, Daschle, DeConcini, Dixon, Dodd, Exon, Ford, Fowler, Glenn, Gore, Graham, Harkin, Heflin, Hollings, Inouye, Johnston, Kennedy, Kerrey, Kerry, Kohl, Lautenberg, Leahy, Levin, Lieberman, Metzenbaum, Mikulski, Mitchell, Moynihan, Nunn, Pell, Pryor, Reid, Riegle, Robb, Rockefeller, Sanford, Sarbanes, Sasser, Shelby, Simon, and Wirth.

Republicans (43 or 96%): Bond, Boschwitz, Burns, Chafee, Coats, Cochran, Cohen, D'Amato, Danforth, Dole, Domenici, Durenberger, Garn, Gorton, Gramm, Grassley, Hatch, Hatfield, Heinz, Helms, Humphrey, Jeffords, Kassebaum, Kasten, Lott, Lugar, Mack, McCain, McClure, McConnell, Murkowski, Nickles, Packwood, Pressler, Roth, Rudman, Simpson, Specter, Stevens, Symms, Thurmond, Warner, and Wilson.

NAYS (2):

Democrats (0 or 0%).

Republicans (2 or 4%): Armstrong and Wallop.

NOT VOTING (0):

Democrats (0).

Republicans (0).

Mr. HOLLINGS. Mr. President, 98 Senators in the U.S. Senate agreed with me. I will tell you, Mr. President, it was really interesting because I have never seen such a thing occur. We all went home in those campaigns and we talked about how we had finally put it into law. It was on November 5, 1990, that George Herbert Walker Bush signed that into law. That is the formal section of the Budget Act, section 13301. It says, ''Thou shalt not use Social Security surpluses to obscure the size of the deficit.'' We wanted to have truth in budgeting. When I say 98 Senators, I counted up about 33 that are still here in the U.S. Senate that were there in 1990 voting for this.

Right to the point, here is the provision in the statute. It says:

> Notwithstanding any other provision of law, the receipts and disbursements of the Federal Old Age and Survivors Insurance trust fund shall not be counted as new budget authority, or as outlays, or as receipts, or deficits, or surplus for the purpose of the budget of the U.S. Government as submitted by the President, or for the purposes of the congressional budget, or for the purposes of the Balanced Budget and Emergency Deficit Control Act.

When we passed that, the distinguished Senator—and there is no one I have greater respect for, and he is my friend, and I am his friend—came on the floor yesterday, the chairman, the Senator from New Mexico, Senator DOMENICI, and he came on the floor yesterday late in the evening, and it is one of the things that prompted my appearance here this afternoon. Let me quote from page S. 1294 of the CONGRESSIONAL RECORD of February 12:

> Frankly, I want to make sure that everybody knows that the best use of the word gimmick for anything going on on this floor has to do with the gimmick that some on that side of the aisle are using when they speak of taking Social Security off budget so you will assure Social Security's solvency and the checks. That is a gimmick of the highest order. For you do that, and there is no assurance that Congress will not spend the trust funds surpluses for anything they want. It is no longer subject to any budget discipline. It is out there by itself.

Senator DOMENICI is totally mistaken.

Let me quote the real Senator DOMENICI. Here is the report, and I refer to the Social Security Preservation Act of July 10, 1990, and the additional views of Mr. DOMENICI.

I ask unanimous consent that the entirety be included in the RECORD.

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

ADDITIONAL VIEWS OF MR. DOMENICI

It is somewhat ironic that the first legislative mark-up in the 16 year history of the Senate Budget Committee produced a bill that does not do what its authors suggest and, more importantly, weakens the fiscal discipline inherent in the Gramm-Rudmann-Hollings budget law.

I voted for Senator Hollings' proposal because I support the concept of taking Social Security out of the budget deficit calculation. But I cast this vote with reservations.

The best way to protect Social Security is to reduce the Federal budget deficit. We need to balance our non-Social Security budget so that the Social Security trust fund surpluses can be invested (by lowering our national debt) instead of used to pay for other Federal operating costs. We could move toward this goal without changing the unified budget, a concept which has served us well for over twenty years now.

Changes in our accounting rules without real deficit reduction will not make Social Security more sound. In fact, we could make matters worse by opening up the trust funds to unrestrained spending. Under current law, the trust funds are protected by the budget process. Congress cannot spend the trust fund reserves without new spending cuts or revenue increases in the rest of the budget to meet Gramm-Rudman-Hollings deficit reduction requirements. If we take Social Security out of GRH without any new protection for the trust funds, Congress could spend the reserves without facing new spending cuts or revenue increases in other programs. And if we spend the trust fund reserves today, we will threaten the solvency of the Social Security program, putting at risk the benefits we have promised to today's workers.

Of course, I also understand that we might be able to restore some public trust by taking Social Security out of the deficit calculation. Trust that we in Congress are not ''masking the budget deficit'' with Social Security. That is why I believe we should take Social Security out of the deficit, but only if we provide strong protection against spending the trust fund reserves. We need a ''firewell'' around those trust funds to make sure the reserves are there to pay Social Security benefits in the next century. Without a ''firewall'' or the discipline of budget constraints, the trust funds would be unprotected and could be spent on any number of costly programs.

Unfortunately, the Hollings bill does not protect Social Security, which is why Senator Nickles and I offered our ''firewall'' amendment, defeated by a vote of 8 to 13. The amendment, drafted over the last six months by my self and Senators Heinz, Rudman, Gramm, and Deconcini, included: a 60 vote point of order against legislation which would reduce the 75 year acturial balance of the Social Security trust funds; additional Gramm-Rudman-Hollings deficit reduction requirements in all years in which legislation lowered the Social Security surpluses; and notification to Social Security taxpayers on the Personal Earnings and Benefit Estimate Statements (PEBES) each time Congress lowered the reserves available to pay benefits to future retirees.

With just one exception, the others side of the aisle voted against this protection for Social Security beneficiaries.

Furthermore, the Hollings bill says nothing about how or when we will achieve balance in the non-Social Security budget. The bill simply takes Social Security out of the deficit calculation. If enacted, the Hollings bill would require $173 billion in deficit reduction in 1991 to meet the statutory GRH target (see attached table). Obviously, that is not going to happen.

I believe we need to extend Gramm-Rudman—Hollings to ensure we have the discipline to achieve balance in the non-Social Security portion of the budget. The Budget Summit negotiators are discussing a goal of $450 to $500 billion in deficit reduction over the next five years. Once we reach an agreement, that plan should be the framework for extending the GRH law.

I offered a Sense of the Congress amendment during the mark-up expressing this view. I offered this to put the Hollings bill in some context.

But the Democratic members of the Committee refused to consider even an amendment acknowledging the facts about our budget situation, rejecting my proposal by another 8 to 13 vote. In fact, the Chairman indicated that there was some concern on his side of the aisle about extending the Gramm-Rudman-Hollings discipline. One might infer that, for some, this mark-up was really an effort to kill Gramm-Rudman-Hollings.

I am not sure what we accomplished in reporting out a bill with no protection for Social Security and with no suggestion of what we think should happen regarding the deficit targets. I, for one, do not want to do anything which could endanger Social Security or Gramm-Rudman-Hollings budget discipline. At a minimum, I will offer the ''firewall'' amendment to protect Social Security should the reported bill be considered by the full Senate.

Mr. HOLLINGS. I quote:

> We need to balance our non Social Security budget so that the Social Security trust funds surpluses can be invested by lowering our national debt instead of using it to pay for other Federal operating costs. If we take Social Security without any new protection for the trust funds, Congress could spend the reserves without facing new spending cuts or revenue increases in other programs, and, if we spend the trust fund reserves today, we will threaten the solvency of the Social Security program putting at risk the benefits we have promised to today's workers.

Then the Senator goes on to submit firewall protection. He said this particular statute is not enough. Here he is adamant about this statute, says it is necessary, says it has to be done so you can't use the money for anything else. Yet he insists now using the money for anything else as just hunky-dory, and the law itself is a gimmick.

Let me make sure so they don't have to look it up, subtitle C, section 1301.

I ask unanimous consent to include it in the RECORD.

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

EXCERPT FROM PUBLIC LAW 101–508

SUBTITLE C—SOCIAL SECURITY

SEC. 13301. OFF-BUDGET STATUS OF OASDI TRUST FUNDS.

(a) EXCLUSION OF SOCIAL SECURITY FROM ALL BUDGETS.—Notwithstanding any other provision of law, the receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of—

(1) the budget of the United States Government as submitted by the President,

(2) the congressional budget, or

(3) the Balanced Budget and Emergency Deficit Control Act of 1985.

(b) EXCLUSION OF SOCIAL SECURITY FROM CONGRESSIONAL BUDGET.—Section 301(a) of the Congressional Budget Act of 1974 is amended by adding at the end the following: ''The concurrent resolution shall not include the outlays and revenue totals of the old age, survivors, and disability insurance program established under title II of the Social Security Act or the related provisions of the Internal Revenue Code of 1986 in the surplus or deficit totals required by this subsection or in any other surplus or deficit totals required by this title.''.

Mr. HOLLINGS. Mr. President, that is pretty serious business when the distinguished chairman of your own Budget Committee, who is supposed to lead the discipline, leads the nondiscipline.

I have laid it on the line. When you spend these moneys to obscure the size of the deficit, thereupon that discipline is broken because you are spending it. We have already spent about $570 billion, at this particular point, Mr. President, and by the year 2002 we will owe over $1 trillion. In any of these budgets that will be debated here this year, we will use over $1 trillion of Social Security trust funds to balance the budget.

(Mr. FRIST assumed the chair.)

Mr. HOLLINGS. I stood here with the distinguished Senator from New Mexico, the chairman of our Budget Committee, 2 years ago and said if you can give me a balanced budget by the year 2002, without increasing taxes, I will jump off the Capitol dome.

Right to the point, we have tried our best, Senator DORGAN, myself and others—there are five of us—and I ask unanimous consent to include in the RECORD a letter dated March 1, 1995, where five of us said just reiterate the law rather than repeal the law.

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

U.S. SENATE,
Washington, DC, March 1, 1995.

Hon. ROBERT J. DOLE,
Majority Leader, U.S. Senate,
Washington, DC.

DEAR MR. LEADER: We have received from Senator Domenici's office a proposal to address our concerns about using the Social Security trust funds to balance the Federal budget. We have reviewed this proposal, and after consultations with legal counsel, believe that this statutory approach does not adequately protect Social Security. Specifically, Constitutional experts from the Congressional Research Service advise us that the Constitutional language of the amendment will supersede any statutory constraint.

We want you to know that all of us have voted for, and are prepared to vote for again, a balanced budget amendment. In that spirit, we have attached a version of the balanced budget amendment that we believe can resolve the impasse over the Social Security issue.

To us, the fundamental question is whether the Federal Government will be able to raid the Social Security trust funds. Our proposal modifies those put forth by Senators Reid and Feinstein to address objections raised by some Members of the Majority. Specifically, our proposal prevents the Social Security trust funds from being used for deficit reduction, while still allowing Congress to make any warranted changes to protect the solvency of the funds. The prior language of the Reid and Feinstein amendments was not explicit that adjustments could be made to ensure the soundness of the trust funds.

If the Majority Party can support this solution, then we are confident that the Senate can pass the balanced budget amendment with more than 70 votes. If not, then we see no reason to delay further the vote on final passage of the amendment.

Sincerely,

BYRON L. DORGAN,
ERNEST F. HOLLINGS,
WENDELL H. FORD,
HARRY M. REID,
DIANNE FEINSTEIN.

Mr. HOLLINGS. That is why I ask unanimous consent also in addition to the letter that we include Senate Joint Resolution 1.

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

S.J. RES. 1

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several States within seven years after the date of its submission to the States for ratification:

''ARTICLE—

''SECTION 1. Total outlays for any fiscal year shall not exceed total receipts for that fiscal year, unless three-fifths of the whole number of each House of Congress shall provide by law for a specific excess of outlays over receipts by a rollcall vote.

''SECTION 2. The limit on the debt of the United States held by the public shall not be increased, unless three-fifths of the whole number of each House shall provide by law for such an increase by a rollcall vote.

''SECTION 3. Prior to each fiscal year, the President shall transmit to the Congress a proposed budget for the United States Government for that fiscal year, in which total outlays do not exceed total receipts.

''SECTION 4. No bill to increase revenue shall become law unless approved by a majority of the whole number of each House by a rollcall vote.

''SECTION 5. The Congress may waive the provisions of this article for any fiscal year in which a declaration of war is in effect. The provisions of this article may be waived for any fiscal year in which the United States is engaged in military conflict which causes an imminent and serious military threat to national security and is so declared by a joint resolution, adopted by a majority of the whole number of each House, which becomes law.

''SECTION 6. The Congress shall enforce and implement this article by appropriate legislation, which may rely on estimates of outlays and receipts.

''SECTION 7. Total receipts shall include all receipts of the United States Government except those derived from borrowing. Total outlays shall include all outlays of the United States Government except for those for repayment of debt principal.

''SECTION 8. This article shall take effect beginning with fiscal year 2002 or with the second fiscal year beginning after its ratification, whichever is later.''.

Mr. President, it is impossible for they on the other side of the aisle, or anybody else, to provide a budget that would be balanced in the year 2002 without increasing taxes. That is not a daring statement to make because all you have to look at is the chart that I included, and you see the gross interest cost for the fiscal year in 1997, the year we are in, is estimated to be at $360 billion. That is $1 billion a day. No one has in mind over that 5-year period of cutting $360 billion. Nor do I recommend, necessarily, that you cut that amount, but it is going to have to be a combination of cuts, freezes, and increased taxes if we are to reach the balanced budget—and perhaps foregoing some new programs.

When they all talk about these tax cuts that they have in mind for families here and families there and students here and everything else, there are no taxes to cut. We are operating and have been operating in deficit mode in such a disastrous fashion, as in a downward spiral. The spending is on automatic pilot that must occur for interest costs on the national debt faster than we can possibly raise any revenues or cut any spending. That ought to be clearly understood.

The best way to raise taxes is to continue on this course because you continue to raise interest costs. When you raise the debt, you raise the interest costs, which is added, of course, to the debt, which increases the debt, which increases the interest costs that must be paid just like taxes.

So the surreptitious way in order to raise taxes is to continue on this particular path. That is why I have called for truth in budgeting so that everyone would understand that it is not a gimmick when we come up here and talk about the 1990 law. There is no criminal penalty for violating it, but maybe we will have to get some court injunctions or something of that kind to forego this reporting of a unified budget for the simple reason that there is no basis in law for that. There is only the basis in law that we must report the deficit without the use of Social Security trust funds in order to show the true deficit. Now, that is the law today, but they continue to call it a gimmick.

Now, what happens here in Senate Joint Resolution 1, if you see section 7, Mr. President, it says, ''Total receipts shall include all receipts of the U.S. Government except those derived from borrowing. Total outlays shall include all outlays of the United States Government except those for the repayment of debt principal.''

That particular section 7 thereby repeals section 13301, the Social Security protection. The trust fund is immediately made a slush fund constitutionally. And then, Mr. President, the way the particular Senate Joint Resolution 1 reads in section 1, ''Total outlays for any fiscal year shall not exceed total receipts for that fiscal year.''

Now, Mr. President, that being the case, you have to get a three-fifths vote to succeed. If total outlays shall not exceed total receipts, you cannot use the Social Security trust fund surpluses. You can get what you would ordinarily call a balanced budget, but you have to either cut spending or increase taxes in order to pay the Social Security recipients. You can't use the surplus.

Now, that is pointed out, Mr. President, in a very dramatic fashion, by the Center on Budget and Policy Priorities back in January, which I included in the RECORD at that particular time. Let me read this paragraph.

I ask unanimous consent that the report be printed in the RECORD.

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

THE BALANCED BUDGET AMENDMENT AND SOCIAL SECURITY

In recent years, Congress has considered two versions of the balanced budget amendment. The version supported by the Republican Congressional leadership (herein termed the ''Leadership version'') requires the ''unified budget'' to be balanced each year, including Social Security. The other version, which Senators Wyden, Feinstein, Dorgan and others introduced in the last Congress, requires the budget exclusive of Social Security to be in balance.

The version that includes Social Security in the unified budget poses serious dangers for the Social Security system. It also is inequitable to younger generations, as it would likely cause those who are children today to be saddled with too heavy a tax load when they reach their peak earnings years. The Wyden/Feinstein version does not pose those problems.

BACKGROUND

In coming decades, Social Security faces a demographic bulge. The baby boomers are so numerous that when they retire, the ratio of workers of retirees will fall to a low level.

This poses a problem because Social Security has traditionally operated on a ''pay-as-you-go'' basis. The payroll taxes contributed by today's workers finance the benefits of today's retirees. Because there will be so many retirees when the baby boomers grow old, however, it will be difficult for workers of that period to carry the load without large increases in payroll taxes.

The acclaimed 1983 bipartisan Social Security commission headed by Alan Greenspan recognized this problem. It moved Social Security from a pure ''pay-as-you-go'' system to one under which the baby boomers would contribute more toward their own retirement. As a result, the Social Security system is now building up surpluses. By 2019, these surpluses will equal $3 trillion. After that, as the bulk of the baby boom generation moves into retirement, the system will draw down the surpluses. This is akin to what families do in saving for retirement during their working years and drawing down their savings when they retire.

This approach has important merits. It promotes generational equity by keeping the burden on younger generations from becoming too high. In addition, if the Social Security surpluses were to be used in the next two decades to increase national saving rather than to offset the deficit in the rest of the budget, that would likely result in stronger economic growth, which in turn would better enable the country to afford to support the baby boomers when they reach their twilight years.

To pursue this approach, the tasks ahead are to reduce significantly or eliminate the deficit in the non-Social Security budget so that the surpluses in the Social Security trust funds contribute in whole or large part to national saving, and to institute further reforms in Social Security to restore long-term actuarial balance to the Social Security system. Restoring long-term balance will almost certainly entail a combination of building the surpluses to somewhat higher levels and reducing somewhat the benefits paid out when the boomers retire.

THE LEADERSHIP BBA AND SOCIAL SECURITY

Unfortunately, the balanced budget amendment pushed by the Leadership would undermine this approach to protecting Social Security and promoting generational equity. Under this version of the BBA, total government expenditures in any year—including expenditures for Social Security benefits—could not exceed total revenues collected in the same year. The implications of this requirement for Social Security are profound. It would mean that the Social Security surpluses could not be used to cover the benefit costs of the baby boom generation when it retires. The benefits for the baby boom generation would instead have to be financed in full by the taxes of those working in those years. The Leadership version thus would eviscerate the central achievement of the Greenspan commission.

The reason the Leadership version would have this effect is that even though the Social Security trust funds would have been accumulating large balances, drawing down those balances when the baby boomers retire would mean that the trust funds were spending more in benefits in those years than they were taking in in taxes. Under the Leadership version, that would result in impermissible deficit spending.

By precluding use of the Social Security surpluses in the manner that the 1983 legislation intended, the Leadership version would be virtually certain to precipitate a massive crisis in Social Security about 20 years from now, even if legislation had been passed in the meantime putting Social Security in long-term actuarial balance. Since the $3 trillion surplus could not be used to help pay the benefits of the baby boom generation, the nation would face an excruciating choice between much deeper cuts in Social Security benefits than were needed to make Social Security solvent and much larger increases in payroll taxes than would otherwise be required. The third and only other allowable alternative would be to finance Social Security deficits in those years not by drawing down the Social Security surplus but instead by slashing the rest of government so severely that it failed to provide adequately for basic services, potentially including the national defense.

Given the numbers of baby boomers who will be retired or on the verge of retirement in those years, deep cuts in Social Security benefits are not likely at that time. Thus, under the leadership BBA, it is almost inevitable that younger generations will face a combination of sharp payroll tax increases and deep reductions in basic government services.

For these reasons, the Leadership BBA is highly inequitable to younger generations. Aggravating this problem, the Leadership version would undermine efforts to pass Social Security reforms in the near future. Why should Congress and the President bother to make hard choices now in Social Security that would build the surpluses to more ample levels if these surpluses can't be used when the boomers retire? Under the leadership BBA, there is no longer any reason to act now rather than to let Social Security's financing problems fester.

LEADERSHIP BBA ALSO POSES OTHER PROBLEMS FOR SOCIAL SECURITY

Under the Leadership version, reductions in Social Security could be used to help Congress and the President balance the budget when they faced a budget crunch. This could lead to too little being done to reduce or eliminate deficits in the non-Social Security part of the budget and unnecessary benefit cutbacks in Social Security.

At first blush, that may sound implausible politically. But the balanced budget amendment is likely to lead to periodic mid-year crises, when budgets thought to be balanced at the start of a fiscal year fall out of balance during the year, as a result of factors such as slower-than-expected economic growth. When sizable deficits emerge with only part of the year remaining, they will often be very difficult to address. Congress and the President may be unable to agree on a package of budget cuts of the magnitude needed to restore balance in the remaining months of the year. Congress also may be unable to amass three-fifths majorities in both chambers to raise the debt limit and allow a deficit.

In such circumstances, the President or possibly the courts may feel compelled to act to uphold the Constitutional requirement for budget balance. In documents circulated in November 1996 explaining how the amendment would work, the House co-authors of the amendment—Reps. Dan Schaefer and Charles Stenholm—write that in such circumstances, ''The President would be bound, at the point at which the 'Government runs out of money' to stop issuing checks.'' This would place Social Security benefits at risk.

THE WYDEN/FEINSTEIN APPROACH

The Wyden/Feinstein approach resolves the problems the Leadership version creates in the Social Security area. It reinforces the 1983 Social Security legislation rather than undermining that legislation. It does so both by requiring that the surpluses in the Social Security system contribute to national saving rather than be used to finance deficits in the rest of the budget and by enabling the surpluses to be drawn down when the baby boomers retire.

The Wyden/Feinstein amendment thus improves intergenerational equity rather than undermining it. It ensures the surpluses will be intact when they are needed, rather than lent to the government for other purposes in the interim.

The amendment also ensures that Social Security benefits will not be cut—and Social Security checks not placed in jeopardy—if the balanced budget amendment leads to future budget crises and showdowns. However those crises would be resolved, Social Security would not be involved, because cuts in Social Security would not count toward achieving budget balance.

Mr. HOLLINGS. Quoting on page 2:

Under this version of the balanced budget amendment, total Government expenditures in any year, including expenditures for Social Security benefits, could not exceed total revenues collected in the same year. The implications of this requirement for Social Security are profound. It would mean that Social Security surpluses could not be used to cover the benefit costs of the baby-boom generation when it retires. The benefits for the baby-boom generation would, instead, have to be financed in full by the taxes of those working in those years.

Continuing to quote:

The leadership version, thus, would eviscerate the central achievement of the Greenspan Commission.

Mr. President, that is followed up, finally, here, of course, with the Congressional Research Service, which on February 5, came out with a report from the American Law Division.

I ask unanimous consent that this CRS report be printed in the RECORD.

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

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, DC, February 12, 1997.

To: ____________.
From: American Law Division.
Subject: Treatment of Outlays from Social Security Surpluses under BBA.

This memorandum is in response to your inquiry with respect to the affect on the Social Security Trust Funds of the pending Balanced Budget Amendment (BBA). Under S.J. Res. 1 as it is now before the Senate, §1 would mandate that ''[t]otal outlays for any fiscal year shall not exceed total receipts for that fiscal year . . . .'' Outlays and receipts are defined in §7 as practically all inclusive, with two exceptions that are irrelevant here.

At some point, the receipts into the Social Security Trust Funds will not balance the outlays from those Funds. Under present law, then, the surpluses being built up in the Funds, at least as an accounting practice, will be utilized to pay benefits to the extent receipts for each year do not equal the outlays in that year. Simply stated, the federal securities held by the Trust Funds will be drawn down to cover the Social Security deficit in that year, and the Treasury will have to make good on those securities with whatever moneys it has available.

However, §1 of the pending BBA requires that total outlays for any fiscal year not exceed total receipts for that fiscal year. Thus, the amount drawn from the Social Security Trust Funds could not be counted in the calculation of the balance between total federal outlays and receipts. We are not concluding that the Trust Funds surpluses could not be drawn down to pay beneficiaries. The BBA would not require that result. What it would mandate is that, inasmuch as the United States has a unified budget, other receipts into the Treasury would have to be counted to balance the outlays from the Trust Funds and those receipts would not be otherwise available to the Government for that year. Only if no other receipts in any particular year could be found would the possibility of a limitation on drawing down the Trust Funds arise. Even in this eventuality, however, Congress would retain authority under the BBA to raise revenues or to reduce expenditures to obtain the necessary moneys to make good on the liquidation of securities from the Social Security Trust Funds.

JOHNNY H. KILLIAN,
Senior Specialist,
American Constitutional Law.

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, DC, February 5, 1997.

To: Honorable Thomas A. Daschle, Attention: Jonathan Adelstein.
From: American Law Division.
Subject: Treatment of Outlays form Social Security Surpluses under Balanced Budget Amendment.

This memorandum is in response to your inquiry for an evaluation of an argument made in connection with interpretation of the proposed Balanced Budget Amendment (BBA), now pending in the Senate as S.J. Res. 1. Briefly stated, the contention is that the terms of the proposal, if proposed and ratified, would preclude, at a future time when Social Security outlays in a particular year begin to exceed Social Security receipts in that particular year, the use of surpluses built up in the Social Security trust funds to pay out benefits.

At the present time, surpluses are being accumulated in the Social Security trusts funds, at least as an accounting practice, as a result of changes made in 1983. It is expected that when the receipts into the funds fall below the amount being paid out that moneys from the surpluses will be used to make up the differences.

The BBA would have its impact on this legislated plan because under §1 of the proposal ''[t]otal outlays for any fiscal year shall not exceed total receipts for that fiscal year, ...'' Under §7 of the BBA, the two terms are defined thusly: ''Total receipts shall include all receipts of the United States Government except those derived from borrowing. Total outlays shall include all outlays of the United States Government except for those for repayment of debt principal.''

Therefore, under the BBA's language, there is mandated a balance in each year of the outlays that year and the receipts that year. Payments out of the balances of the Social Security trust funds would not be counted as Government receipts under the BBA, when in the year 2019, or whenever the time occurs, the receipts in those particular years into the Social Security funds are not adequate to cover he outlays in those years. That is, payments out of the trust fund surpluses could not be counted in the calculation of the balance between total federal outlays and receipts. Because the BBA requires that the required balance be between outlays for that year and receipts for that year, the moneys that constitute the Social Security surpluses would not be available as a balance for the payments of benefits.

Now, of course, this does not mean that Social Security benefits could not be paid. If the rest of the receipts into the Treasury for a particular year exceed outlays, this amount could be used to offset the Social Security deficit. And, again of course, tax or expenditure provisions, or both, could be altered to create a new balance.

JOHNNY H. KILLIAN,
Senior Specialist,
American Constitutional Law.

Mr. HOLLINGS. I quote from this:

> Because a balanced budget amendment requires that the required balance be between outlays for that year and receipts for that year, the moneys that constitute the Social Security surpluses would not be available as a balance for the payment of the benefits.

Now, Mr. President, we are talking about serious matters—the American Law Division, the priorities on budgets. You have a very serious matter which has been called by the chairman of the Budget Committee a ''gimmick.''

I ask unanimous consent that at this particular time the letter of the distinguished Senator from New Mexico, dated January 13, be printed in the RECORD.

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

U.S. SENATE,
Washington, DC, January 13, 1997.

DEAR REPUBLICAN COLLEAGUE: We are likely to debate early in the 105th Congress the Constitutional amendment to require a balanced federal budget. When that debate begins, some Senators will push to remove Social Security from the balanced budget requirement.

I have always believed this effort to exempt Social Security from the Constitutional amendment was more of a diversion than anything else. It is raised to confuse the debate and provide a rationale for some to oppose the effort.

Nonetheless, in preparation for debate in the Senate, I thought it was important to review with you the consequences of such a proposal so that we can all effectively debate it using facts.

One of the arguments made by those who push for excluding Social Security from the balanced budget amendment is that excluding Social Security will force us to ''save'' the Social Security surpluses and therefore enhance fiscal responsibility.

This is only a very small part of the story.

It is true that Social Security is currently running surpluses, and these surpluses offset deficit spending in the rest of the budget. If the balanced budget requirement excludes Social Security, we would be required by the Constitution to achieve balance in the ''on-budget'' portion of the federal government—which is everything except Social Security. The total or unified budget—which is the sum of the ''on-budget'' programs and Social Security—would therefore be in surpluses in amounts equal to the Social Security surpluses. Between 2002 and 2018, these surpluses would total $1.2 trillion in 1996 dollars.

It should go without saying that, when we are amending the Constitution—now into its third century—we should take the long view. And in the long run, these near term Social security surpluses will be overwhelmed by massive, long-term Social Security deficits.

These deficits are projected to total $9.3 trillion in 1996 dollars between 2019 and 2050, with a deficit of about $630 billion in 2050 alone, again in constant 1996 dollars.

If it is true that excluding Social Security from the balanced budget amendment would force us to ''save'' the short-term surpluses, it is equally true that excluding Social Security would allow us to run massive budget deficits equal to the deficits that are projected to occur in the Social Security trust funds beginning in 2019.

These deficits would be real deficits—just like the deficits we are experiencing today. And they would have the same negative economic consequences: lower national savings, higher interests rates, lower investment and productivity, and sluggish growth. The only difference is that these deficits would be much larger than anything we have ever experienced, and therefore the consequences would be much worse.

Ironically, these massive and unprecedented deficits would be specifically sanctioned by an amendment to the Constitution calling for ''balanced budgets'' excluding Social Security. Congress could continue to pass so-called ''balanced budgets'' while running up massive new debt which would tremendously burden our economy.

The attachment chart shows graphically what I have just described. ''On-budget'' would show a zero deficit throughout the time period, as required by the Constitution. The total budget which includes Social Security would show surpluses for two decades or so followed by massive and unprecedented deficits.

It should be obvious from this analysis that, contrary to assertions by some who want to exclude Social Security, such a move will weaken fiscal responsibility, not strengthen it.

Sincerely,

PETE V. DOMENICI.

Mr. HOLLINGS. Mr. President, I read on the first page of that letter the last line:

> It is equally true that excluding Social Security would allow us to run massive budget deficits equal to the deficits that are projected to occur in the Social Security trust funds beginning in 2019. These deficits would be real deficits.

That is what I am talking about, real deficits, not gimmicks. When you borrow from one to minimize the size of the other; namely, the deficit itself, then you really mislead the real deficit; you misreport it. Again, on yesterday, the distinguished leader for the balanced budget amendment to the Constitution, the distinguished Senator from Utah [Mr. HATCH], said on page S1336:

The 1990 Budget Act basically stated in one section to take Social Security out of budget. It said in another section to leave it in.

That is not the case. Only one law passed in 1990. It is not a different section. He said:

This is confusing:

Well, the statement made by the distinguished Senator from Utah is what is confusing.

But both Congress and the President have construed the Budget Act of 1990 to allow Social Security to be included within the unitary budget.

How? This is in violation of the 1990 law. If we had an enterprising free press, a media who would go for truth in budgeting so that the public would be properly and accurately informed, the Members themselves would begin to command discipline rather than broken discipline when deficits are misreported. Mr. President, you can see what we really have here.

Now, they come, of course, and say that what really has occurred is that this is a vote for the senior citizens. Not at all. I readily acknowledge that Social Security is the senior citizens' program and they are vitally interested in it. But between Medicare and Social Security, the present-day recipients have yet to be heard from. I haven't heard from them. I have asked why not. Of course, the obvious reason, Mr. President, is they are going to get their money. They know they are going to be paid right now. So they are putting all their efforts on saving Medicare and health costs and could care less about the baby-boom generation. In contrast, the baby-boom generation are being told they are not going to get it, so why should they show any kind of interest in the thing that they say is not going to be there for them anyway?

And the politicians sometimes say: Why should we concern ourselves about the baby-boom generation? Why should we not look to the next election rather than the next generation? Of course, that occurs. They look just to the next election.

This particular initiative—the amendment that will be presented by the distinguished Senator from Nevada, Senator REID—is not a gimmick. It is based in law. It is one worked on by the Senator from Utah, who voted for it, the Senator from New Mexico, who voted for it and said it has serious purpose. He did not call it a gimmick in 1990. We thought we had it all down and understood. But that's what happens when they go out to Andrews Air Force Base. They went out there in 1990 and they repealed the targets of Gramm–Rudman-Hollings. So often, having been a principal cosponsor, I am asked, "Senator, what about Gramm–Rudman-Hollings?" Oh, no, Gramm–Rudman-Hollings was working. We had an automatic cut across the board, and they eliminated it. I made the point of order at 1:15 in the morning on October 21, 1990, that is exactly what they were doing. They voted that point of order down. So don't come to me and say Gramm–Rudman-Hollings didn't work. It worked and would have continued to work had they not repealed it in 1990.

My final statement is to the effect that the distinguished President of the United States, for 10 years prior to his arrival here for his first term in 1993, spent 10 years balancing budgets down in Arkansas. He is the only President since Lyndon Baines Johnson balanced this budget in 1968 and 1969 to reduce the deficit 4 consecutive years. President Clinton is the only President who has come to Washington and lowered the deficit. Listen to that statement.

He has lowered it each year and every year. Yet, there is a crowd here on the Senate floor which keeps running around in a circle like the President is a tax-and-spend liberal Democrat when they are the ones that tripled—excuse me, quadrupled—excuse me, quintupled the Federal debt. Five times $1 trillion is $5 trillion. It was less than $1 trillion when Ronald Reagan came to town. Now it is $5.3 trillion. They are the ones, not President Clinton, that ran up this horrendous debt that is causing us to spend $1 billion a day in interest costs which increases taxes $1 billion a day. Because you add it to the debt, you have to pay for it, and it is a subtle way of increasing taxes. And running around fussing at the President saying, "Where is his balanced budget? And he has not balanced it." Where is their budget? I am looking for one. I am on the Budget Committee. I attend meetings. I look around. They don't have a budget.

It is wheeling and dealing, and all these other things going on. If that is what we are going to have, let us get rid of the Budget Committee so we can put our effort and time somewhere else. But that is the gamesmanship that is being played. They don't want to put up a budget because they know that budget will show massive tax cuts in that 5-year period being offset by cuts in Medicare. And on up and up and away the deficit goes.

So I think the gamesmanship as we go on our break here in February ought to conclude. Let us get their budget. Let us compare the two budgets like we do in the regular sense of the word, reconcile the differences, and go forward with the work of the American people.

Mr. President, I thank the distinguished Senator from North Dakota.

I yield the floor.

I yield back the remainder of my time.

Mr. HATCH. Mr. President, I would like to take this time to briefly respond to Senator HOLLINGS concerning his remarks claiming that passage and ratification of the balanced budget amendment would harm the Social Security Program. As did Senators DORGAN, REID, and CONRAD at a press conference held yesterday, Senator HOLLINGS claimed that a one-page memorandum, dated February 5, 1997, from the Congressional Research Service—which was inaccurately termed a "study"—was characterized as proof that passage and ratification of the balanced budget amendment will harm Social Security. This is alleged to be true because the balanced budget amendment would not allow the present day surplus to be used in the future when the program goes into the red to pay benefits. The problem is that the CRS memorandum did not conclude that at all.

All the CRS memorandum concluded was that Social Security existing surpluses after 2019—the year the program no longer produces surpluses because of the retirement of the baby boomers—could not be used to fund the program unless benefit expenditures were offset by revenue or budget cuts. Of course this is technically true. That's what a balanced budget does. It balances outlays and receipts in a given year, and expenditure of any part of the budget is an outlay. Despite what Senator HOLLINGS alleges today, and Senators CONRAD, DORGAN, and REID claimed yesterday at their press conference, under current law, assets of the Federal Treasury could be drawn upon to ensure payments to beneficiaries today and when the system starts running annual deficits.

To clear-up the confusion that the Conrad-Dorgan-Reid press conference created about the February 5 CRS memorandum, which Senator HOLLINGS has apparently bought into, CRS produced another memorandum at Senator DOMENICI's request. I want to thank Senator DOMENICI for requesting this new CRS memorandum—dated February 12, 1997. This memorandum clearly states—and I quote—"We [that is CRS] are not concluding that the trust fund surpluses could not be drawn down to pay beneficiaries. The balanced budget amendment would not require that result."

Senator HOLLINGS and the other critics of the balanced budget fail to mention a few things. They fail to mention that CRS in the memorandum also concluded that the present day surpluses are merely "an accounting practice." Past CRS studies clearly demonstrate that the Social Security trust funds are indeed an accounting measure. There is no separate Federal vault where Social Security receipts are stored. There exists no separate Social Security trust fund separate from the budget. Social Security taxes—called FICA taxes—are simply deposited with all other Federal revenues. The moneys attributed to Social Security are tracked as bookkeeping entries so that we can determine how well the program operates. As soon as the amounts attributed to FICA taxes are entered on the books, Federal interest bearing bonds are electronically entered as being purchased. This is the safest investment that exists.

This country has a unified budget. This means that the proceeds from Social Security Taxes are part of the Treasury—of general revenue. CRS has recognized this. Moreover, I might add, without including the present day surpluses, the budget cannot be balanced. That is why President Clinton has included the Social Security funds in every one of his budgets. Did Senators HOLLINGS, CONRAD, DORGAN, and REID oppose this?

Senator HOLLINGS also denies that we have a unitary budget. He says that the 1990 Budget Enforcement Act [BEA] placed Social Security off-budget. That, in fact, we have two budgets—one for Social Security and one for the rest of the Nation. Let me expand on the remarks I made yesterday concerning the 1990 Budget Enforcement Act and explain why Senator HOLLINGS position is false. Under section 13301(a) of the act, the receipts and outlays of the Social Security trust funds are indeed not counted in both the President and Congress' budgets. So it is off-budget, but for only certain specific reasons. The primary purpose for this exclusion was to exempt Social Security from sequestration by the President under the Gramm-Rudman-Hollings procedures and from the act's pay-as-you-go requirement. In addition, as added protections, sections 13302 and 13303 of the BEA also created firewall point-of-order protections for the Social Security trust funds in both the House and Senate. Nevertheless, this does not preclude both Congress and the President from formulating a unitary budget—that includes Social Security trust funds—for national fiscal purposes.

Look, I recognize that Social Security is in danger. But the problem is not the inclusion Social Security funds in the budget. The problem is that with the retirement of baby boomers, there will not be enough FICA taxes to fund their retirement. CRS, in an other study, concluded that the present day surpluses would not be sufficient to resolve this problem. These Senators never mention that. CRS also concluded that the Social Security Program needs to be fixed.

Indeed, not including Social Security in the budget would harm the program. Congress would rename social programs—as they have done before—as Social Security and use the FICA taxes to fund these programs. Then you'll really see the program raided.

My colleagues problem—in reality—is not with the balanced budget amendment, but with the problems the Social Security Program faces. We need to fix that and adopting the balanced budget amendment is a good start.

ORDER OF PROCEDURE

The PRESIDING OFFICER [Mr. COATS]. The Senator from South Carolina will be advised that the time for morning business has expired.

Mr. HOLLINGS. No; I was told otherwise. When he took the 8 minutes, I was told that the Chair had given me past 3. It was from 2:30 to 3:15, 45 minutes.

Mr. LOTT. Mr. President, will the Senator from South Carolina yield to allow me to address it? If I could get him to allow me to get consent with regard to the milk resolution, I would like to ask unanimous consent that following the resolution of this issue, the Senator from South Carolina resume his discussion at that time.

Mr. HOLLINGS. Right.

Mr. LOTT. So I propound that unanimous-consent request.

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

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. I ask unanimous consent that the Senate now proceed to the consideration of a Senate resolution submitted by Senator SPECTER regarding milk prices. I further ask consent there be 15 minutes for debate divided as follows, Senator SPECTER allocated 5 minutes, Senator KOHL allotted 5 minutes, and Senator FEINGOLD 5 minutes. I ask that following the expiration or yielding back of that time the Senate proceed to vote on adoption of the resolution all without further action or debate.

The PRESIDING OFFICER. Is there objection?

Mr. SPECTER. Mr. President, reserving the right to object——

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. Pro forma, and I shall not, we have colleagues about to catch the plane so I would ask, if the distinguished majority leader considers it appropriate, to vote and argue immediately after the vote or immediately following Senator HOLLINGS' reserved time.

Mr. LOTT. I think in order to do that we need to get Senator KOHL to agree and he is literally on his way, so we cannot actually reach him. If we go ahead and get started, we can have debate time and have a vote and accommodate Members who have commitments, if the Senator would allow us.

Mr. SPECTER. Mr. President, I would be glad to follow the suggestion of the distinguished majority leader, and I shall begin to speak to the issue for 5 minutes.

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

Mr. SPECTER. I would ask for that expedited schedule, if our colleague will yield.

Mr. HOLLINGS. All right.

Mr. LOTT. I yield the floor.

ADDRESSING THE DECLINE IN MILK PRICES

Mr. SPECTER. Mr. President, I send a substitute or amended resolution to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will read the resolution by title.

The bill clerk read as follows:

A resolution (S. Res. 55) expressing the sense of the Senate regarding the need to address immediately the decline in milk prices.

The Senate proceeded to consider the resolution.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. Mr. President, this resolution is being submitted on behalf of Senators SANTORUM, FEINGOLD, KOHL, JEFFORDS, LEAHY, WELLSTONE, SNOWE, and COLLINS.

It follows activity which Senator SANTORUM and I had undertaken in our State where the farmers have been very hard hit by low milk prices and rising costs of production, so that many, many farmers are near bankruptcy.

It is my understanding that this is a national problem, not only a problem in Pennsylvania. On Monday of this week, Secretary of Agriculture Dan Glickman went to northeastern Pennsylvania and heard from a large assembly of farmers, estimated at some 500, and heard firsthand the plight of those farmers, again, as I say representative of the Nation.

We all know that we rely upon the farmers for our supply of food. We know how important milk is in that supply. And we have a large group of farmers who laid it on the line in very emphatic and dramatic terms about their impending bankruptcy, the hard times they were facing because the price of milk had dropped so precipitously from $15.37 per hundredweight in September to $11.34 cents per hundredweight in December 1996, all the time costs going up.

In our inquiry on this issue, we found that a key ingredient on the pricing of milk was the price of cheese, and that the price of cheese had been established by the Green Bay Cheese Exchange, and that the price on the Green Bay Cheese Exchange might not be realistic of the accurate market price. If the price of cheese is raised by 10 cents, it means there would be a rise in the price of milk $1 per hundredweight.

I do believe that the Secretary of Agriculture is sympathetic to this issue and would like to ascertain the accurate price of cheese.

It is my thought, Mr. President, from all that I know, and it has to be verified, that the price of cheese is priced unreasonably low at this time by the Green Bay Exchange; therefore, the Green Bay Exchange's price of cheese is really not the price of cheese.

This resolution maintains that it is the sense of the Senate that the Secretary of Agriculture should consider acting immediately pursuant to his legal authority to modify the basic formula price for dairy by replacing the national cheese exchange as a factor to be considered in setting the basic formula price.