

debate to bring the budget into balance. We set the stage for economic expansion, which is creating more revenues, so that we can sit down and talk about tax cuts and more money being spent on education and environmental protection. Absent the President's leadership, absent the Democrats in Congress standing behind him, this day might never have come. And yet it has. And we can be proud of it.

So let us talk about this agreement for a moment. Is this an agreement I would have written? No. I would have changed a lot of provisions here. It is a compromise. It is a bipartisan compromise. There are things which many Republicans are proud of which I would not have included. There are things which were not included but I think should have been. But make no mistake, this is a good agreement. It is good for this country. It is a good bipartisan compromise. It is one which not only reaches a balanced budget but says we are going to do it in a responsible way.

First, under the Republican Contract With America, which Speaker GINGRICH and many Republican Senators supported, we were to cut out of Medicare \$270 billion over 7 years—a massive cutback in Medicare. They said it was necessary; you had to do it. And if you did not do it, Medicare was in peril. The American people knew better.

That \$270 billion went way beyond what was necessary to strengthen Medicare. It created funds for a tax cut for wealthy people. And that was not fair. The President stood up and said, "I won't agree to it." When he threatened that veto, that particular proposal did not go forward. Where are we today?

The bipartisan compromise talks about a \$115 billion cut over 5 years in Medicare and a guarantee to the American people that, for 10 years, Medicare will be solvent and strong. We have kept our word to the seniors in this country and those about to be seniors. They can rest assured that Medicare will be there. That is good. That is part of this agreement.

Medicaid. Medicaid is not just health insurance for poor people; it is health insurance for destitute elderly in nursing homes. That is where half the money in Medicaid goes. The elderly person in a nursing home who has spent down and has not a single thing left on Earth turns to Medicaid to keep them alive.

The Republican proposal originally to cut Medicaid was \$160 billion over 7 years. We said it was too much. The President said it was too much. In this agreement it is down to \$15 billion. We have brought it down to a manageable amount, one that will not endanger the health and security of the disadvantaged and elderly.

Education. My colleague from Texas, Senator GRAMM, got up a few minutes ago and talked about all this massive Federal spending. Well, let me tell you, America, families that get up every morning and wonder whether they can

pay for their kids' college education expenses, this budget agreement will be a helping hand. We are going to allow you for the first time to deduct college education expenses on your income tax. Oh, it is still going to be expensive, but you are going to get a helping hand for the first time.

And, students, listen up. Get good grades, go to school, and there is a scholarship in here for you that will pay for most community colleges and some colleges and universities. Too good to be true? No. It is a commitment by the President that is embodied in this budget agreement that is good for this country.

Visit a couple with a new baby a couple days after the baby is born, and they are home and you go to visit them. You say, "What a beautiful little baby. Looks just like his dad," or "looks just like his mom. Is she sleeping at night? How is she taking her bottle?" And then, after a few minutes, "Have you thought about how you're going to pay for her college education?"

It is something we all think about. Next to our home mortgage, for most families in this country, this is what you worry about. "How am I ever going to put this money together?" This bill will help. It will not pay the whole thing, but it is going to help. It is responsive to the real needs that American families feel.

Middle-class tax relief. Not only when it comes to education to help working families pay for college and training expenses, but a child tax credit of \$500 per child. What does it mean? Well, my daughter and her husband have a little baby boy, our grandson. We are so proud of him. He is going to be a year old in a few weeks.

My wife and I did not think much about this when we raised our kids, but my daughter and my son-in-law talk about day care. "Dad, what are we going to do about day care? It's expensive. We don't want to put Alex anywhere that isn't safe, quality day care. How are we going to pay for it?" They are lucky. They have two jobs, two incomes in their family. Some other families struggle with the same decision with fewer resources.

This child tax credit in here means a helping hand, \$500 per child per year. It will not cover the cost of day care, but it will help. And shouldn't we help? Shouldn't we help working families? That is what this is all about.

We are finally responding to the real issues that real people talk about. I do not believe real American families sit around the family room and say, "What about campaign finance reform? What's going on with the latest investigation in Washington?" They do sit around and talk about paying for college, paying for day care. This budget agreement will address it.

The battle is not finished. There is another one before us. I hope we enact this budget agreement. Then we will address a tax bill. I think you are going

to see some real differences in philosophy between Democrats and Republicans about whether the tax savings in that bill go to working families or wealthy people. I think they should go to working families.

I think we ought to, for example, give 100 percent deductibility of health insurance premiums for all self-employed people. All family farmers, all small businesses, those who are self-employed, should have the same benefits of hospitalization insurance deduction as the corporations do.

So, for American families, this agreement is a step forward. The President's leadership, a bipartisan compromise, has us on the road to a balanced budget in a responsible way.

I yield back my time.

Mr. GRASSLEY addressed the Chair. The PRESIDING OFFICER (Mr. ROBERTS.) The Senator from Iowa is recognized.

SUPPLEMENTAL APPROPRIATIONS AND RESCISSIONS ACT OF 1997

The Senate continued with the consideration of the bill.

Mr. GRASSLEY. Mr. President, I would like to talk about our efforts to eliminate problem disbursements at the Department of Defense [DOD].

Problem disbursements are payments that were not matched with obligations before the bills were paid.

As we have learned in recent years, the failure to follow this very elementary internal control procedure leaves the Pentagon's financial accounts vulnerable to theft and abuse.

It leads to underpayments, overpayments, erroneous payments, and even fraudulent payments.

It leads to overdisbursed accounts.

That is when payments exceed available appropriations.

When that happens, you have a violation of the Anti-Deficiency Act. That is a felony.

Right now, Mr. President, the Defense Finance and Accounting Service [DFAS] Center at Columbus, OH, has about 2,700 contracts that are overdisbursed.

Those contracts have negative cash balances of \$900 million-plus.

In a nutshell, the Pentagon's financial books are in a shambles.

Mr. President, that's not the Senator from Iowa talking.

That's coming straight from the horse's mouth—the DOD inspector general [IG] and the General Accounting Office [GAO].

That's what their audit reports say. They say: DOD's books are in such a mess that they can't be audited—as required by law—the Chief Financial Officers Act of 1990.

When the auditors can't conduct an audit, they issue a "disclaimer of opinion."

Well, guess what?

DOD gets one disclaimer after another—year after year. It's a disgrace.

One way to clean up the books is to start matching disbursements with obligations before payments are made.

This is the stuff that's taught in basic accounting course 101 in college. It's square one, I know, but it's the right place to start.

And that's what the Senate has been telling DOD to do since 1994.

For 3 years now, we have been telling DOD to get on the stick and fix the problem.

This was done with the leadership and support of my friend from Alaska Senator STEVENS, and my friend from Hawaii, Senator INOUE.

I thought we were really making progress—until I saw the new GAO report.

That's a May 1997 report. It says DOD is underestimating the dollar value of problem-disbursements by at least \$25 billion.

DOD says it's an \$18 billion problem.

That means we're really staring at a \$50 billion problem—or worse.

Why would DOD grossly underestimate the problem like this, Mr. President?

We're looking at a classic bureaucratic trick. Blowing smoke to conceal the problem: Redefining the problem to make it look smaller.

This makes the Senate think the problem is getting fixed.

They want the Senate to ease up on the pressure. That's the goal, Mr. President, reduce the pressure.

Unfortunately, with problem disbursements at the \$45 to \$50 billion level, we right about where we started in 1994.

So this is no time to ease up on the pressure.

The unwanted pressure is being generated by our legislative initiatives.

We have gradually turned up the pressure in three successive appropriations bills as follows:

Fiscal year 1995 act—section 8137.

Fiscal year 1996 act—section 8102.

Fiscal year 1997 act—section 8106.

Mr. President, I ask unanimous consent to have printed in the RECORD those sections of the law.

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

PUBLIC LAW 103-335—SEPT. 30, 1994

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SEC. 8137. (a)(1) The Secretary of Defense shall develop a plan for establishing and implementing a requirement for disbursing officials of the Department of Defense to match disbursements to particular obligations before making the disbursements. The Secretary shall transmit the plan to Congress not later than March 1, 1995.

(2) The Inspector General of the Department of Defense shall review the plan and submit the Inspector General's independent assessment of the plan to the congressional defense committees.

(b)(1) Not later than July 1, 1995, the Secretary of Defense shall require that each disbursement by the Department of Defense in an amount in excess of \$5,000,000 be matched to a particular obligation before the disbursement is made.

(2) Not later than October 1, 1995, the Secretary of Defense shall require that each disbursement by the Department of Defense in an amount in excess of \$1,000,000 be matched

to a particular obligation before the disbursement is made.

(c) The Secretary shall ensure that a disbursement in excess of the threshold amount applicable under subsection (b) is not divided into multiple disbursements of less than that amount for the purpose of avoiding the applicability of such subsection to that disbursement.

(d) The Secretary of Defense may waive a requirement for advance matching of a disbursement of the Department of Defense with a particular obligation in the case of (1) a disbursement involving deployed forces, (2) a disbursement for an operation in a war declared by Congress or a national emergency declared by the President or Congress, or (3) a disbursement under any other circumstances for which the waiver is necessary in the national security interests of the United States, as determined by the Secretary and certified by the Secretary to the congressional defense committees.

(e) This section shall not be construed to limit the authority of the Secretary of Defense to require that a disbursement not in excess of the amount applicable under subsection (b) be matched to a particular obligation before the disbursement is made.

PUBLIC LAW 104-61—DEC. 1, 1995

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SEC. 8102. (a) Not later than October 1, 1995, the Secretary of Defense shall require that each disbursement by the Department of Defense in the amount in excess of \$5,000,000 be matched to a particular obligation before the disbursement is made.

(b) The Secretary shall ensure that a disbursement in excess of the threshold amount applicable under subsection (a) is not divided into multiple disbursements of less than that amount for the purpose of avoiding the applicability of such subsection to that disbursement.

(c) The Secretary of Defense may waive a requirement for advance matching of a disbursement of the Department of Defense with a particular obligation in the case of (1) a disbursement involving deployed forces, (2) a disbursement for an operation in a war declared by Congress or a national emergency declared by the President or Congress, or (3) a disbursement under any other circumstances for which the waiver is necessary in the national security interests of the United States, as determined by the Secretary and certified by the Secretary to the congressional defense committees.

(d) This section shall not be construed to limit the authority of the Secretary of Defense to require that a disbursement not in excess of the amount applicable under subsection (a) be matched to a particular obligation before the disbursement is made.

PUBLIC LAW 104-208—SEPT. 30, 1996

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SEC. 8106. (a) The Secretary of Defense shall require not later than June 30, 1997, each disbursement by the Department of Defense in an amount in excess of \$3,000,000 be matched to a particular obligation before the disbursement is made.

(b) The Secretary shall ensure that a disbursement in excess of the threshold amount applicable under section (a) is not divided into multiple disbursements of less than that amount for the purpose of avoiding the applicability of such section to that disbursement.

Mr. GRASSLEY. Mr. President, under the law, DOD was required to start making the matches on checks over \$5 million, and then gradually ratchet the thresholds down to zero.

At the \$5-million level, DOD is really just scratching the surface.

DFAS/Columbus is where it happens. DFAS/Columbus writes fewer than 1,800 checks per year that are \$5 million or more. So what's the big deal? Matchups on 1,800 checks should be a piece of cake.

But when it came time to start phase 2 and lower the threshold to the \$1 million checks, DOD balked.

DOD said "No"—even though it makes fewer than 11,250 payments over \$1 million annually. DOD asked for more time.

Making the matchups on 11,250 checks ought to be Mickey Mouse stuff. Banks routinely do 500,000 to 1 million each day.

Mr. President, for 11,250 DOD checks versus up to 1 million checks for U.S. banks and DOD can't do it.

Why can't the Pentagon do it—with all its technological know-how?

Mr. President, I can't help but think that, maybe, the Pentagon bureaucrats don't want to clean up the books.

They like the mess. That way no one knows what is really going on, including them, and no one gets in trouble.

Well, thanks to the committee's determined leadership last year, our legislative reform effort is back on track. We regained some momentum.

DOD must now make matchups on all checks over \$3 million, starting next month—June 30.

At the same time, DOD is supposed to be developing a detailed plan for moving first to the \$1-million mark, and then on down to zero.

The IG is reviewing that plan right now and should be submitting an assessment to the committee soon.

After we study this report, we should be in a position to decide on how to proceed in the fiscal year 1998 bill.

I would like to mention one disturbing new development.

I was recently provided with evidence—DOD documents—that clearly indicates that DOD is not on board 100 percent with our effort.

This material pertains to program payments made at the DFAS/Columbus Center. It shows that DOD is using several random-allocation procedures for matching payments with appropriated moneys.

This procedure subverts the appropriations process and is guaranteed to create more unmatched disbursements—big time—along with a host of other legal problems.

I will have more to say on this later, once I have all the facts.

This new information tells me that we will need to apply more pressure to get the job done. I yield the floor.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. HOLLINGS. Mr. President, I am fully aware that my colleague from Minnesota has made a motion to strike—

Mr. STEVENS. Will the Senator yield for a moment for a housekeeping matter?

Mr. HOLLINGS. Certainly.

UNANIMOUS-CONSENT AGREEMENT—AMENDMENT
NO. 54

Mr. STEVENS. Mr. President, I ask unanimous consent that at 2:15 today there be 5 minutes of debate equally divided between Senator GRAMS and the ranking member, and at the expiration or yielding back of the time, the Senate proceed to vote on the Grams amendment. That would make the roll-call vote at approximately 2:20 today.

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

Mr. STEVENS. I thank the Senator.

May I inquire, is there any indication between you and Senator WELLSTONE that we might have some timeframe on this?

Mr. HOLLINGS. I will check and inform the chairman.

PRIVILEGE OF THE FLOOR

Mr. HOLLINGS. Mr. President, I ask unanimous consent that Bill Pratt, a fellow assigned to Senator DASCHLE, be given floor privileges during the consideration of S. 672.

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

Mr. HOLLINGS. Mr. President, momentarily, while we see what may or may not be worked out with respect to the particular amendment—

Mr. BOND. Mr. President, may I ask consideration of my colleague to interrupt for a procedural question?

Mr. HOLLINGS. Yes.

Mr. BOND. Mr. President, I have a number of technical amendments and things that I will need to insert, and I will need a brief time period sometime between now and lunch. I wondered if the distinguished colleague from South Carolina would indicate if there is a time when I may do that.

Mr. HOLLINGS. I will be very brief.

Mr. BOND. I thank the Senator.

SHAM BALANCING ACT

Mr. HOLLINGS. Mr. President, as some say, "Eureka, I have found an honest man." Well, here, I have found an honest journalist. I don't know who wrote the editorial in USA Today on yesterday, but it is entitled "Sham Balancing Act Hides True Scope of the Deficit."

It is not my intent to come out and immediately take the so-called balanced budget plan and trash it. It moves in the right direction. But I want to be constant and persistent until we finally have not just the USA Today realize it has been a sham balancing act, but I want everyone to realize that it is in the law. Section 13301, signed by President Bush on No-

vember 5, 1990, says that thou shalt not in this Government use Social Security trust funds in any report of a so-called unified budget or unified deficit. It is the most fraudulent use of the word unified because, to the lay person, unified suggests it is net. In other words, the Government spends money and it also receives receipts or receives money. And the inference is, with unified budgets and deficits, that is the real net or true balance or true deficit. Totally false.

The truth of the matter is that we have been engaged in a sham now for several years respecting the use of trust funds. Right to the point, Mr. President, what we have is a list of these trust funds here that have been consumed and spent, not just borrowed. I have the March figures. As of the end of March—this is the most updated figure—Social Security will be owed \$582 billion; Medicare, HI, \$122 billion; SMI, \$31 billion, for a total of \$153 billion in Medicare.

Military retirees the land around, you should know they are spending your money, which has been set aside under the law for your retirement. That particular fund is \$129 billion shy because of this deceit. Civilian retirement—all civil servants within the sound of my voice, remember, the civil service retirement trust fund has now been spent to the tune of \$395 billion. Unemployment compensation that the small employer in America pays in regularly, as well as the large ones, that is shy some \$51 billion, that particular savings amount. The highway trust fund—we borrowed that money, too, but not for highways. If anybody says a bridge is down, like in my backyard where we have been trying to get a river bridge that has been declared unsafe for 20 years now, that money is already spent to the tune of \$22 billion. We can build a river bridge in each of the 50 States with the highway money used to obscure the size of the deficit, the debt, and the interest cost on that national debt. Airports and airways, \$6 billion; railroad retirement, \$18 billion; \$63 billion in the Federal finance bank and the other particular trust funds, for a total of how much? \$1.419 trillion. Now, we owe \$1.419 trillion.

I have the updated figure just for Social Security as it relates to this particular editorial. I ask unanimous consent that this editorial be printed in the RECORD at this point.

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

[From USA Today, May 5, 1997]

SHAM BALANCING ACT HIDES TRUE SCOPE OF THE DEFICIT

Over exuberance isn't just a disease of the stock market. Just consider the expansive praise surrounding last week's budget deal between the White House and GOP congressional leaders.

"This balanced-budget plan is in balance with our values. It will help prepare our people for a new century," President Clinton declared of the five-year outline.

House Speaker Newt Gingrich was even more effusive: "We spent four months (with)

people saying, 'What are you going to do? * * * Well, my answer is balance the budget, cut taxes, reform entitlements.'"

Not quite.

The deal, with \$350 billion in spending reductions over five years, is a modest step forward. But it is more a product of good fortune than hard work.

The end of the Cold War has trimmed tens of billions from defense needs. And a high-employment, low-inflation economy has provided a \$45 billion-a-year windfall in revenues.

Those factors alone have cut the budget balancers' work by about a third.

But good fortune takes second place to the budget tricks Clinton and Congress have performed and the blind eye they've given entitlement problems.

The fact is that the balanced budget in 2002 won't be balanced. Clinton and Congress avoided dealing with \$450 billion worth of overspending over the next five years by simply counting surpluses borrowed from Social Security and other federal trust funds as income. In 2002, they rely on \$100 billion borrowed from Social Security and other trust funds that year.

Worse, Clinton and Congress put off meaningful entitlement reform. The \$23 billion a year in Medicare savings they agreed to will keep its trust fund solvent only until 2008—the year 76 million baby boomers begin flooding into retirement. Ignored totally was Social Security's need for an infusion of an extra \$60 billion a year, starting now, to keep it viable.

Instead, Clinton and Congress passed out tax goodies that will sap \$20 billion worth of revenue a year, with much of the benefit going to the rich.

The budget deal has its high points. It will trim the health-care bureaucracy and promote greater use of managed care. It cuts back some wasteful corporate welfare even as it invests more in a healthy start for kids that could provide savings later.

But tax giveaways promise to balloon the deficit when good economic times end, and lack of entitlement reform means the toughest budget work lies ahead.

Last week's deal thus earns some polite applause but no standing ovation.

Mr. HOLLINGS. Mr. President, it is another \$456 billion that will be spent. So as of the year 2002, we look around at Social Security and everybody is saying, wait a minute, the baby boomers are going to come in 15 years, and the baby boomers will be in a foot race trying to get ahead of us politicians because we are way ahead of them spending this money. We will owe, in the year 2002, in excess of a trillion dollars. That is why this chart has been brought forward. Last year, when we said the annual deficit was \$107 billion, the truth of the matter is, it was \$261 billion. We borrowed, in order to make it \$107 billion, or we spent from the various savings funds here at the Federal level, \$154 billion. Why not borrow another \$107 billion and call it balanced? That is the gamesmanship that is going on.

I went home over the weekend and they found \$225 billion over at CBO. I have heard that my colleagues on the other side of the aisle were informed of this revenue before the Democratic negotiators were. They went back and forth with respect to OMB and CBO while knowing this extra money was available. You can see the gamesmanship involved. But the hard-core fact is