provided by the resolution for children's health insurance. Neither Senator KENNEDY nor Senator HATCH adequately explained why it was necessary to spend $36 billion for a problem the President had agreed could be addressed with $16 billion or why undermining an agreement that already addresses this problem is superior to working through the usual committee process. As was made clear during the debate, the $16 billion provided by the budget is more than enough to provide children's health insurance as requested by the President.

In summary, Mr. President, this amendment does nothing to further the cause of providing health care to America's children. It reduces the tax cuts for families and small businesses by 35 percent, it does nothing to assist the Finance Committee in its work to address this issue, and it endangers the $16 billion already provided for children's health.

I would also take this opportunity to speak about the Gramm amendment to reduce discretionary spending by $76 billion and increase the net tax cut in the resolution by a like amount. Mr. President, the Federal deficit this year will be below $70 billion for the first time in almost 20 years, largely because Congress over the past 2 years held the line on Government spending and taxation. We resisted efforts to raise spending above reasonable levels and we opposed efforts to raise the already record tax burden on American families. And while I intend to support this resolution because I believe, on balance, that it will result in a smaller, more efficient Government, I am concerned that the spending proposed by this agreement is too high, and that it plants the seeds for ever-expanding Government down the road.

How much spending does this resolution contain? For discretionary spending, this resolution spends $212 billion more than the 1995 budget resolution, $189 billion more than last year's budget resolution, $75 billion more than the moderate group's budget alternative last year, and just $16 billion less than the President's budget this year—without the triggered cuts he proposed to ensure his budget gets to balance. With regard to the Gramm amendment, the underlying resolution spends $76 billion more than the President proposed just last year. Hence, the Gramm amendment to reduce overall spending levels by $76 billion and to target that savings toward tax reduction.

Mr. President, last Congress I collaborated with a group of Senators and Representatives to make the Federal more efficient by eliminating wasteful programs and consolidating duplicative agencies. In our work, we proposed to eliminate three Cabinet-level agencies—HUD, Commerce, and Energy. Moreover, we advocated targeting both spending and tax provisions which provided unwarranted benefits to corporations, so-called corporate welfare. The point of this effort, Mr. President, was to make the Federal bureaucracy more rational and efficient and to reduce the burden of government on Americans.

Mr. President, I believe the Gramm amendment is in line with our on-going efforts to streamline the Government and make it more responsive to Americans. The discretionary spending levels it provides—the same spending levels as supported by the President last year—are sufficient to increase funding for important programs like health research, transportation infrastructure, and insuring children while forcing Congress to turn a critical eye towards the waste and inefficiency prevalent in the Federal bureaucracy. Through my work at eliminating wasteful Government agencies, I am convinced that we can save $76 billion over 5 years by targeting corporate welfare without harming important Federal programs.

Just as important, the Gramm amendment provides significant tax relief for American families and businesses. As I said previously, the tax relief contained in the underlying budget resolution is less than 1 percent of the total Federal tax burden over the next 5 years. It is barely sufficient to provide families with a pared-down $500-per-child tax credit, a reduction on the capital gains tax rate, estate tax reform, and an expansion of IRA's.

Mr. President, the tax burden is at its highest level in American history, with the typical American family paying almost 40 percent of their income to State, local and Federal governments—more than they spend on food, clothing, and housing combined. With the Gramm amendment, the tax relief contained in this resolution would still be modest—less than 2 percent of the total tax burden—but it would allow us to fully fund the $500-per-child tax credit, cut the capital gains rate in half, provide relief from the onerous estate tax, and expand eligibility for IRA's. These are important reforms that I have been working on for my entire tenure in the Senate, and I will continue to work to provide meaningful tax relief to American families beyond the tax cuts included in this resolution.

I yield the floor.

CONCURRENT RESOLUTION ON THE BUDGET

Mr. MOYNIHAN. Mr. President, as we were voting on various matters this morning, leading to passage of the concurrent resolution on the budget for the fiscal year 1998, which I voted against, I found myself musing of the very different time just 4 years ago when a starkly divided Senate passed a far more stentorian measure than that before us today. In an interval between votes, I wrote to the members of the Finance Committee of that time:

As we close out this embarrassing budget season, cutting taxes, increasing some spending, promising a balanced budget somewhere in the next century, it might restore a measure of self respect to recollect a not distant time when we knew better and did differently.

1993. Democrats had won the Presidency and held the Congress. The world was tranquil enough, but our finances were seemingly a wreck. In the twelve previous years the debt had quadrupled and there was no money for anything. On another occasion we can discuss how this came about: I am concerned here with what we did. The Finance Committee (with some help from others) put together and passed, in committee, on the floor, the largest package of tax increases and spending cuts in history. Our purpose was direct and avowed. To show we could govern. The more conservative our critics, the more apocalyptic the pronouncements. Ruin all round was surely at hand.

In the event, we succeeded beyond imagining. The latest Monthly Treasury Statement shows a booming economy throwing off unexampled revenue. (Recall, a fortnight ago the Congressional Budget Office discovered an additional $225 billion in anticipated revenues for the next five years. Fortuitous, perhaps, but not fake.) A nice detail? Last month the Treasury paid off $65 billion in debt, the largest repayment ever.

It was all done by the narrowest of margins. Bob Kerrey at the very last moment—he had wanted an even sterner measure. But we did do it. I would like to think it will not now be undone. This is not yet clear.

The contrast between the Omnibus Budget Reconciliation Act of 1993 and this legislation is illuminated by an important article that appeared in yesterday's Wall Street Journal under this headline:

TAX ON WEALTHY IS BOOSTING U.S. REVENUE TREASURY SAYS 1993 INCREASE IS HELPING CUT THE DEFICIT

The article, by Michael M. Phillips, reports that the cataclysmic predictions of so many Republicans about the economic effects of the 1993 legislation have not been borne out. To the contrary, as a result of the 1993 act, the deficit as a percentage of GDP is at its lowest level in a quarter century, and the expansion is in its 74th month, with full unemployment and little or no inflation. The Treasury is awash with revenue. As Mr. Phillips writes:

The inflow provides persuasive, if not conclusive, evidence in the continuing debate over the economic impact of the 1993 tax increases, which raised marginal income-tax rates to 35% from 31% on taxable incomes between $140,000 and $250,000, and to 39.6% on incomes above $250,000.

Which leads to another important point, about which I will again quote the Wall Street Journal:

The recent flood of revenue pouring into Treasury coffers—enough to push the federal budget to a record $93.94 billion surplus for the month of April—appears to have come mostly from the nation's biggest earners, indicating that the controversial tax increase may indeed be taking from the rich.

How do we know this? Because the unexpectedly high revenue inflows have come from taxes other than those withheld by employers. These ''nonwithheld'' taxes are mainly paid by wealthier taxpayers, who owe taxes on other income such as stock options, bonuses, and the like. In April, according to the Monthly Treasury Statement, the Treasury took in $110.8 billion in nonwithheld revenues, almost twice what it received in 1992, before enactment of the 1993 legislation.

It fell to the Finance Committee to assemble the package of spending cuts and, yes, tax increases that would pass the Senate. It was not easy. In the end, we put the bill through without a single Republican vote. One Republican Senator declared on this floor:

> We are buying a one way ticket to a recession * * * When all is said and done, people will pay more taxes, the economy will create fewer jobs, Government will spend more money, and the American people will be worse off.

It was not pleasant. But we were clear. On June 23, 1993, as the Senate debate on the bill was coming to a close, I put it this way:

> Why do we have to do it, Mr. President? Because after 12 years of mounting deficits and devastatingly increased debt, we are sending a message to the financial markets of the United States and of the world, which now have as much effect on our affairs in a manner never before known because of the debt we have incurred, that we are going to stop it.

We made the tough choices in 1993, and they have paid off handsomely in economic and fiscal dividends.

Now compare 1993 with what we are doing today. By failing to address the overstatement of the cost of living by the Consumer Price Index, this budget misses a historic opportunity. An accurate cost-of-living index, as recommended by the Advisory Commission to Study the Consumer Price Index appointed by the Finance Committee—the Boskin Commission—would have saved $1 trillion in 12 years, freeing us from the protracted fiscal crisis of the last two decades. Had we seized the opportunity, we could now be taking on big issues, such as the future of Medicare and Social Security. Instead, the all-consuming quest to reach balance—if only for a moment—in the year 2002 has reduced this to a series of small debates over often derisory sums.

This budget also fails to address the demographic problems facing our two biggest Federal entitlement programs, Social Security and Medicare. These are the serious issues in Federal budgeting, yet this resolution postpones the day when Congress must, inevitably, confront them. Even so, it should be recorded that a correction of 1.1 percentage points in the measurement of the cost of living would in an instant have kept Social Security in actuarial balance until the year 2052.

This resolution unwisely calls for net tax cuts of $250 billion over 10 years. Coupled with this budget's failure to address long-term entitlement spending, these tax cuts will lead us right back to giant deficits in the outyears. Preliminary estimates, which are just beginning to come in, indicate that in the second 10 years, 2008–2017, the proposed tax cuts could lose in excess of half of $1 trillion.

Even if one believes, as some do in good faith, that tax cuts are necessary and appropriate at this point, the particular tax cuts agreed to by the White House and the Republican leadership will make for poor tax policy. It is beyond any serious dispute that the proposed reductions in the rate of tax on capital gains will disproportionately go to the very wealthiest taxpayers. Likewise the estate tax relief called for in this budget will benefit a tiny fraction—less than 1.5 percent—of estates. And the proposed tax cuts for education, most thoughtful observers agree, could be better spent in ways that would demonstrably help students and their families, such as making permanent the provisions for employer-provided educational assistance.

Nor does this budget follow the spirit of the 1993 legislation in the area of deficit reduction. The provisions of the 1993 act were initially estimated to reduce the deficit by $500 billion over 5 years; in fact it reduced the deficit by nearly twice that amount. The deficit reduction in the budget before us is questionable; its balance in the year 2002 will be momentary at best. And it makes only feeble, shortsighted choices in tax and entitlement policy.

In sum, Mr. President, I voted "no" because this budget is an unworthy successor to the Omnibus Budget Reconciliation Act of 1993, which was perhaps the most consequential legislation of this decade. I ask unanimous consent that the article from the Wall Street Journal of May 22, 1997, be included in the RECORD.

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

TAX ON WEALTHY IS BOOSTING U.S. REVENUE

TREASURY SAYS 1993 INCREASE IS HELPING CUT THE DEFICIT

(By Michael M. Phillips)

WASHINGTON.—President Clinton sold the 1993 income-tax increase as a way to shrink the budget deficit at the expense of the rich.

Republican adversaries predicted it wouldn't generate much revenue because the rich would work less and take bigger deductions: Now there's growing, if still tentative, evidence that Mr. Clinton may have been right after all.

The recent flood of revenue pouring into Treasury coffers—enough to push the federal budget to a record $93.94 billion surplus for the month of April—appears to have come mostly from the nation's biggest earners, indicating that the controversial tax increase may indeed be taking from the rich. "The available data suggest the surge in tax collections has come from the taxpayers with high incomes, who were the only ones affected by the 1993 changes," says Deputy Treasury Secretary Lawrence Summers.

Corporate taxes, which were increased modestly under the 1993 law, also have brought in more revenue, but at about the level the Treasury had been predicting.

Treasury officials had expected healthy revenue growth from the tax changes all along. After all, the economy has been expanding at a steady clip and unemployment stands at 4.9% of the work force, meaning more people are taking home paychecks, making money on stock options, raking in bonuses—and giving the government its cut.

SURPRISING AMOUNTS

But the dimensions of the inflows caught officials by surprise. Individual income-tax liabilities rose about 11% in the fiscal year ended Sept. 30, 1995, and a further 12% in fiscal 1996. Data aren't yet available to prove whether those sudden increases came from the poor, the rich or those in between. Treasury officials see convincing signs, however, that upper-income Americans are behind the revenue surge.

Lower- and middle-income workers usually have their taxes withheld by their employers. Upper-income taxpayers are much more likely to receive year-end bonuses or income from exercising stock options, so they are also more likely to have to send in checks with their returns.

This year, revenues from those non-withheld taxes are running many billions of dollars above the Treasury's expectations. In April, when individual returns were due, the Treasury took in $110.8 billion in nonwithheld tax revenues, up from $89 billion in April 1996 and nearly twice the $57 billion it received in April 1992, before the tax increase took effect.

"It turned out we got more revenues than were anticipated and also more revenues than could be explained by the growth of the economy," says Eric J. Toder, an economic consultant and Mr. Clinton's former deputy assistant secretary of the Treasury for tax analysis.

BIG DEBT PAYMENT

Some of the revenue growth could be coming from individuals who are cashing in stock options. And some companies are no doubt deducting those costs from their own taxes. But, on balance, the government is taking in billions more than it had expected, and most of that is in the form of nonwithheld individual income taxes. In fact, revenues have been running so high even conservative budget watchers have reduced their five-year deficit projections by $225 billion. And last month, the Treasury announced the government would pay off $65 billion of the federal debt—the largest such payback ever and $50 billion more than officials had planned just a few months earlier.

The inflow provides persuasive, if not conclusive, evidence in the continuing debate over the economic impact of the 1993 tax increases, which raised marginal income-tax rates to 36% from 31% on taxable incomes between $140,000 and $250,000, and to 39.6% on incomes above $250,000. The law also effectively boosted Medicare taxes on high-income individuals and implemented other changes.

The package, part of the 1993 budget agreement, drew harsh criticism from the right. Texas GOP Rep. Dick Armey, who is now the House majority leader, predicted dire results. "Who can blame many second-earner families for deciding that the sacrifice of a second job is no longer worth it?" he wrote. Then-Sen. Robert Packwood, an Oregon Republican and chairman of the Senate Finance Committee, made this forecast: "I will make you this bet. I am willing to risk the mortgage on it. . . . The deficit will be up; unemployment will be up: in my judgment, inflation will be up."

ARMEY PRAISES CONGRESS

Mr. Packwood later acknowledged that his prediction was wrong. A spokeswoman for Mr. Armey credits the Republican-dominated Congress, not the tax increase, for sparking economic growth and higher tax revenues.

Other doomsayers, in the face of a booming economy, have softened their predictions. But Martin Feldstein, a Harvard economist and chairman of President Reagan's Council of Economic Advisers, took a more academic approach to analyzing the tax increase he labeled "a bad mistake."

In a 1995 study, Prof. Feldstein, who counts Mr. Summers among his former students, and co-author Daniel Feenberg argued the increase had produced disappointingly little revenue—just $9 billion in 1993—while encouraging the rich to work less, deduct more and generally change their behavior to avoid paying more money to the government. In particular, couples with joint incomes of $140,000 to $180,000 were more inclined to seek larger mortgages, take more time off instead of working extra hours or otherwise reduce the amount of income they would have to report as taxable, Prof. Feldstein says.

Even now, with the Treasury flush, Prof. Feldstein contents that the tax increase has proved to be an unjustified drain on the U.S. economy. The unexpected revenue surge could be due in part to the spectacular performance of the stock market—and executives' stock options—in recent years, he says. Besides, he adds, the budget situation would have been even better without the tax boost.

That what-if question is a thorny one. Hard data aren't yet available to show whether in fact the tax increase led high-income Americans so reduce their taxable income in 1995 and 1996.

But present and former Treasury officials say the recent revenue flood has tilted the debate against Prof. Feldstein and indicates that the tax boost is probably raising large sums from the wealthy.

"The basic fact is that people looked at the 1993 budget agreement and said there'd be a recession, the deficit would go way up and that tax collections would go way down," says Mr. Summers. "What has happened is there has been a boom, the deficit has gone way down and tax collections have gone way up."

FISCAL YEAR 1998 BUDGET RESOLUTION

Mr. McCAIN. Mr. President, today I voted with the majority of my colleagues in supporting the bipartisan budget agreement embodied in the Fiscal Year 1998 Budget Resolution. While I have serious concerns about several aspects of this agreement, I am hopeful that time will prove me wrong and the American people will actually reap the benefits of permanent tax relief and deficit reduction that are promised in this agreement.

First, I want to thank my colleague, Senator DOMENICI, for his hard work and excellent management of this difficult bill. In particular, I am grateful for his cooperation and support for my amendment regarding concerns about overly optimistic estimates of revenue from the future auction of broadcast spectrum. I am committed to enacting legislation to mandate these auctions over the next 5 years, but I am very concerned that this budget assumes much greater revenues from spectrum sales than can reasonably be anticipated at this time.

Both Senator DOMENICI and I agree that spectrum auctions will raise a considerable amount of revenue for the Treasury. However, we also share the common concern that auctions depend on supply and demand, and therefore, the revenue received will undoubtedly fluctuate from today's estimates.

The amendment that Senator HOLLINGS and I offered simply states, that if the revenue from future sales falls short of the estimates in the resolution, deficit reduction targets will not be met. In that event, my amendment would require the Senate to find other savings or revenue to ensure that we stay on track in eliminating annual budget deficits by 2002. Senator DOMENICI's support for this amendment was critical to its adoption by a vote of 84 to 15. I am counting on him to work with Senator HOLLINGS and me to identify spending cuts in the event spectrum sales fall short of the revenue estimates in the resolution.

Mr. President, I have listened carefully to my colleagues who have discussed problems with the economic estimates underlying this plan. I, too, was disturbed when the Congressional Budget Office released a new estimate of future tax revenue just hours before the President and the Congressional negotiators on this balanced budget deal announced a final deal. While time may validate CBO's more optimistic estimates, the sudden announcement of an additional $225 billion in taxes was disconcerting, to say the least. While our economy's performance in recent months could very well justify a near-term revenue increase, I am concerned that the high rates of economic growth forecast into the next century might be too optimistic. More importantly, this tax windfall could hamper efforts in the near term to reduce both discretionary and mandatory Federal spending.

Mr. President, under the plan in this resolution, we will continue to carry an annual deficit for the next 4 years. Our Nation's burden of debt will increase to $6.5 trillion by the year 2002. Annual appropriations spending will continue to increase under the plan in this resolution. I hope the Congress will resist the temptation to spend up to the limits in this resolution, and will instead work to advance the date when our budget is in balance and we begin to whittle away at the national debt.

The most important and promising aspect of this resolution is its promise of permanent tax relief for Americans. The resolution sets up a procedure for swift enactment of a bill to provide tax relief that will create jobs and provide the fuel for even greater economic growth in our Nation.

The $500-per-child tax credit will give immediate and much-needed relief to middle- and low-income families. Capital gains and estate tax relief will spur investment in new enterprises and reinvestment in family and small businesses. Until this agreement, the President had been implacably opposed to these profamily and pro-small-business tax reforms. Early enactment of these tax relief measures should be the first order of business for the Congress under this agreement.

Mr. President, in the 15 years I have spent in the Congress, I have seen many plans and proposals to balance the budget. Yet, today, our Nation bears the financial burden of a $5.3 trillion debt. Yet, I voted for this plan because I remain hopeful that the Congress and the President are committed to both the letter and the spirit of the agreement reached just a few weeks ago. I look forward to working with my colleagues to enact the much-needed tax reform envisioned in this resolution and to ensure we carry out the terms of this agreement to achieve a balanced budget by the year 2002.

LOIS PALAGI

Mr. BAUCUS. Mr. President, I rise today to commend Mrs. Lois Palagi, a third grade teacher at West Elementary School in Butte. I want to recognize Lois because she has distinguished herself as one of the best and most beloved teachers in the community of Butte.

In Montana we pride ourselves on providing our children with a top notch education. And we do a great job. But that success doesn't happen by accident. All Montanans shoulder part of the responsibility. One key component of our success is Montana's dedicated and hard-working teachers.

Lois is a prime example of how teachers help our youth become some of the most competitive minds in the country. She has served her students for over 35 years. And in that time, she has taught her children the importance of discipline, respect, knowledge and wisdom. So many people have grown up under her watchful eyes to become responsible, hard-working adults because she led by example. And now she leaves behind a legacy of dedication, caring and love for teaching. She has brought great honor to her noble profession.

At the end of this school year, Lois will begin a new undertaking—retirement. She will be able to spend more time with her husband Larry, son Mark, and daughter-in-law Linda. And devote more of her time to her three grandchildren: Bob, Jessica, and little Andie Elizabeth. She will be dearly missed at West Elementary School. But I'm certain she will be heartily appreciated as she spends more time with her family.

Mr. President, it is impossible to count the number of lives that one person touches during his or her life. But I do know that in 35 years of teaching, that number is sure to be a mighty sum. I would just like to add my voice to all the others and say "Thank you, Lois."

And good luck in your retirement.

DISASTER ASSISTANCE APPROPRIATIONS

Mr. BYRD. Mr. President, I deeply regret that the other body has chosen to stand in recess for the Memorial Day break without having passed disaster assistance appropriations for the hundreds of thousands of victims of natural disasters in 33 states throughout the country. As all members are aware, yesterday afternoon the House