AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 106th CONGRESS, FIRST SESSION

Vol. 145 WASHINGTON, THURSDAY, JULY 29, 1999 *No. 109*

Senate

The Senate met at 9:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

The PRESIDENT pro tempore. Today's prayer will be offered by our guest Chaplain, Rabbi Solomon Schiff, director of chaplaincy, Greater Miami Jewish Federation, Miami, FL.

We are pleased to have you with us.

PRAYER

The guest Chaplain, Rabbi Solomon Schiff, offered the following prayer:

Heavenly Creator, we invoke Thy blessings upon those gathered here, loyal servants in the vineyard of human compassion. Bless, we pray, the Members of this body who have accepted the high privilege and sacred responsibility of serving in the sanctified Halls of the U.S. Senate. Unto their hands was entrusted the mantle of leadership on behalf of the American people. May they discharge their responsibilities with courage and commitment. Grant that their deliberations will be free from rancor and bitterness, but that they will be ruled instead by wisdom, purpose, and dedication.

O, divine Healer, bind our Nation together. Sustain the dreams of those who founded our great Republic, that through our sharing with one another the ideals which gave it birth—the ideals of liberty, justice, equality, and freedom—we will preserve and strengthen these ideals for all future time. In this way we will help bring about a society based on moral and ethical values and ensure that the new millennium will mark not only a change in calendar but a change in character as well.

We will then lead the family of nations to an unending era of tranquility, justice, and universal peace. Amen.

PLEDGE OF ALLEGIANCE

The Honorable CONRAD BURNS, a Senator from the State of Montana, led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

GUEST CHAPLAIN RABBI SOLOMON SCHIFF

The PRESIDING OFFICER (Mr. CRAPO). The Senator from Florida.

Mr. GRAHAM. Mr. President, I rise to thank our distinguished guest Chaplain, Rabbi Solomon Schiff, a personal friend, who has been a great contributor to the religious and civic life of our community and Nation and who has brought us an inspirational message to commence a long day of Senate deliberation.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDING OFFICER. The acting majority leader is recognized.

SCHEDULE

Mr. ROBERTS. Mr. President, today, by a previous order, the Senate will begin a series of stacked votes on the Abraham Social Security lockbox amendment, the Baucus motion to recommit, and the Robb amendment regarding effective dates of the provisions in the Taxpayer Refund Act of 1999.

Following the votes, Senator GRAMM of Texas will be recognized to offer a substitute amendment containing across-the-board tax cuts, estate tax relief, and reductions in capital gains taxation. By previous consent, there then will be 10 hours of debate time remaining on the bill today. Therefore, it is the intention of the majority leader and other rational Senators to continue to make significant progress on the bill and complete action on this legislation no later than tomorrow.

I thank my colleagues for their attention.

TAXPAYER REFUND ACT OF 1999—Resumed

The PRESIDING OFFICER. The clerk will report the bill.

The legislative assistant read as follows:

A bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000.

Pending:

Abraham amendment No. 1398, to preserve and protect the surpluses of the social security trust funds by reaffirming the exclusion of receipts and disbursement from the budget, by setting a limit on the debt held by the public, and by amending the Congressional Budget Act of 1974 to provide a process to reduce the limit on the debt held by the public.

Baucus motion to recommit the bill to the Committee on Finance, with instructions to report back with an amendment to reduce the tax breaks in the bill by an amount sufficient to allow one hundred percent of the Social Security surplus in each year to be locked away for Social Security, and one-third of the non-Social Security surplus in each year to be locked away for Medicare; and an amendment to protect the Social Security and Medicare surplus reserves.

Robb amendment No. 1401, to delay the effective dates of the provisions of, and amendments made by, the Act until the long-term solvency of Social Security and Medicare programs is ensured.

MOTION TO WAIVE THE BUDGET ACT AMENDMENT NO. 1398

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, the pending amendment is not germane. I raise a point of order that the Abraham amendment violates section 305(b)(2) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, pursuant to section 904(c) of the Congressional Budget Act of 1974, I move to waive the Budget Act for consideration of the ABRAHAM amendment.

Mr. GRAMM. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

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

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There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. There is 2 minutes of debate.

Who yields time?

Mr. REID. Mr. President, in a letter dated April 21, 1999, on a similar provision, then-Secretary of the Treasury Robert Rubin wrote to Senator MOYNIHAN that this ''provision could preclude the United States from meeting its financial obligations to repay maturing debt and to make benefit payments—including Social Security checks—also worsen a future economic downturn.''

The lockbox in this proposal is potentially destabilizing in a manner reminiscent of the constitutional amendment to require a balanced budget.

I remind those who propose rigid 10-year schedules for reducing the publicly held debt that economics does not follow the agricultural cycle. There will be periods when surpluses, both on and off budget, will fall far short of projections. We should not impose a debt reduction schedule, enforced by a declining debt cycle ceiling, even if it can be overridden with 60 votes. To do so will risk default every time the debt ceiling is lowered.

Mr. ABRAHAM. Mr. President, first of all, we have endeavored to and have modified our amendment to try to address some of these concerns. I think we have done so. I believe we have given sufficient flexibility so that there will not be the concerns that were raised in that letter.

This lockbox does not need a lot of debate. Americans have been hearing us talk about it now for almost 3 months. We will continue to try to get a straight up-down vote on this. I would note that once again this morning another procedural roadblock has been put in place to prevent us from getting a straight up-or-down vote. I regret that. I was prepared to come today and offer both sides the opportunity to have straightforward votes. If one side or the other in their various lockbox proposals got 50-plus votes, they would win and we could give the American people what I believe they want, and that is protection for their Social Security dollars sent to Washington. But again, once more, what we have had is a procedural impediment placed in the way of getting final action on this legislation.

Mr. President, I urge my colleagues who have previously supported this lockbox to do so. It is a tougher lockbox that protects Social Security. If we want to do it, I say vote ''yes.'' Vote to waive the Budget Act.

The PRESIDING OFFICER. All time has expired. The question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 54, nays 46, as follows:

[Rollcall Vote No. 227 Leg.]

YEAS—54

Abraham	Fitzgerald	McCain
Allard	Frist	McConnell
Ashcroft	Gorton	Murkowski
Bennett	Gramm	Nickles
Bond	Grams	Roberts
Brownback	Grassley	Santorum
Bunning	Gregg	Sessions
Burns	Hagel	Shelby
Campbell	Hatch	Smith (NH)
Chafee	Helms	Smith (OR)
Cochran	Hutchinson	Snowe
Collins	Hutchison	Specter
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
Crapo	Kyl	Thompson
DeWine	Lott	Thurmond
Domenici	Lugar	Voinovich
Enzi	Mack	Warner

NAYS—46

Akaka	Feingold	Lincoln
Baucus	Feinstein	Mikulski
Bayh	Graham	Moynihan
Biden	Harkin	Murray
Bingaman	Hollings	Reed
Boxer	Inouye	Reid
Breaux	Johnson	Robb
Bryan	Kennedy	Rockefeller
Byrd	Kerrey	Roth
Cleland	Kerry	Sarbanes
Conrad	Kohl	Schumer
Daschle	Landrieu	Torricelli
Dodd	Lautenberg	Wellstone
Dorgan	Leahy	Wyden
Durbin	Levin	
Edwards	Lieberman	

The PRESIDING OFFICER (Mr. FRIST). On this vote the yeas are 54, and the nays are 46. Three-fifths of the Senators present and voting, not having voted in the affirmative, the motion to waive the Budget Act is rejected. The point of order is sustained, and the amendment falls.

Mr. ROTH. Mr. President, I ask unanimous consent that the remaining votes in this series be limited to 10 minutes in length, and I ask that all the Members of the Senate stay on the floor. We have a full and busy day.

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

Mr. BAUCUS. Mr. President, I move to reconsider the vote.

Mr. REID. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

PRIVILEGE OF THE FLOOR

Mr. LEAHY. Mr. President, I ask unanimous consent that Peter McDougall of my staff be given floor privileges throughout the day.

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

MOTION TO RECOMMIT

The PRESIDING OFFICER. The question is on the Baucus motion.

Mr. BAUCUS. Mr. President, I understand each side has 1 minute of explanation.

The PRESIDING OFFICER. The Senator is correct.

Mr. BAUCUS. Mr. President, this is a very simple matter before the Senate. It is a choice: Do we want to protect Medicare or not. It is that simple. That is the choice that we are presented with today.

The amendment I am offering is the House lockbox which passed the House by an overwhelming margin—it only had three or four votes against it—along with the Medicare lockbox. The Medicare lockbox we provide sets aside one-third of the on-budget surplus for Medicare. It can be used in whatever way we want to use it for Medicare, including to provide an affordable prescription drug benefit or for shoring up Medicare solvency.

That is the choice before the Senate. Do we preserve Medicare or not. Our choice here today, however, is nothing compared to another choice. That is the choice that about 16 million seniors must make every day: Do I choose to buy my medicine, choose to pay the rent, or choose to buy food?

We are saying set aside and preserve for Medicare one-third of the on-budget surplus so that the choices facing seniors are not quite as abhorrent.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, this is another opportunity on the part of the other side to propose to the American people that they want anything but tax relief. This is a motion to recommit. It would do nothing to protect Medicare. It is the President's proposal, which is a phony transfer of IOUs to the Medicare trust fund. It does nothing to help senior citizens. It is just an effort to lock up $300 billion so you can't give the American people a tax cut, plain and simple. They don't want to confront the issue of a lockbox for Social Security so they muddle it up and instead of trying to solve something, they would like to create an issue instead of a solution.

Frankly, there are hardly any experts in America who look at this lockbox concept for Medicare and say it helps the seniors or it helps Medicare. If this is the plan the President is alluding to across this land, then he has none.

I believe, since the other side did not let us have a vote, we ought to do ours procedurally also, and I am compelled to do that.

Therefore: The language in this amendment is not germane to the bill before us, so I raise a point of order under section 305(b)(2) of the Congressional Budget Act.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, pursuant to section 904 of the Budget Act, I move to waive the applicable sections of that act for the consideration of the pending amendment.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act in relation to the Baucus motion to recommit S. 1429. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative assistant called the roll.

The yeas and nays resulted—yeas 42, nays 58, as follows:

[Rollcall Vote No. 228 Leg.]

YEAS—42

Akaka	Edwards	Lieberman
Baucus	Feingold	Lincoln
Bayh	Feinstein	Mikulski
Biden	Graham	Moynihan
Bingaman	Harkin	Murray
Boxer	Inouye	Reed
Bryan	Johnson	Reid
Byrd	Kennedy	Robb
Cleland	Kerry	Rockefeller
Conrad	Kohl	Sarbanes
Daschle	Landrieu	Schumer
Dodd	Lautenberg	Torricelli
Dorgan	Leahy	Wellstone
Durbin	Levin	Wyden

NAYS—58

Abraham	Frist	McConnell
Allard	Gorton	Murkowski
Ashcroft	Gramm	Nickles
Bennett	Grams	Roberts
Bond	Grassley	Roth
Breaux	Gregg	Santorum
Brownback	Hagel	Sessions
Bunning	Hatch	Shelby
Burns	Helms	Smith (NH)
Campbell	Hollings	Smith (OR)
Chafee	Hutchinson	Snowe
Cochran	Hutchison	Specter
Collins	Inhofe	Stevens
Coverdell	Jeffords	Thomas
Craig	Kerrey	Thompson
Crapo	Kyl	Thurmond
DeWine	Lott	Voinovich
Domenici	Lugar	Warner
Enzi	Mack	
Fitzgerald	McCain	

The PRESIDING OFFICER. On this vote, the yeas are 42, the nays are 58. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the motion falls.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I ask unanimous consent that all amendments and motions to recommit to S. 1429 must be filed by 2 p.m. today at the desk and with the bill managers.

Mr. STEVENS. Reserving the right to object, what time was that?

Mr. ROTH. Two p.m.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

AMENDMENT NO. 1401

Mr. ROTH. Mr. President, I think we are ready for the vote on the next amendment.

The PRESIDING OFFICER. There are 2 minutes equally divided. Who yields time?

Mr. ROBB addressed the Chair.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ROBB. Mr. President, this amendment simply delays the effective date of the tax cut that is proposed. There are many who believe that a tax cut of this magnitude at this time would be ludicrous. But that is not the issue. The issue is whether or not we ought to go ahead with a tax cut notwithstanding the fact that we have not protected Social Security and Medicare.

Most of the people who have spoken so far have talked about their concern for doing just that. The lockbox provisions were proposing to do just that.

If you want to save Social Security and Medicare, this is an incentive. It will delay the implementation of the act, but it will not negate the effectiveness of the act.

I ask that our colleagues vote to support this particular amendment, save the one-half of 1 percent of the total which would be expended this year, and not lock in cuts that would cost $792 billion, which would be almost impossible to reverse should that prove to be the case.

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

Mr. THOMPSON addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, no one in this chamber thinks other than that we want a real, sound, solid, and solvent Social Security system and Medicare system. Most of us, however, realize we will only have that if we have fundamental reforms in those systems, such as that proposed by the Medicare commission at which the President scoffed.

This amendment will serve to actually make Social Security and Medicare less sound. It will actually delay the process of real reform. The solvency dates that are used in this legislation are taken from the President's proposal and will invariably result in pouring more and more general revenues into these entitlement programs, delaying the day when we have to face up to the fact that we have to have fundamental reform.

Our bill sets aside 75 percent of the surplus for Medicare, Social Security, debt retirement, and other spending priorities. With regard to the 25 percent remaining, there is no reason to delay tax cuts.

If we saved every penny of the surplus, put it into Medicare and Social Security, it would not do one thing toward solving the fundamental problem.

This language is not germane to the bill now before us; therefore, I raise a point of order, under section 305(b)(2) of the Congressional Budget Act of 1974.

Mr. ROBB. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive the applicable sections of that act for the consideration of the pending amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Congressional Budget Act in relation to the Robb amendment No. 1401. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 46, nays 54, as follows:

[Rollcall Vote No. 229 Leg.]

YEAS—46

Akaka	Feinstein	Mikulski
Baucus	Graham	Moynihan
Bayh	Harkin	Murray
Biden	Hollings	Reed
Bingaman	Inouye	Reid
Boxer	Johnson	Robb
Bryan	Kennedy	Rockefeller
Byrd	Kerrey	Sarbanes
Cleland	Kerry	Schumer
Conrad	Kohl	Snowe
Daschle	Landrieu	Torricelli
Dodd	Lautenberg	Voinovich
Dorgan	Leahy	Wellstone
Durbin	Levin	Wyden
Edwards	Lieberman	
Feingold	Lincoln	

NAYS—54

Abraham	Enzi	Mack
Allard	Fitzgerald	McCain
Ashcroft	Frist	McConnell
Bennett	Gorton	Murkowski
Bond	Gramm	Nickles
Breaux	Grams	Roberts
Brownback	Grassley	Roth
Bunning	Gregg	Santorum
Burns	Hagel	Sessions
Campbell	Hatch	Shelby
Chafee	Helms	Smith (NH)
Cochran	Hutchinson	Smith (OR)
Collins	Hutchison	Specter
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
Crapo	Kyl	Thompson
DeWine	Lott	Thurmond
Domenici	Lugar	Warner

The PRESIDING OFFICER. On this vote the yeas are 46, the nays are 54. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

The point of order is sustained, and the amendment falls.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 1405

(Purpose: To return to the taxpayers a portion of the budget surplus that they created with their tax payments)

The PRESIDING OFFICER. Under the previous order, the Senator from Texas is recognized to offer an amendment.

Mr. GRAMM. Mr. President, I send an amendment to the desk in the nature of a substitute for myself, for Senator LOTT, Senator NICKLES, Senator MACK, Senator COVERDELL, Senator CRAIG, Senator MCCONNELL, Senator INHOFE, Senator HUTCHISON, Senator BUNNING, Senator KYL, Senator BOB SMITH of New Hampshire, Senator ALLARD, and Senator HAGEL, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Texas [Mr. GRAMM], for himself, Mr. LOTT, Mr. NICKLES, Mr. MACK, Mr. COVERDELL, Mr. CRAIG, Mr. MCCONNELL, Mr. INHOFE, Mrs. HUTCHISON, Mr. BUNNING, Mr. KYL, Mr. SMITH of New Hampshire, Mr. ALLARD, and Mr. HAGEL, proposes an amendment numbered 1405.

Mr. GRAMM. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. GRAMM. Mr. President, I have the highest admiration for the chairman of the Finance Committee. I am supportive of the tax cut he has crafted in committee. I intend to vote for it on final passage if this amendment fails.

But I believe we need a clearer vision. I believe we need to define very precisely what we would like to use this tax cut to do, rather than running around trying to stick a nickel in everybody's pocket with a targeted program.

I would prefer to have a tax cut that has clear themes and this is a very simple substitute because it consists of simply five things. So this is a tax cut that you can explain to every American, and it contains basic principles that I believe every American can understand and support.

The first principle is we ought to have an across-the-board tax cut of 10 percent. Now, I know our Democrat colleagues are going to jump up and down and say, first of all, that 32 percent of American families pay no income taxes, and so if you have an across-the-board tax cut, they will not get a tax cut. And that is right. Tax cuts are for taxpayers. If you don't pay taxes and we have a tax cut, you don't get a tax cut. Most Americans don't get food stamps; most Americans don't get TANF; most Americans don't get Medicaid because they don't qualify for those programs. If you don't pay taxes, you don't qualify for a tax cut.

Our Democrat colleagues are obviously going to jump up and down and say that Senator ROCKEFELLER, who pays 10 times as much taxes as I do, with a 10-percent across-the-board tax cut, will get 10 times as big a tax cut. That is right, but he pays 10 times as much taxes. If you ask people in your church to take up money to build a new parsonage and it turned out you had taken up too much money, and you decided to give it back, isn't the logical way to give it back to simply take how much an individual gave and take the amount that you didn't need and give it back to them proportionately?

So the point is, the first principle we believe in is there ought to be an across-the-board tax cut, so every American who pays income taxes will get a tax cut. Now, our Democratic colleagues have said they believe if you are rich, which means you are in the upper half of the income distribution—and they design that as roughly making somewhere around $50,000—you don't deserve a tax cut. In their proposal, you basically don't get one. I want to remind my colleagues that by excluding people who pay 99 percent of the income taxes in America, they are excluding from a tax cut 62 percent of all homeowners, 66 percent of all Americans between the ages of 45 and 64, 67 percent of all families who have children in their homes, 67 percent of all full-time workers, 68 percent of all Americans who have some college education, 69 percent of all married couples, and 80 percent of all two-wage earner families in America.

Our Democrat colleagues love investment, but they hate investors. They love the benefits of capitalism, but they hate capitalists. An across-the-board tax cut gives everybody a tax cut, and if people pay a lot of taxes, they get a bigger tax cut—not proportionately, but they get the same tax cut. If that offends you, if you believe that somehow people who make over $50,000 a year are the enemies of the people and they ought to continue to be punished, you would want to be against this provision.

The next thing this provision does is it eliminates the marriage penalty. Most Americans are not aware of that because our Tax Code is so perverted, if two young people, both of whom work, fall in love and get married, they, on average, pay the Federal Government $1,400 a year in taxes for the right to be married. My wife is worth $1,400, but the point is, she ought to get the money, not the Government. We eliminate the marriage penalty.

Secondly, we have income splitting. Now, I know some of our Democrat colleagues are going to get up and say, well, look, if the husband earns all the money and the wife stays at home and raises the children, they ought not to get the correction for the marriage penalty. Well, we do income splitting. We have decided we don't want to inject the Tax Code in the decision about whether people work outside the home or not. My mama worked every day that I was a child, and she did it because she had to do it. My wife has worked every day that our children have been alive because she wanted to do it. I am not trying to distort the decision one way or another, or make a judgment. All I am saying is that people who stay at home and raise their children contribute to America. They make a big contribution. By allowing a couple, where only one of them works outside the home, to split their income and attribute half to each one of them—that is what the partnership of marriage is about—we are able to give them a substantial reduction in the penalty they pay for being married.

The next provision is, we repeal the death tax, which is a certain kind of death penalty. I like the death penalty where we put murderers to death. I don't like the death penalty when working people die and we end up forcing their children to sell their business or their farm. All over America, people work a lifetime to build up a business or a farm, and then when they die, their children have to sell that business or sell that farm to give Government 55 cents out of every dollar they earned in a death tax. This provision repeals the death tax.

Now, I know that our Democrat colleagues are going to get up and say, well, these are rich people. But I want to give you an example. When I first met a printer from Mexia named Dicky Flatt, I met him about 25 years ago. He was in business with his daddy, who worked on these old calculator machines that businesses use. His mama kept all the books, his wife basically was working in their stationery shop, and Dicky Flatt did the printing business. They had an old building in Mexia, and it was cracking right down the middle. They kept putting sand in the bottom and kept tar-papering over the top. They had one bathroom, and it didn't have a door on it; it had a curtain on it. So when you went in to use the bathroom, you pulled the curtain.

Now, they worked hard in that business. So now Dicky Flatt has torn down that building. He has built a Morton building, a metal building, and he has a good size print shop and stationery shop. He sent his two sons to Texas A&M. They have come back and have gone into business with him. He works every day. He gets in at 6 and leaves about 8. He is there on Saturday until 6 o'clock. Whether you see him at the PTA, Boy Scouts, or the Presbyterian Church, try as he may, he never gets that blue ink off the ends of his fingers.

Now, Dicky Flatt may be rich, for all I know. He doesn't live like a rich guy. When his brother died of cancer, he took over his school supply business with his wife. My basic point is that Dicky Flatt and Linda, his wife, have worked 6 days a week their whole lives. They built up this business. Every penny they put into it has been in after-tax dollars. How can it be right to force their two boys, who now work in that business, to sell that business when Dicky and his wife Linda die in order to give the Government 55 percent of it, in order to take the money from Dicky Flatt and give it to people who have been sitting on their fannies in Mexia, not working on Saturday, and in some cases, not working at all? I am sure we are going to hear that this is for rich people. I want to put a human face on it.

When we revolted against King George, he wasn't doing things such as the death tax. This is an outrage. This is an assault on every value this country stands for, and I want to repeal it and repeal it outright.

I want to index the capital gains tax.

That is the fourth provision of this bill.

I want to say that from this day forward, if you buy a house as an investment and the price doubles and you sell the house for twice as much as you paid for it, you haven't made any money, you simply kept up with inflation. But under current tax law, you have to pay the Federal Government a capital gains tax on the doubling of your house's price even though that new price will buy only the amount of goods you could have bought with the money for which you bought the house. So the next thing we do is index the capital gains tax for inflation.

Finally, we eliminate not the last outrage in the Tax Code but it is a big outrage. If General Motors buys you health insurance, it is tax deductible for them, but if you buy it for yourself, it is not tax deductible. We eliminate that by saying that no matter who buys health insurance in America, the employer or the employee, a retiree or a worker, a homemaker or someone who is employed in the economy, that health insurance is tax deductible.

It is a simple tax cut that you can put on one piece of paper. If you pay taxes, you are going to get a 10-percent reduction in income taxes out of this bill. It is easy to figure. If you pay $1,000 in income taxes, you are going to get $100. If you pay $10,000, you are going to get $1,000. If that breaks your heart, so be it. I think most people will like it.

Second, we eliminate the marriage penalty and we allow income splitting. If you have one parent who stays at home, you are able to divide the income in half and have each of them claim half that income that belongs to them. This is endorsed by every family group in America because it is the right thing to do.

We repeal the death tax outright over a 10-year period—no ifs, ands, or buts. If you live 10 more years, under this bill, and you build something with after-tax dollars, it belongs to your family forever.

That is simple arithmetic. I think we can all understand it.

We index the capital gains tax so that you never pay capital gains tax again on inflation. This is a big issue for every homeowner and for every investor in America.

Finally, we provide full deductibility of health insurance. This is an equity issue. It is something that ought to be done.

This is a tax cut you can understand. It represents what I believe is the vision of the party of which I am proud to be a member. I hope my colleagues will vote for this substitute. I believe it represents a dramatic improvement and simplification in the Tax Code.

I reserve the remainder of my time.

The PRESIDING OFFICER (Mr. ALLARD). Who yields time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield 1 minute to the Senator from California and then 10 minutes to the Senator from Wisconsin, off the bill.

The PRESIDING OFFICER. The Senator from Delaware controls the time in opposition.

Mr. BAUCUS. The Senator from Delaware delegated that to the Senator from Montana.

The PRESIDING OFFICER. The Chair thanks the Senator for that clarification.

The Senator from California is recognized.

Mrs. BOXER. Thank you, Mr. President. I thank Senator BAUCUS.

My colleague from Texas says the Democrats hate investors and the Democrats hate capitalism. As a former stockbroker, I deeply resent his remarks. Maybe when the Senator from Texas was a Democrat he hated capitalism and he hated investors, but the Democrats around here don't. One of the reasons we are not supporting his amendment is that we think it is bad for capitalism and we think it is bad for investors.

I have to say that this amendment, which reflects what the House did, is a risky and radical amendment. It hurts the middle class. He says he loves the middle class. He talks about his momma and Dicky Flatt. And I love to hear him do it. But the bottom line is, the result of his amendment will hurt the very people he says he wants to help because it is such an unfair tax cut that would go to the very wealthiest and hurt the middle class and the working poor.

I say to my friends who may be listening to this debate, the Senator from Texas is a great debater but he was wrong when he said the Clinton plan would lead to economic disaster and he is wrong today. I hope we will vote down his amendment.

I yield my time.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I thank the Senator from Montana.

Mr. President, I rise to offer some comments on the reconciliation tax measure we are considering.

First, let me note that we have come a long way in the last seven years.

When I first came to the Senate, we were facing an actual budget deficit of $340 million.

That was the real figure—the figure that did not use the Social Security Trust Fund balances to mask the deficit.

Thanks in large part to the President's deficit reduction package in 1993, and to a lesser extent the bipartisan budget cuts of 1997, we are approaching a truly balanced budget.

I emphasize ''approaching,'' Mr. President, for we are not there yet.

The budget projections of the Office of Management and Budget, and of the Congressional Budget Office, are just that—projections.

We do not currently have a budget surplus, not without including the Social Security Trust Fund balances.

Mr. President, I do not mean to minimize the wonderful budget turnabout that has been achieved.

But we should not be building massive new commitments on a shaky foundation of questionable budget assumptions.

And that is just what we have.

The assumptions underlying the tax measure we will debate depend on Congress making cuts of $775 billion in real spending over the next ten years compared to current levels.

Let me note that this level of cuts does not include any additional cuts that might have to be made in order to offset the cost of unanticipated emergencies.

Let me repeat that, Mr. President.

The $775 billion in real spending cuts over the next ten years does not include the spending we do to help the victims of hurricanes, earthquakes, tornadoes, floods, or any kind of international emergency.

But, for the moment, let us suppose that there will be no hurricanes, or earthquakes, or tornadoes, or floods in the next ten years.

Let us suppose that there will be no international emergencies that require our assistance.

Will Congress find the political will to cut spending by three-quarters of a trillion dollars over the next ten years?

Mr. President, Congress has yet to demonstrate it can stay even within the current spending caps, let alone find an additional three-quarters of a trillion dollars in cuts.

Last fall, Congress passed an omnibus appropriations bill that busted the current spending caps by more than $20 billion.

This past winter, even before we passed a budget resolution, the Senate passed another budget buster, S. 4, the military pay and retirement measure, which over the next ten years would add another $62 billion in spending.

And just a few weeks ago, Congress busted the spending caps yet again with $15 billion in additional spending.

Mr. President, this is not a record of fiscal discipline.

Nor is it the kind of record that should give anyone confidence that the budget assumptions underlying this tax bill are sound ones.

Mr. President, the assumptions underlying this tax bill are grounded not in fiscal reality but in political expediency.

But, let us assume that somehow, Congress was able to enact the three-quarters of a trillion dollars in spending cuts.

And let us further assume, as we did earlier, that there will be no hurricanes, or floods, or earthquakes, or drought, or any other kind of natural disaster for the next ten years.

And that there will be no more Bosnias or Kosovos or Iraqs—no international emergencies of any kind for the next ten years.

Even under all of these assumptions, would this tax proposal be a sound one?

The answer is no, because even if each and every one of those rosy scenarios comes true, this bill would use over $75 billion in Social Security balances to pay for the tax breaks.

Mr. President, I strongly oppose using Social Security to fund tax cuts; that is why I voted against the 1997 tax cut package.

We simply should not be using Social Security balances—balances needed to pay future benefits—to fund other government programs, or to pay for tax cuts.

Of course, some may argue that even more spending cuts will be found in order to avoid the use of Social Security balances—on the top of the three-quarters of a trillion dollars in cuts assumed in this measure.

Mr. President, granting even this still rosier scenario, would this tax measure be fiscally responsible?

I regret that it would not, because not only does this tax bill risk our current budget, it puts future generations at risk as well.

Mr. President, while the revenue impact of any tax cut measure can be expected to grow over time, the policies outlined in this measure explode.

Consider that while in the next ten years, the cost of this proposal is an already whopping $800 billion—if those tax policies are continued, the cost in the second ten years will be a nearly unbelievable $2 trillion.

If you add the additional interest payments that will arise from debt service, the total cost of the tax policies in this bill rise to over $3 trillion.

For those who may have forgotten, let me remind my colleagues that it is in that second ten years when the baby boomer generation begins to retire and put increased pressure on Social Security, Medicare, and the long-term care services provided under Medicaid.

If ever there were a time to be prudent, now is the time.

As improved as the short-term budget picture is, the longer-term budget picture is little changed.

We still face serious problems in Medicare, and as I noted, the baby boomer generation will put enormous pressure on that program, as well as on the long-term care services, many of which are provided through Medicaid.

There is also a consensus that we should address the long-term fiscal health of Social Security, and the sooner the better.

And finally, Mr. President, we still face a mountain of debt that was run up during the 1980s and early 1990s because of the deficits that were run up during that time.

In each of these areas, there is a stark choice: we can act now to address each of these areas; or, we can ignore them, watch the problems get much worse, and leave the work and cost of reform to our children and grandchildren.

Mr. President, for me, that's an easy choice.

I do not want my children footing the bill for the failure of past generations to act responsible.

I want to support a tax cut, but not one that jeopardizes the work we have done to straighten out the current budget and squanders the opportunity to reduce our debt and put Social Security, Medicare, and our long-term care system on sound footing.

Mr. President, let me take a moment to look at the make-up of the tax measure itself.

One might expect that a tax cut of $800 billion would provide the sort of broad-based tax benefits that would be politically attractive.

But given the amount of revenue dedicated to this tax cut, the benefits to the average taxpayer are surprisingly small, and the overall package is heavily skewed to some of the wealthiest individuals and corporations in the world.

As was noted by the tax watchdog group Citizens for Tax Justice, the tax bill gives three-quarters of its benefits to the best-off fifth of all taxpayers.

By contrast, only 11 percent of the tax bill's benefits go to the bottom 60 percent of all taxpayers.

While the average tax reduction for the wealthiest 1 percent of taxpayers—those with incomes over $300,000—is over $23,000 a year under this bill, those with more average income do not do quite as well.

The average tax cut for those who are among the middle fifth of taxpayers will be $279, or about $5 per week.

For those in the bottom three-fifths of all taxpayers, the average tax cut is even smaller—about $140 per year, or less than $3 per week.

Mr. President, under this $800 billion tax bill, the majority of taxpayers will have an average tax cut of $3 per week.

Maybe the proponents of this bill are hoping most of America will use this windfall to buy one of those overpriced cups of coffee.

Well, Mr. President, thanks to this tax bill, once a week, three-fifths of America will now be able to go to one of those fancy coffee shops and get a frothy decaf cappuccino latte with skim milk.

This tax bill is a bad tax policy any way you brew it.

Mr. President, I recognize that some may genuinely believe we should dedicate about $800 billion to tax cuts over the next ten years.

The tragedy is that even in that context, the $800 billion was spent unwisely, because in addition to Social Security, Medicare, long-term care, and reducing our national debt, one of our highest priorities should be significant reform of our tax code.

It was just a few months ago that we heard how critical fundamental tax reform was to our future.

Flat tax, consumption tax, a national value-added tax—there were a number of significant proposals that sought to address the inefficiency of our current Tax Code.

Simplification was the order of the day, and let me add, Mr. President, that while I did not support many of those proposals, I think many of the proponents of reform got it exactly right.

Our Tax Code should be simplified.

We should reduce the number of special interest tax breaks and use that savings to lower the tax rates for everyone.

I participated in just that kind of exercise at the State level as chair of the Taxation Committee in the Wisconsin State Senate.

As we all know, there will be winners and losers in a reform of our tax code, and I can tell you from direct experience that the best time to enact tax reforms is when you have additional resources to help increase the number of winners and decrease the number of losers.

Mr. President, this tax bill and the House version both squandered that opportunity as well.

We might have had a significant start on real tax reform.

Instead, we got a grab bag of goodies for special interests added to a tax code already thick with complexity.

A recent article in the Washington Post listed a number of the special interest tax breaks in this bill and the House version.

They include tax breaks for: multinational corporations, utility companies, railroad, oil and gas operators, timber companies, the steel industry, seaplane owners in Alaska, sawmills in Maine, barge lines in Mississippi, Eskimo whaling captains, and Carolina woodlot owners.

This bill is a dream come true for business lobbyists.

The Post reported one lobbyist as saying, ''If you're a business lobbyist and couldn't get into this legislation, you better turn in your six-shooter.''

Mr. President, in the name of complete disclosure, let me note that I understand the Democratic alternative, which I may support, suffers from the same problem, though to a much lesser extent.

And it will come as no surprise to my colleagues that I firmly believe this kind of pandering to special interests is a direct result of our campaign finance system.

There's ample evidence to that effect right here in this bill.

The campaign finance system gives wealthy interest an open invitation to influence legislation in this body, and in this bill it's clear that special interests accepted that invitation in droves, Mr. President.

For the benefit of my colleagues and the public, I'd like to share just a few examples of what these interests gave in PAC and soft money, and what they got in either this bill, the House tax measure, or both.

I do this from time to time; it is known as ''The Calling of the Bankroll.''

According to the Washington Post, an umbrella organization called the Coalition of Service Industries, a coalition of banks and securities firms, won a provision to extend for five years a temporary tax deferral on income those industries earn abroad. The value of this tax deferral: $5 billion over ten years.

So we know what Congress has given the Coalition of Service Industries, but what has the Coalition of Service Industries given to candidates and the political parties? During the 1997–1998 election cycle, coalition members gave the following:

Ernst & Young—more than half a million dollars in soft money, and nearly $900,000 in PAC money.

CIGNA Corporation—more than $335,000 in soft money, and more than $210,000 in PAC money.

American Express—more than $275,000 in soft money and nearly $175,000 in PAC money.

Deloitte and Touche—more than $225,000 in soft money and more than $710,000 in PAC money.

Of course, as I said Mr. President, this is just a sampling of what Coalition of Service Industries members have given. I'd be up here a lot longer if I had a document all the millions of dollars these groups have given.

But it doesn't stop there. These two tax bills mean Christmas in July for special interests, Mr. President, with gifts for jut about every industry in Santa's bag.

The post reports the utility industry got a provision affecting utility mergers in the House measure, which, if it survives, is worth more than $1 billion to the utility industry. The provision would excuse the payment of taxes on the fund that utilities set up to cover the costs of shutting down nuclear power plants.

Utilities companies that operate nuclear power plans would be particularly grateful to see this provision passed, Mr. President.

Their depth of their gratitude would be matched only by the size of their campaign contributions during the last election cycle, including:

Entergy Corporation, which gave $228,000 in soft money and nearly $250,000 in PAC money;

Commonwealth Edison, which gave $110,000 in soft money and more than $106,000 in PAC money;

And Florida Power and Light, which gave nearly $300,000 in soft money and more than $182,000 in PAC money.

As it does so many other issues, our campaign finance system is preventing real reform to our tax code, and those who doubt that only need to look at this bill.

Mr. President, the best thing we can say about this tax bill is that it will not be enacted into law.

The President will almost surely veto it, and he will be right in doing so.

This bill is fiscally irresponsible.

It depends on budget suppositions that are at best fanciful.

It uses Social Security balances to pay for tax cuts.

It proposes a tax policy that no only jeopardizes our current budget but our future fiscal health.

It sticks our children and grandchildren with the cost of paying-off the debt run up over the past two decades, and leaves them the task of extending the solvency of Social Security, strengthening Medicare, and reforming our long-term care system.

And it hands our special interest tax breaks galore while providing little tax relief to the vast majority of taxpayers.

Mr. President, I will vote against this bill, and urge my colleagues to do so as well.

Mr. President, I yield the floor.

Mr. BAUCUS. Mr. President, I yield 5 minutes to my good friend from Delaware, Senator ROTH.

Mr. ROTH. Mr. President, Senator GRAMM has provided Members with a straightforward alternative to the bipartisan Finance Committee bill. I compliment him on the clarity of his approach, much of which I favor. Although provisions of Senator GRAMM's substitute have appeal for me, frankly, I could not have used it as a basis for the Finance Committee. His proposal contains elements that would not garner a majority of committee members.

In addition, Senator GRAMM's substitute, though popular with many in the Senate Republican caucus, would not pick up support on the other side of the aisle. For that reason, his proposal would not be a blueprint for tax cuts, in the form of a signable bill, that we can deliver to the American people now.

Finally, although Senator GRAMM's amendment is simpler, it leaves out many bipartisan tax measures that address important tax issues. For instance, education savings incentives are deleted. This means parents who want to save for a child's college education would be left out of the picture. We're talking about millions of parents and students in every state.

Yet another example is the student loan interest deduction. Under the Finance Committee bill, at least three million graduates, bearing the burden of college debt, would be allowed to deduct student loan interest on their tax returns.

In my legislation I try to focus on matters of need to the American family. I provide incentives to promote savings, pensions, IRAs. Many in retirement depend not only on Social Security, which we will address, but also on personal savings and pensions. My bill addresses that. There is nothing to correct the problems of AMT, the alternative minimum tax. Unfortunately, thousands upon thousands of American families will be hit by AMT and not enjoy the full benefit of many programs such as the child tax credit.

Finally, nothing is done with respect to charitable giving. We have proposals that will promote and create incentives.

For these and other reasons, I must oppose Senator GRAMM's well-intentioned amendment.

I reserve the remainder of my time.

Mr. BAUCUS. Mr. President, I yield myself such time as I might consume.

The Finance Committee has already rejected this provision. The Finance Committee deliberated this amendment in committee, and, by a large margin turned it down because it is excessive. It is irresponsible, in my judgment. It is not the right thing to do. It says we are going to take the entire on-budget surplus. And because of the tax cut plus the lost interest on the debt, there is nothing left for Medicare, discretionary spending or any other programs which will be cut anyway by a very large margin.

It is excessive, too, compared to the bill passed by the committee because it is so backloaded. It is so top heavy. By that, I mean the bulk of the cost of the provisions are at the very end—6, 7, or 8 years from now. No one can predict the future of this country and what position we will be in 6 to 8 years from now.

I was speaking to the CEO of a major American company a few days ago, a man we all know, a company we all know very well. He told me they can't begin to plan for the future. They do have 5-year plans but they know the 5-year plans are not going to be accurate. So they have to just do the best they can on virtually a quarterly basis. They have to go ahead in the areas they think are the areas of the future, but it is almost impossible to plan in this modern era.

So I say, if we today were to lock in provisions in the law which will hemorrhage this country's budget surplus based upon ephemeral, distant projections which are never accurate, that is not responsible. That is not the right thing to do. And that is what this amendment does. That is why basically, fundamentally, without going into all the details of it, why this does not make sense. It has often been stated during this debate that the time when the baby boomers begin to retire is when these things really start to kick in and the costs explode.

I think prudence is the watchword here today. History sometimes is a guide. Look at the 1980s. What happened in the 1980s? There was a huge tax cut. Congress succumbed to the siren song of supply side economics. What was supply side economics supposed to do? It was supposed to make deep tax cuts, spend more on defense, and guess what, folks, that is going to cause the budget to be balanced. That was what supply side economics was supposed to do—advocated, by the proponents of this amendment. It was going to balance the budget.

The theory is the trickle down theory: Cut the taxes of the most wealthy, they invest a lot more, it trickles down and the economy starts humming and it balances the budget. That was the Laffer curve. Guess what, it did not work. We kind of knew it was not going to work, but it was such a temptation, such a siren song to vote these huge tax cuts, hoping, hoping, hoping that what the proponents said would come true. Guess what, it did not. It did not come true at all.

The tax cut was passed in 1981. Then what happened in 1982? This Congress, a Republican Congress, and President Reagan, had to change course. They had to raise taxes. The Republican Congress and Republican President raised taxes in 1982. Then guess what. This tax increase was not enough because the deficits were just so large. The Republican Congress and Republican President had to raise taxes again in 1984. They had to raise taxes more because the deficit was so large. The national debt in 1980 was roughly about

$1 trillion; 8 years later it was roughly $3 trillion, maybe close to $4 trillion. It tripled and quadrupled during that time of the huge tax cuts. Then we had to add more taxes back again in 1982 and 1984.

So, in many ways this is history repeating itself. Democrats in the Senate support a tax cut. We support using a third of the on-budget surplus to pay for a tax cut. But we are just saying don't use all of the on-budget surplus for tax cuts with virtually all going to the most wealthy Americans.

Do you know what else is going on here? I do believe the proponents of this bill are so—not distrustful, but so opposed to Government that they want these huge tax cuts partly to force down deeper cuts, way below the baseline in spending. I think they want to cut veterans' benefits 30 percent; they want to cut health education 20, 30 percent; want to cut these programs. I think there are really many on that side who want to make these cuts. They want to. As strange as that might sound, they want to. That is another reason for this huge tax cut because it will force cuts in spending later on.

We have already cut spending. Discretionary spending has been cut so much by this body over the last 10 years it is unbelievable. And the size of government has gone down, with many fewer federal employees than there were years ago.

To sum it all up, we have seen this provision in the Finance Committee. The Finance Committee soundly rejected this amendment. I urge the Senate to also soundly reject this amendment. It is not good policy.

I reserve the remainder of our time.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I yield 10 minutes to the distinguished Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, I think Senator GRAMM is bringing a very important principle to the table, one that we need to address: If we are going to have a tax cut, what kind of tax cut should we have? What is best for the economy, and what is fair?

There was a consensus in this country, 10, 15 years ago, that we needed to have a tax policy based upon a broader base and lower rates. That is essentially the tax bill that came out in 1986. We came down to two tax rates. We had a 15-percent and a 28-percent tax rate. There was a broader base, where more people were paying taxes, but lower rates.

In the 1990s, we have gotten away from that. We have gotten away from that principle and gone, instead, toward what has been referred to as targeted tax cuts. That its basically the Government—we, the President—that decide, on an individual basis, who deserves the tax break or tax cut in any particular year. Usually it is based upon how much clout they have, or some notions of fairness of a particular congressional makeup at some particular time. So now we have wound up with higher rates and a narrower base. We now have five income tax rates instead of the two we had back in 1986 in addition to phaseouts. The Tax Code, not only do we have additional rates, it has become more progressive, even in addition to those rates.

I do not think a lot of people are aware of this. I think most Americans think initially, basically, they can look at tax rates and see what their tax burden is. But then you look at all the phaseouts that we have. Congress has decided in its wisdom that people of a certain income level do not deserve some of the deductions, exemptions, and benefits that others deserve. So we have a personal exemption phaseout.

We have an itemized deduction phaseout at basically the $124,000 level for individuals. I am talking about individuals and not couples, in terms of the dollar amounts I am using. The personal exemption phaseout; itemized deduction phaseout, limitation of only being able to deduct that amount over 2 percent of itemized deductions; a 7.5 percent floor on medical deductions; a 10 percent adjusted gross income floor on casualty deductions; a $500 child credit that phases out at an income level of $75,000; a dependent child credit that begins to be phased out at an income level of $10,000—if you make that much it begins to be phased out; a deductible IRA, $30,000; an education IRA, $95,000; the HOPE credit, college credit, begins to be phased out at $40,000 for an individual. So we want to help you go to college, we want to help your kids go to college—as long as you do not have a job, basically is what that amounts to.

We have a life-time learning credit of $40,000; student loan interest deductions, at $40,000 it begins to be phased out; education savings bond interest—if you make $52,000 you begin to lose that; elderly/disabled credit, $7,500; adoption credit/exclusion, $75,000; DC first time homebuyer—if you make $75,000, you begin to have that phased out as a taxpaying individual; rental real estate losses; rehabilitation tax credit—on and on and on.

In addition to continuing to raise the tax rate—the highest one in 1986 was 28 percent and now it is up to 39.6 percent plus the maximum—plus the limited itemized deductions and phaseout of personal exemptions, you wind up with an effective rate of over 40 percent. When you remove the cap on Medicare tax, plus these phaseouts, you are looking at, in some cases, close to an effective 45-percent tax rate, something like that.

My only point is that, as we decide how to go forward, we need to understand that we have a progressive system as far as our income Tax Code is concerned, and that is the way it ought to be. A lot of people believe it is that way. But every time we have a tax cut, we cannot say let's give everybody the same dollar amount back in taxes regardless of how much they paid in because we have a very progressive system.

We have progressive tax rates up to 39.6 percent, with phaseouts so that if you are making any money, if people are working hard and making a pretty good living, they begin to lose the deductions and credits. That makes it even more progressive.

We come along and say we are going to give a tax cut now, and we say if the other guy is paying twice as much in taxes as I am, give him a tax cut. He lost all these exemptions because he is making good money. He is paying twice as much in taxes. But we come along with a tax cut and we say they are going to both get the same amount back? I do not think that makes much sense.

Let's say the economy was good and we were able to have successive tax cuts over a period of time and we gave the same dollar amount back to everybody regardless of how much they were paying in taxes. We would have a narrower and narrower base all the time and fewer and fewer people paying any taxes at all. We would continually be taking people off the tax rolls. We already have 43 million people who do not pay taxes.

As progressive as our Tax Code is, as does the Senator from Texas, I make no apologies for the proposition that when it comes time for a tax cut, let's base the tax cut on how much people are paying in.

We have to ask ourselves a fundamental question: Are we interested in punishing folks who make a good living or are we interested in collecting money for the Federal Government to pay legitimate Government expenses? History shows every time we have had a reduction in tax rates, we have more money. Every time the Government reduces rates in any appreciable amount, the Government winds up getting more money.

In the 1920s, it was true. In the 1960s, under President Kennedy, who said a rising tide lifts all boats, it was true. In the much maligned 1980s, which laid the groundwork for the greatest economic prosperity this world has ever known, it was true.

Increased revenues in the twenties was 61 percent over a 7-year period. In the sixties, a revenue increase after inflation was about 33 percent. In the eighties, after cutting the tax rates, revenues increased 28 percent because it reduced the incentive to hide income, to shelter income, and to underreport income.

Similarly, the share of the tax burden paid by the rich rose dramatically as the rates fell. By cutting rates, we get more money out of the rich.

Do we want to be concerned about how much somebody is making and try to hold that down or do we want the money for the Federal Government? I thought the idea was to have a fair Tax

Code but to raise the money for the legitimate expenses of the Federal Government.

In the 1920s, they called rich $50,000. I guess things have not changed that much. But in 1921, the rich paid 44 percent of the income tax. In 1928, after the rate cut, they paid 78 percent of all taxes. The gap was not quite as pronounced later on, but in 1963 under President Kennedy, at the time of the cut, the rich were paying 11.6 percent of all the taxes being paid. In 1966, they were paying 15.1 percent. In the 1980s, we were talking about the top 10 percent——

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

Mr. THOMPSON. I ask for another 3 minutes.

Mr. GRAMM. I yield the Senator another 3 minutes.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. In the 1980s—1981—the rich were paying 48 percent of the taxes. In 1988, they wound up paying 57 percent of the taxes. We do not get a lot of credit taking up for the rich, but our responsibility as public servants is to look out for the country and have policies that are going to get the most money and not try to be too concerned about who is going to get this share of the economic pie: I am going to get yours; you are not going to get mine. Our concern should be with making that economic pie better.

As far as an across-the-board cut is concerned, every serious observer nowadays thinks it is sound economic policy. Lawrence Lindsey, former Federal Reserve Board member, George Shultz, former Secretary of State, and even the oft quoted Chairman Greenspan—there may be some discussion as to when he thinks a tax cut should come about, but he says when it comes about, it ought to be an across-the-board rate reduction. This is sound economic policy.

I know the prospects for this particular amendment, but all of this business about soak the rich and unfairness, we need to keep a little balance and keep things in mind. If we want more money, if we want to be fair—first of all, we have to recognize we have a very progressive system in this country, so when it comes time for a tax cut, let's pay some attention to the idea of across the board and not have politicians deciding the detailed targeted tax cuts for their favorite people, but make it across the board. It is more fair, and it will get more money for the Federal Treasury. I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I yield myself such time as I may take off the bill.

Mr. President, a number of my colleagues have attacked the Reagan tax cut. With that I strongly disagree.

I have no argument with those who want to bring up history in their attempt to argue against the need for this tax relief package. But I do have an argument when they attempt to change facts and debunk what was—and continues to be—a tremendous economic legacy.

First, let me make it clear that cutting taxes to keep the economy strong did not begin with President Reagan—nor is the idea isolated to one political party or the other.

In the 1960s, President Kennedy ushered America into economic expansion with his own historic tax cuts.

In fact, in recalling our history it might help us to remember President Kennedy's statement to the Economic club of New York in December 1962. On that occasion, he said:

> Our true choice is not between tax reduction, on the one hand, and the avoidance of large federal deficits on the other. It is increasingly clear that...an economy hampered by restrictive tax rates will never product enough revenues to balance our budget just as it will never produce enough jobs or enough profits.

Second, the facts concerning President Reagan's economic record are very clear: everyone benefited from the broad based 25 percent across-the-board tax cuts signed into law by President Reagan. The facts show that all income groups saw their incomes rise during the period of 1980 to 1989. The facts show that during that period, the mean average of real income rose by 15.2 percent, compared to a 0.8 percent decline from 1970 to 1980.

And what of record-setting deficits? Did cutting taxes 25 percent across the board deplete the Treasury revenues? Absolutely not. Again, the records, the facts show that Federal revenues actually exploded. As Americans grew in wealth, Treasury revenues grew. Between 1981 and 1987, they grew 42 percent.

The deficits remind my debunking colleagues—were not created by cutting taxes and stimulating economic growth; they were the product of a Congress that refused to hold the line on spending. While revenues increased 42 percent, following those tax cuts, spending increased by 50 percent.

And, my colleagues, that is unlikely to happen after this tax relief package becomes law, as Congress is largely controlled by the same individuals who—2 years ago—passed the first balanced budget in a generation.

Mr. President, I yield the floor.

Mr. HOLLINGS addressed the Chair.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. HOLLINGS. I yield the distinguished Senator from North Dakota 10 minutes off the bill.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, what a remarkable debate. At a time when so many Americans think so much in politics is fuzzy and they can't see much of a difference between the two parties, this is a bright-line test. There is a radical difference in terms of what we stand for and what we fight for and what we have passion to change. I want to describe a little of that difference.

But first I want to go back to what some would call ''the good old days.'' Let's go back to the year just before we passed, by one vote, the bill that increased some taxes for a few people in this country, cut some taxes for others, cut some spending, and put this country back on track with an economic plan that resulted in where we are today.

In 1993 I voted for that package. We did not get one vote from the other side of the aisle—not one. It passed by one vote in the House, one vote in the Senate. We did not get one vote to help us from the other side of the aisle.

In fact, some on the other side of the aisle stood up and said: If you pass this, this country is going into a depression. If you pass this, it will ruin the American economy. It will throw people out of work. It will injure this country. Well, we passed it anyway.

Do you remember those days? The Federal deficit then was $290 billion and growing. We had nearly 10 million Americans out of work, looking for a job. The Dow Jones Industrial Average just barely reached 3,000. Inflation was double what it was last year. There were 97,000 business failures.

Then we passed a piece of legislation that put this country back on track—over the objections, I might add, of the folks who bring——

Mr. REID. Will the Senator yield?

Mr. DORGAN. I am happy to yield.

Mr. REID. The Senator from North Dakota—this is a question—indicated that the Democrats did not receive a single Republican vote in the 1993 budget; is that true?

Mr. DORGAN. That is correct.

Mr. REID. Does the Senator also remember some of the statements of doom made?

Mr. DORGAN. I do, indeed.

Mr. REID. Do you remember this one made by the author of this amendment:

> I want to predict here tonight that if we adopt this bill the American economy is going to get weaker and not stronger, the deficit four years from today will be higher than it is today and not lower . . . 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.

Do you remember that statement?

Mr. DORGAN. Of course I remember that. There were predictions of doom, saying, if you pass this, you are going to throw this country into a tailspin.

This is a country that had a $290 billion deficit, an anemic economy, with 10 million people out of work. This is a country that desperately needed a change in direction. We made it without the help of one vote from the other side.

Frankly, I thought a couple of the folks you referenced were going to do a half-gainer off the Capitol Dome, they were so upset about us changing the fiscal policy of this country. But we did it.

Guess what happened. Guess what happened. This country's economy has seen robust economic growth. Seven years later, we do not have a budget deficit. No, we do not have a $290 billion, and growing, budget deficit. We have a budget that is nearly in balance. Economists are predicting surpluses for the next 10 years—I might point out, the same economists who predicted in the early 1990s we would have a full decade of sluggish, anemic growth in this country.

I mentioned yesterday these are the same economists who can't remember their home phone number or address telling us what will happen 3, 5, and 10 years from now. We ought to be careful about these predictions. We do not have a budget surplus yet. The 10 years of estimated $3 trillion surpluses do not exist, and we have folks on the floor who are breathless to try to deal with them through tax cuts.

Mr. REID. Will the Senator yield for another question?

Mr. DORGAN. I am happy to.

Mr. REID. I ask my friend from South Carolina, who is managing this bill, that whatever time I use asking these questions be yielded off the bill so the Senator does not lose his time.

Mr. HOLLINGS. Yes.

Mr. REID. I say to my friend, the statement I read to the Senator just a short time ago was given August 5 by the author of this amendment that we are now debating. A day later, on August 6, do you remember this statement? I quote:

> I believe that this program is going to make the economy weaker. I believe that hundreds of thousands of people are going to lose their jobs as a result of this program. I believe that Bill Clinton is one of those people.

The fact is, does the Senator from North Dakota realize that there have been 18 million jobs created in those 7 years? Hundreds of thousands losing their jobs?

You do remember this statement, don't you?

Mr. DORGAN. Oh, I do. In fact, the same people who made those predictions that were so wrong are now telling us they have new predictions and we should believe the new predictions.

Mr. REID. I say to my friend, do you also understand that since this statement was made we have had the lowest inflation, the lowest unemployment, in some 40 years? Does the Senator acknowledge the fact that the deficits, when these predictions were made, which were about $300 billion a year, are now down to nothing? Does the Senator realize that?

Mr. DORGAN. The economy has performed in a way no one expected. But we knew that the direction this country was headed in was wrong—$290 billion in a year in deficits, and heading up; more inflation, more people out of work. And we proposed to change the fiscal program for this country.

It took some guts to vote for it because it was not very popular. But I said to the folks I represent: Don't blame me for voting for that. Give me credit for it because I stand behind this program. We did what was necessary to put an end to these Federal budget deficits and to put this country's economy back on track—over the objections of a lot of folks in this Chamber who today are telling us they have a new vision, a new idea.

We have heard their ideas. An old fellow in my hometown—a small town—once told me: Never buy something from somebody who is out of breath.

There has been an almost breathless quality to the efforts by the majority party, for 6 months, to get to the floor as quickly as they could with their tax cuts.

If this is a battle of the pie charts, I say you win, we just give up. Here is a pie chart. Let me just show you. Let us just right at the start of this discussion say: You win; this is your pie; if it is a battle of the pie charts, you get the pie award. Republican tax breaks: $23,344 for the top 1 percent of the income earners. So you win the pie award.

Of course, these folks down here, they pay taxes, too. They all go to work. They pay payroll taxes. Eighty percent of the people in this country pay more in payroll taxes than income taxes.

But you breathlessly run to the floor of the Senate with a bill that says let's cut income taxes, because that allows you to give a huge portion of this pie to the largest income earners in this country. In the meantime, there are folks working today for the minimum wage, $5, $6, $7 an hour, who pay a payroll tax, a big tax, pay more in payroll taxes than they do in income taxes. Are they going to get a tax cut? No; they don't count because they "don't pay taxes." They are not taxpayers according to this strategy and this kind of philosophy. That is what is wrong with it.

Let me just run through a couple charts.

One of my colleagues showed this earlier this morning. I want to show it again.

The bottom 60 percent of the income earners, under this plan, will get $141 in tax breaks a year; the top 1 percent, $23,344 a year. And people say: How dare you tell us this benefits the rich. How dare we? It happens to be the fact.

As I said, so much of politics is fuzzy. But you do not need strong glasses to see this chart. There is nothing fuzzy about this. If you decide you do not want to do this, then do not do it. It is easy to amend your bill. If it is not your intention to give the bulk of the tax cut to the wealthiest Americans, then do not do it. But do not complain to us that we are calling attention to it when you do it. If you do not stand behind it, then change it.

My problem is this: I don't understand what conservatism means anymore. I thought being conservative would be to try to put this country at a lower risk with respect to future opportunities and its future economy. Conservatism apparently means put the country at higher risk. If you see a glimmer of a prospect of an estimate by an economist that there might be a surplus, rush to the floor of the Senate and propose a three-quarters-of-a-trillion-dollar tax cut. Is that conservative?

It was a perfect symmetrical proposition that, on the floor of the Senate yesterday, the first vote was to waive points of order that would exist against their bill, waive points of order for a conference report that has not yet been written, for a conference that has not been held. That was, in my judgment, in perfect symmetry to the proposition they bring to the floor to provide tax cuts, paid for with surpluses that don't yet exist. What perfect symmetry. But how perfectly awful as public policy to do that and put the country at this risk.

We have some choices. The choice is that we have good economic times in the future. Let us all hope and pray we do because that is good for this country. More people are working. Fewer people are on welfare. The country is growing, less inflation. It is a wonderful opportunity we have in this country. But the same people who opposed the fiscal policy that got us here have decided they want to create a new fiscal policy and a new strategy that puts all of that at risk. They know we are heading towards a serious problem.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. DORGAN. I ask for an additional 5 minutes.

Mr. HOLLINGS. An additional 5 minutes.

Mr. DORGAN. We are heading toward a demographic time bomb in both Social Security and Medicare. The question is, If these surpluses exist, what shall we do with them; reduce the Federal debt? That has gone from $1 trillion to $5.7 trillion in two decades. Reduce the Federal debt? The answer of the Republicans is no. How about extend the solvency of Social Security because we know we face this problem. Older people living longer; fewer people working to support them. Extend the solvency of Social Security? No. How about extending the solvency of Medicare? No.

The only answer coming from that side of the aisle is take three-quarters of a trillion dollars, package it up, put a huge bow around it, and then bring it to the floor of the Senate, and then complain about a pie chart that shows they have cut out the biggest piece for the wealthiest Americans.

Mr. DURBIN. Will the Senator yield for a question?

Mr. DORGAN. I will.

Mr. DURBIN. I suggested that the amendment being offered by the Senator from Texas, which as I understand it, is the House version of the tax cut, is even worse than the Senate version when it comes to helping working families, and frankly, I think, gives the word ''conservative'' a bad name. I ask the Senator if he would consider the following:

In this Nation where we revere free speech, we basically let people say what they want to say. Some people have gone so far as to suggest that tomorrow will be the end of the world. Well, when tomorrow comes and goes and the world doesn't end, most of those people shrink away.

The people who are offering this amendment, in 1993, said the Clinton plan for deficit reduction was the end of the economic world for America. We would see deficits as far as the eye could see. We would have unemployment, high inflation, the economy was in terrible shape. As a result, not a single Republican would vote for the Clinton plan.

I ask the Senator, did the world end, as Senator GRAMM and others suggested, with this Clinton plan? The same group is suggesting to us today that Alan Greenspan is wrong, Bill Clinton is wrong again, and that we have to pass this tax break for wealthy people which will endanger our economy.

Mr. DORGAN. Well, the Senator knows the economy not only did not collapse and crash and go into a depression as a result of our new fiscal policy; the economy blossomed and grew and everything changed. The deficits were gone. The deficits were at $290 billion and growing. We changed the fiscal policy.

A number of our friends stood up and said: You do this and you are going to collapse this country's economy. In fact, the fellow who has offered this amendment is an economist, taught economics. I taught economics in college. I have been able to overcome that and lead a reasonably productive life, but economists can argue forever about all these things.

The question is whether we are going to put the country at risk by moving away from a fiscal policy that we know works and taking three-quarters of a trillion dollars from surpluses that do not yet exist and giving big tax breaks.

This amendment is the House tax bill. I want to read for the author something he probably heard me read yesterday.

Mr. GRAMM. Will the Senator yield to correct a factual error? First of all, there is nothing wrong with the House tax bill.

Mr. DORGAN. I will yield.

Mr. GRAMM. This amendment is substantially more focused than the House tax bill.

The PRESIDING OFFICER. Does the Senator yield?

Mr. DORGAN. I did yield, and he made his point. Reclaiming my time, my understanding was it was described as the House tax bill. If you have made a couple of grammatical changes to that, so be it. Let me make the case, with regard to the House tax bill and, similarly, the Senate bill, Kevin Phillips, a Republican columnist, said the following:

> We can fairly well call the House legislation the most outrageous tax package in the last 50 years. It is worse than the 1981 excesses. You have to go back to 1948.

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

Mr. HOLLINGS. Two additional minutes.

Mr. DORGAN. The point I am making is this: This is not a Democrat talking. This is a Republican saying this. We all know what is in this legislation. This legislation is a piece of legislation that does what is always done by the same suspects that bring this to the floor. They are always shading, not just shading, they are galloping towards the highest end of the income ladder to provide very significant cuts. The folks on the lowest rung of the ladder, they pay payroll taxes and they are told they don't count. So the lowest 20 percent are going to get a $22 tax break; the top 1 percent, $23,300.

So the question is, when you stand up and say that is unfair, what is unfair? That we are telling people what is in your bill? Is that unfair? Do you want to change the bill? Do you deny this? Do you want to change the bill? Offer an amendment, I will support the amendment to change the bill, but don't say it is unfair when we tell people what the tax cut is going to be—$22 for the lowest 20 percent of the American people, and the $23,300 for the top 1 percent—because you have decided that people who pay payroll taxes don't count as taxpayers and you don't intend to give them any help. It is the folks at the upper end of the income ladder who are going to get huge tax breaks from the income tax system.

Mr. DURBIN. If the Senator will yield for a question, perhaps Bill Gates and Donald Trump do need a tax break. Maybe the Senator from Texas believes that is a good reason to pass the bill.

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

Mr. DURBIN. I ask that the Senator be given 3 additional minutes.

Mr. HOLLINGS. Three additional minutes.

Mr. DURBIN. I ask the Senator from North Dakota: Is it true or not true that in the last 2 weeks Alan Greenspan, Chairman of the Federal Reserve Board, has testified before Congress several different times warning us that this kind of tax proposal that is coming from the Republican side could jeopardize the economic expansion? Is it not true that it is within the power of the Federal Reserve Board, by their monetary policy, to raise interest rates if they see indications of inflation, and by raising these interests rates, put an additional economic burden on families who are paying for their mortgages, family farmers who are trying to stay in business, and small businesses alike? Is it not true that if we see inflation come on the scene and interest rates go up, that a $22 tax break for working families will disappear in a heartbeat?

Mr. DORGAN. Well, that is the case.

I submit this: In a quiet moment, in a secluded corner, in a private conversation, most Members of the Senate who are supporting this three-quarters-of-a-trillion-dollar tax cut would admit that a better approach for this country and its future and certainly its children would be to use anticipated surpluses, first, to begin to pay down the Federal debt. If during tough times you run up the debt from $1 trillion to $5.7 trillion and then in good times you say, but we can't pay down the debt, there is something fundamentally flawed about that strategy.

I think if you take all the politics and fuzz out of this and get in a quiet corner, those who are really conservative and have conservative values about these issues as embodied in the fiscal plan we passed in 1993, I think they would admit that we ought to take some of this surplus and reduce Federal indebtedness. I think they would also admit there is not an intention to kick 100,000 kids off of Head Start or to decimate the education program. Yet that is where we are headed, on auto pilot, because this surplus is garnered by those who want to package it up in a tax cut that predominantly benefits the upper-income folks.

We ought to do the right thing. The right thing, it seems to me, for our children's sake, is to tell them we are going to begin using some of this to reduce Federal indebtedness, and for our children's sake, that we are going to use some of this to extend the solvency of Medicare and Social Security, two programs that have made this country a much better place in which to live for millions and millions of Americans. We ought to do that. All of us know we ought to do it. Regrettably, we are on the floor in a perverted process. Reconciliation was never intended for this process—never.

Yet, we are here because it muzzles us up with a 20-hour debate and does not allow a full debate about fiscal policy and tax cuts. And I say to those on the other side, you will get your bill and have your votes and you will pass a bill. But, in my judgment, you will put this country at risk because you are spending, through tax cuts, surpluses that do not yet exist, just as yesterday you wanted to waive points of order on a conference report that had not yet been drafted.

I yield the floor.

The PRESIDING OFFICER. The time yielded to the Senator has expired.

Mr. GRAMM. Mr. President, I want to take a little time off the bill to answer all this stuff, but first I want to give Senator GRAMS an opportunity to speak for 5 minutes.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Does the Senator from Delaware yield time off the bill?

Mr. ROTH. The Senator from Texas—

Mr. GRAMM. I am yielding time off the amendment. I will ask for time off the bill to answer the points that have been raised.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. GRAMS. Mr. President, I ask if I may be recognized for up to 10 minutes.

The PRESIDING OFFICER. Is there objection?

Does the Senator yield 10 minutes?

Mr. GRAMM. Five minutes is all the time I have. I am sorry.

Mr. GRAMS. Mr. President, I rise to support the tax relief plan offered by Senator PHIL GRAMM. But I also want to talk a little bit about what we heard from our Democratic friends and colleagues on the other side.

Make no mistake about it, the surplus dollars out there are going to be spent. The question is, Who is going to spend it? Are we going to allow it to be returned to the hard-working families and Americans and allow them to spend it, or are we going to let Washington spend it? To some, it seems that if the taxpayers spend it, it will jeopardize the economy, but if we trust the President and trust Washington, the money will be spent correctly.

Also, I heard them talk about 1993 and what a great turnaround in fiscal policy for this country it was, and that it was due to their efforts that turned this economy around. The CBO finds the increased revenues were propelled by personal income tax increases, and it cites four reasons for this unexpected revenue: First, the rapid growth of taxable income, which raised the tax base for personal income receipts; second, adjusted gross income, which has grown even more rapidly than taxable personal income, mainly through the realization of capital gains—the capital gains tax increased by 150 percent between 1993 and 1997, which is a third of the growth of the tax liability relative to the GDP—third, raising taxes paid on pensions and IRA retirement income; fourth, and most important, is the increase in the effective tax rate. That is people making a little more money, inflation pushing them into the higher brackets, and now not paying 15 percent but 28, 31 percent or higher.

By the way, this is also what CBO said. It points out that the revenue windfall did not result from legislative policy changes, which my Democratic friends have claimed. In other words, the CBO says the legislative initiatives taken by the President and the Democrats did not generate this surplus; what generated this surplus was the investment in the economy by businesses, through the Reagan era of tax relief bills, and also by the high productivity, work, and effort of the American people. It wasn't by what Washington did; it was in spite of what Washington did that led to this.

So, clearly, all four reasons that we have a surplus are the result of the productivity of working men and women and businesses in this country.

Before I run out of time, I want to show you this chart. This depicts what is going to happen to the surplus. This is excess money that taxpayers have sent to Washington. Here is what I have often said. Here we have the man saying, ''I found someone's wallet, and I want to do the right thing, so I plan to spend the money carefully.''

That is what our Democratic colleagues and the President want to do. When they find the money on the street, instead of giving it back to the people it belongs to, they are going to spend it carefully for you.

Again, this debate is not over anything except who is going to spend the money. As the Senator from North Dakota said, it is a clear, bright line. The line is: Do we want Washington to spend your surplus tax money, or do we want to return it to you and allow you to spend it on your priorities?

Thank you, Mr. President. I yield the floor.

Mr. GRAMM. Mr. President, I ask our distinguished chairman to yield me 5 minutes off the bill.

Mr. ROTH. I yield 5 minutes off the bill to the Senator from Texas.

Mr. GRAMM. Mr. President, in Ronald Reagan's own words, I want to take our Democrat colleagues down memory lane. They have such fond memories of what President Clinton has done, and I would like to tell the rest of the story. It is true that Bill Clinton was elected President. It is true that he came to Washington and proposed the largest tax increase in American history. It is true that not one Republican voted for that tax increase. It is true that it passed by one vote. It is true that the largest tax increase in American history now bears heavily on working Americans.

Everything else they said is not true. Let me try to explain why. They quote people saying harsh things about the Clinton program. Let me tell you the rest of the program. The rest of the program was a massive stimulus program where the Clinton administration proposed spending $17 billion, in 1993 alone, on everything from ice skating rink warming huts in Connecticut to alpine slides in Puerto Rico. I had harsh things to say about it, and I am proud of that. I am very proud that Republicans, who were in the minority, killed that bill with a filibuster.

Bill Clinton didn't just propose the largest tax increase in American history, he proposed having Government take over and run the health care system, collectivizing American medicine, forcing everybody into a Government-run health care collective, which was a giant HMO run by the Government. It would have meant Government taking over one-eighth of the American economy. I said it would be a disaster. I am proud that I helped lead the effort to kill it, and I am proud that it is dead where it belongs. That is the Clinton program. The point is, we were able to defeat every part of it, except the tax increase.

Now, when the Republican majority showed up in Washington, DC, in January of 1995, they received this budget from President Clinton. On page 2 of this budget, President Clinton outlines what his budget was. It had a deficit for fiscal year 1995 of $192 billion, and then the next year $196 billion, $213 billion, $196 billion, $197 billion, and $194 billion. That was the Clinton budget.

But we elected a Republican majority in Congress. What happened? With that Republican majority in Congress, we were not able to pass every bit of our Contract With America, but we reformed welfare, we cut spending, we stopped the runaway spending freight train of Bill Clinton. And under a Republican majority, while Clinton's deficits looked like this, the real deficit started to fall and turn into a surplus which is indicated on the chart.

The question is, Who led, who followed, and who got out of the way? I believe that the Republican Congress led, the Democrats in Congress followed, and Bill Clinton got out of the way.

So if we are going to tell the history of what happened in the Clinton era, let's not just remember his tax increase, let's remember his stimulus package, which we killed. The Democrat majority could not get 60 votes, and it died. Clinton was heartbroken, but it died. And we defeated the Clinton health care bill. It would have taken over one-eighth of the American economy, and Americans were so shocked at the Clinton program that they elected the first Republican majority since the 1950s.

When we took over, things changed. With the same old Bill Clinton who was here in 1995, when the deficit was $200 billion, what changed was the Republican majority.

I just say to the American people, give us a Republican President, and we will again control spending, and we will let working people have more of what they earn.

Mr. President, I yield Senator HAGEL 5 minutes off the amendment.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. HAGEL. Mr. President, thank you.

I first want to add my thanks to the chairman of the Finance Committee, Senator ROTH, for the leadership he has brought to the floor on such an important issue on a very substantive vehicle that we are using now to really make some decisions on behalf of the American public.

I have heard this morning that this is an issue about priorities. Surely it is. This is about priorities. This will further be about priorities as we debate this issue throughout the day, and actually throughout this year and into next year, because the priorities are about whose money it is. It is not my money. It is not Senator GRAMM's money. It is not President Clinton's money. It is the taxpayers' money. We tend to allow that to slip aside here when we are engaged in this theoretical debate.

Second, we all have to appreciate that we live in the mythical kingdom around here. The political kingdom says that all the clouds and all the goodness will reside here in the knowledge and the fountain of wisdom coming forth from Washington. We are seeing a great dynamic of that given when we are trying to take the people's money and then tell them how we will spend it and give it back to them because we are benevolent Senators; we are benevolent representatives of the people; we can figure it out better.

If there is a sense of arrogance in this, I think you are right if you sense that, that the Congress is going to decide who gets what; we are going to make that decision. So we are going to target all of these pieces of the pie because we can decide better for the American people how they should spend their money, if we decide to give them back some of their money.

I have also heard some interesting conversations this morning about projections. As a matter of fact, I used to have a real job, and in that real job I was a businessman. I had to deal with projections because I had to put together budgets. Those budgets had to direct research and development. Those budgets had to direct investment, capital, and what we were doing for the long term. Yes, they are imperfect. Ten-year budgets are slippery, and they are dangerous. But the fact is, we must base a budget upon something. That budget must be based upon a relevant series of assumptions. So that is a given, and we have to deal with that.

After we get through that, then we have to make some tough decisions. That is what we are going through today. I believe this bill that we have brought to the floor this morning does that. I think it does it first in a very responsible way. It does it in a way that allows 75 cents of every surplus dollar to go back into debt reduction projects—Social Security, Medicare, important Government programs such as defense. The first real obligation of responsibility of the Federal Government is national security—veterans programs, education, medical research, and health care. That money is there.

We are talking about a $3 trillion budget surplus—both on the budget and off the budget, meaning in Social Security and out of Social Security—$3 trillion over the next 10 years. I don't know if that is going to materialize, but one of the things we know is that we have to make some tough decisions based upon what we know and what we project. This bill does it very responsibly. It does it in a way that addresses those needs of our Republic and what we have committed to the American public.

My goodness, to say that giving 25 percent of that back to the American public in a tax cut is somehow irresponsible is well beyond my calculations.

Senator MACK was on the floor yesterday. I want to repeat a couple of points he made. One, he said, for example, how can a $4 billion net tax cut for fiscal year 2000 overstimulate demands in a trillion-dollar economy? Of course, as of now, this bill phases in those tax cuts over a series of 10 years.

Senator MACK said yesterday, and as my colleague again reminded us, he asked rhetorically, ''Would a $39 billion tax cut in the year 2002 overheat the economy when this is only .004 percent of the total projected GDP?''

I think you get the message.

We are engaged once again in this mythical kingdom of fantasy. The fact is, this money is the taxpayers' money. The fact is, this is a responsible direction of those resources that surely, if they are allowed to stay here in Washington, will be spent.

The President has given us ample opportunity to look over that very generous menu he has presented to us with all of his new spending.

Mr. President, I strongly support this amendment.

I yield my time.

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

Mr. MOYNIHAN. Mr. President, I think our distinguished friend and colleague, Senator HOLLINGS, is next.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. HOLLINGS. I thank the Senator. Mr. President, on behalf of myself and the distinguished Senator from Connecticut, Senator LIEBERMAN, I send a motion to the desk in accordance with the rule, by 2 o'clock, that they be filed and we intend to make later today.

The PRESIDING OFFICER. The Senator is recognized.

Mr. HOLLINGS. I thank the distinguished Chair.

Let me just say quickly to clear the Record that the Senator from Texas was talking about what the Republicans have done for the economy.

I can tell you what they have done for the economy. They came in 1995, and for 1996 they worked, of course, on the budget. They immediately increased spending for the next year of $148 billion. They increased spending, and the budget went up another $50 billion. This year, of course, it is another $50 billion, and they have added. The track record will show that they have added $661 billion to the national debt.

But what did President Clinton do in 1993? And we did not have the largest tax increase. That was under Senator Dole. I will show the articles analyzing both.

But I readily acknowledge that I voted and supported and worked like a tiger to get the Deficit Reduction Act of 1993 passed, which prevailed by one vote. Yes, we did cut spending, we did downsize over 300,000 Federal jobs. But more than anything else, yes, we raised taxes.

The Senator from Texas, when we raised the taxes on Social Security, was adamantly opposed to that, and he said—I will use his expression—you increase taxes on Social Security and they will hunt you Democrats down in the streets and shoot you like dogs.

The Senator from South Carolina never forgot that expression. That is how tough we had it. They were going to hunt us down.

Of course, the chairman of the Finance Committee at that time, Senator Packwood, said, ''I will give you my home if this thing works.'' The chairman of the House Budget Committee, Mr. KASICH, said, ''I will change parties and become a Democrat if this thing works.'' And it is working.

That is a tremendous frustration I have because it is working. We have the lowest unemployment, the lowest inflation, and the economy is moving along. Mr. Greenspan, not just on yesterday but earlier in the year, in February, said stay the course.

My usually responsible Republican friends—I come from a Republican State, unfortunately—have given us what was called outrageous on Monday by the best of the best conservatives, Kevin Phillips—I ask unanimous consent that this be printed in the RECORD.

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

COMMENTARY BY KEVIN PHILLIPS ON NATIONAL PUBLIC RADIO'S MORNING EDITION, MONDAY, JULY 26, 1999

Bob Edwards: The Republican party last week had its tax reduction proposal passed by the House of Representatives. Commentator Kevin Phillips says it's the most unsound fiscal legislation of the last half century:

Kevin Phillips: Tax bills often deal with Pie in the Sky. The mind boggling ten-year cuts passed late last week by the House of Representatives however deserve a new term: Pie in the Stratosphere. That's because the cuts are predicated on federal budget surpluses so far out, six, eight or ten years, that it would take an astrologer, not an economist to predict federal revenues. The most publicized provision, phased in ten-percent across the board reductions in federal income tax rates, looks excessive. But these at least stand to be delayed by a legislative trigger, if surpluses and debt-reduction don't occur as assumed. Not so for the truly venal, smaller provisions. Ones too complicated to be explained in 40 seconds on the TV news shows. Democrats are certainly correct about the imbalance of benefits by income group. Treasury figures show that the top 1% of families, just 1%, would get 33% of the dollar cuts, the bottom 60% of families get a mere 7%. Conservatives reply that the tax cuts are simply going to the people who pay the taxes and have the incomes. That's partly true. The top 1% of families have about 13% of the nation's income but that's under an official definition that excludes capital gains. If you include capital gains in household income, the top 1% may indeed have some 20% to 30% of the national total these days. Which gets us to the real guts of this bill: Two low profile, but high favoritism provisions. First, reduction of the top federal capital gains tax rate from 20% to 15% and, second, the phasing out of the federal gift and inheritance taxes. Both changes would concentrate a huge portion of their benefits in the top 1%.

The top 1% of American taxpayers reported about 60% of the taxable capital gains dollar values several years back. To reduce their capital gains rate from today's 20% to 15% is unnecessary in terms of investment stimulus. All of the bull markets of the last 50 years have occurred when the top cap gains rate is in the 20 to 28% range. The bills special interest provisions phasing out the Federal estate and gift taxes over the next decade could be even more costly. Demographers say life expectancies ending in the years 2000 to 2010 will send a tidal wave of estates through the inheritance processes. The top 1% of families have the great dollar bulk of what are now taxable estates and if these are not substantially taxed, wealth and position in America will be more and more inherited, not earned.

We can fairly call the House legislation the most outrageous tax package in the last 50 years. It's worse than the 1981 excesses, you have to go back to 1948, when the Republican 80th Congress sent a kindred bill to President Harry Truman. Truman vetoed it, calling the Republicans bloodsuckers, with offices in Wall Street. Not only did he win reelection, but the Democrats recaptured Congress. We'll see if Bill Clinton and Albert Gore have anything resembling Truman's guts.

Mr. HOLLINGS. Mr. President, one sentence of his commentary: ''We can fairly call the House legislation the most outrageous tax package in the last 50 years.''

That is why I come to the floor to speak. I agree with Mr. Phillips. This tax bill turns everything on its backside when we have a good going economy, and the Republicans come in with, of all things, a tax cut. How come? I will tell Members exactly. I can't find out what was first, the chicken or the egg, but OMB got into this blooming 2000 election, and CBO has a Republican—not any Alice Rivlin or Bob Reischauer, but they have a Republican fix—Mr. Crippen over at CBO. I have been working on this budget since we passed it back in 1973.

Both CBO and OMB started finding money. How we could as a party put in tax cuts and have the real issue for the election 2000.

This is very interesting. You don't find the word ''unified, unified, unified.'' That is all I have heard for the last 20 years—unified. It is not a unified budget. It is an outright budget surplus. That is what the CBO called it. It is not a budget surplus at all. The fact is, and I will quote the figures, the debt goes up each year for the next 5 years.

I ask unanimous consent to have printed in the RECORD from the CBO report on page 19.

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

TABLE 10.—CBO BASELINE PROJECTIONS OF INTEREST COSTS AND FEDERAL DEBT (BY FISCAL YEAR)

	Actual 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
NET INTEREST OUTLAYS (BILLIONS OF DOLLARS)												
Interest on Public Debt (Gross interest)[1]	364	356	358	358	350	345	342	338	333	328	323	316
Interest Received by Trust Funds:												
Social Security	−47	−53	−59	−67	−74	−82	−91	−100	−110	−121	−132	−144
Other trust funds[2]	−67	−68	−70	−73	−74	−76	−79	−81	−84	−87	−89	−92
Subtotal	−114	−120	−129	−140	−148	−159	−170	−182	−194	−208	−222	−236
Other interest[3]	−7	−7	−6	−7	−7	−7	−8	−8	−8	−8	−8	−9
Total	243	229	222	212	194	179	164	148	131	112	92	81
FEDERAL DEBT AT THE END OF THE YEAR (BILLIONS OF DOLLARS)												
Gross Federal Debt	5,479	5,582	5,664	5,721	5,737	5,760	5,770	5,770	5,732	5,675	5,600	5,500
Debt Held by Government Accounts:												
Social Security	730	856	1,003	1,157	1,321	1,493	1,675	1,869	2,075	2,292	2,520	2,755
Other accounts[2]	1,029	1,107	1,188	1,267	1,350	1,431	1,510	1,589	1,666	1,743	1,813	1,880
Subtotal	1,759	1,963	2,190	2,425	2,670	2,925	3,185	3,458	3,741	4,035	4,333	4,635
Debt Held by the Public	3,720	3,618	3,473	3,297	3,066	2,835	2,584	2,312	1,992	1,640	1,267	865
Debt Subject to Limit[4]	5,439	5,543	5,626	5,684	5,700	5,724	5,734	5,736	5,699	5,643	5,568	5,469
FEDERAL DEBT AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT												
Debt Held by the Public	44.3	40.9	37.5	34.2	30.5	27.1	23.7	20.3	16.8	13.2	9.8	6.4

[1] Excludes interest costs of debt issued by agencies other than the Treasury (primarily the Tennessee Valley Authority).
[2] Mainly Civil Service Retirement, Military Retirement, Medicare, unemployment insurance, and the Airport and Airway Trust Fund.
[3] Mainly interest on loans to the public.
[4] Differs from the gross federal debt primarily because most debt issued by agencies other than the Treasury is excluded from the debt limit. The current debt limit is $5,950 billion.

Source: Congressional Budget Office.

Note: Projections of interest and debt assume that discretionary spending will equal the statutory caps on such spending through 2002 and will grow at the rate of inflation thereafter.

Mr. HOLLINGS. Gross Federal debt, on page 19: In the year 1999, $5.582 trillion; it goes to $5.664 trillion; 2001, $5.721 trillion; 2002, $5.737 trillion; 2003, $5.760 trillion; 2004, $5.770 trillion.

Up, up, and away. Deficits, not surpluses; deficits—the Congressional Budget Office says—as far as the eye can see.

The Republicans were going to take the $1.9 trillion of Social Security. We have to not get into Social Security. We have to find $1 trillion for the tax cut about which we have been talking. So they said we have another $1 trillion. How do we do it? They said—at least the Republicans, and I will limit my comment to that because that is what they have in this particular amendment—they said: Let's not just have current policy. Let's stick to the spending caps that we put in.

They violate the spending caps. They violated it again last year, $21 billion, and we already are up to $17 billion and it is going to be at least $35 billion or $40 billion or more at the end of this year—already in violation of the caps. When the majority says they keep the caps on with no emergency spending and the economy stays at a growth of around 2 to 2.5 percent. The chairman of the Budget Committee on Sunday said CBO estimated two recessions—That is not right and I would like to correct that. CBO in this book does not project any recession during the next 10 years, rather 2.5-percent growth.

If you can get all of that growth you can get and have unemployment staying the same way, inflation staying way down, interest rates down, you obey the caps and you have no emergencies whatever. And then you find some money.

However, I point out that they knew where most of the money, 80 percent, was coming from—the other trust funds.

I ask unanimous consent to have printed in the RECORD that page in the report, Trust Funds Looted to Balance the Budget.

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

TRUST FUNDS LOOTED TO BALANCE BUDGET

[By fiscal year, in billions]

	1999	2000	2004
Social Security	857	994	1,624
Medicare:			
HI	129	140	184
SMI	39	44	64
Military Retirement	141	148	181
Civilian Retirement	490	520	634
Unemployment	79	88	113
Highway	25	26	32
Airport	11	14	25
Railroad Retirement	23	24	28
Other	57	59	69
Total	1,851	2,057	2,954

Mr. HOLLINGS. So we have the other trust funds to the tune of a 10-year period of $800 billion. We have $1 trillion to spend and that is the gamesmanship. There actually is no surplus. They are increasing deficits. If you don't believe CBO, believe at least the President.

I ask unanimous consent to have printed page 43 of the OMB report.

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

TABLE 22.—FEDERAL DEBT WITH SOCIAL SECURITY AND MEDICARE REFORM

[In billions of dollars]

	Estimates										Projections				
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt held by the public:															
Debt held by the public, beginning of period	3,653	3,531	3,404	3,255	3,101	2,933	2,744	2,525	2,262	1,964	1,625	1,249	944	637	335
Debt reduction from:	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Off-budget surplus:	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Surplus pending Social Security and medicare reform	−137	−144	−154	−165	−175	−193	−202	−215	−225	−233	−243	−246	−248	−246	−241
Social Security solvency transfers	0	0	0	0	0	0	0	0	0	0	0	−107	−125	−145	−166
Returns on investment of transfers [1]	0	0	0	0	0	0	0	0	0	0	0	−3	−14	−27	−43
Medicare solvency transfers	−5	−0	−12	−5	−7	−10	−29	−59	−83	−113	−142	−67	−68	−65	−58
Less purchase of equities by Social Security trust fund [1]	0	0	0	0	0	0	0	0	0	0	0	110	139	172	209
Other financing requirements [2]	21	17	17	16	15	13	12	11	9	8	8	8	8	9	9
Total changes	−122	−127	−150	−154	−167	−189	−219	−263	−298	−339	−376	−305	−307	−302	−291
Debt held by the public, end of period	3,531	3,404	3,255	3,101	2,933	2,744	2,525	2,262	1,964	1,625	1,249	944	637	335	44
Less market value of equities	0	0	0	0	0	0	0	0	0	0	0	−110	−248	−420	−629
Debt held by the public, less equity holdings, end of period	3,531	3,404	3,255	3,101	2,933	2,744	2,525	2,262	1,964	1,625	1,249	834	388	−85	−585
Debt held by Government accounts:															
Debt held by Government accounts, beginning of period	1,962	2,172	2,377	2,612	2,848	3,096	3,363	3,667	4,012	4,394	4,823	5,299	5,822	6,374	6,949
Increase prior to Social Security reform	205	204	222	230	240	254	271	280	289	299	310	315	318	317	314
Social Security and Medicare solvency transfers	5	0	12	5	7	10	29	59	83	113	142	173	193	210	224
Earnings on solvency transfers invested in Treasury securities	0	0	1	1	2	2	3	6	11	17	25	35	42	48	55
Less purchase of equities by Social Security trust fund [1]	0	0	0	0	0	0	0	0	0	0	0	−110	−139	−172	−209
Total changes	210	204	235	236	249	266	304	345	382	429	476	523	552	575	593
Debt held by Government accounts, end of period	2,172	2,377	2,612	2,848	3,096	3,363	3,667	4,012	4,394	4,823	5,299	5,822	6,374	6,949	7,543
Plus market value of equities	0	0	0	0	0	0	0	0	0	0	0	110	248	420	629
Debt and equities held by Government accounts, end of period	2,172	2,377	2,612	2,848	3,096	3,363	3,667	4,012	4,394	4,823	5,299	5,932	6,623	7,369	8,172

[1] Includes accrued capital gains.
[2] Primarily credit programs.

Note: Projections for 2010 through 2014 are an OMB extension of detailed agency budget estimates through 2009.

The page shows increasing deficits going up. The national debt goes up from $5.6 trillion to about $7.6 trillion; $7.587 trillion over 15 years.

What do we have? We have an increase in the debt of Social Security of which the distinguished chairman has the jurisdiction. They owe it $857 billion. In 10 years, they will owe Social Security $2.7 trillion and they are talking about saving Social Security—lockbox. This is a shameful sideshow out here. There is no dignity left in this Senate. No responsibility.

If they can put up a chart, run away, whine, and say the people back home know how to spend—if we have all the money, why can't the people get it back? They didn't give it back to the Social Security people when he was going to shoot me in the streets. They didn't give it back to where they came from, the wage earners, the payroll tax.

Oh, no, as the Senator from North Dakota said, the rich get it all. Come on. It seems as if there would be a conscience in this crowd. I don't think this will sell with the American people when they hear the truth. That is what I am trying to give them here today—the truth.

The distinguished Senator from Texas comes up. I knew it because I have been working at his side in previous years. He comes up and the first thing he said is the real problem is how to give it, and the best was ''across the board.'' I knew he was going to get to Dicky Flatt. He immediately changed subjects and the debate became the Gramm amendment, which is supposed to go between workers, wage earners, and deadbeats. If he can put that one over, then he has won the day with the hard-working people and Dicky Flatt.

Come on, give us a break. We have been through that. There is no education in the second kick of a mule.

We have a good economy. Alan Greenspan, the best of the best, who has helped us maintain that, says stay the course. The Hollings-Lieberman motion is not to take sides in this intramural between tax cuts and spending. But just saying: Finance Committee, come back with a bill that says any surplus you find, apply it to reducing the national debt. Let's all go home. I think we will win the approval of the American people.

Now, not coming in with all of the lockboxes, that immediately puts back the money into IOUs. They issue these Treasury bills, which are nothing more than an IOU under section 201 of Social Security, and then they spend the money on other things. There is not any true lockbox.

We had an amendment and I showed that to the majority leader. I circulated it to all the Senators. That is why if they allow us to put our amendments up, including my amendment to cap the debt, we will get the truth. All I want to do is say cap the debt as of September 30, 1999. If you have nothing but surpluses, then run around asking how to spend it or how to give a tax cut or whatever.

I will agree that you are right if there is a surplus. But the debt won't go down at the end of the fiscal year. They didn't want that vote. That is why we are in a filibuster about the lockbox. Somehow, somewhere, we have to get the truth out and cut out this whining about the people back home know how to spend their money. The point is, you cannot cut taxes without increasing spending. That is the great fiscal cancer we have developed in the 1980s with the Reagan tax cuts. The national debt was less than $1 trillion, less than $1 trillion at that particular time. Now we have a $5.6 trillion debt. With all of that ''growth, growth, growth—we are going to have growth everywhere,'' what has grown is the national debt with an interest cost of $1 billion a day.

I served on Peter Grace's commission against waste, fraud and abuse. The only thing Congress created was the biggest waste of all, spending $358 billion in interest costs. If we had that $358 billion, we could do all these things—Social Security, Medicare, research, tax cuts and everything else. We are going to spend it on account of a political sideshow and use our credibility to get by. The reason we creditably get by, and I will finish in a moment. We had a wonderful debate in the 1930s. I will listen to that any time.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MOYNIHAN. Mr. President, off the bill we yield the Senator 2 minutes.

The PRESIDING OFFICER. The Senator is recognized for an additional 2 minutes.

Mr. HOLLINGS. We had a wonderful debate in the 1930s between Walter Lippmann and John Dewey. It was Mr. Lippmann's contention that the way to maintain and strengthen a democracy was get the best of minds in the various disciplines—foreign policy, economic policy, housing, whatever—get them around the table, determine the public's needs, the Nation's needs, determine a policy to answer those needs, and give it to the politicians in Congress and let them enact it.

John Dewey, the educator, said no. He said give the American people the truth. Let the free press give the American people the truth, and the truth will be reflected through the Congressmen and the Senators in the Congress and we will have a strong democracy. And that is what we did for 200-and-some years. As Jefferson said, ''When the press is free and every man can read, all is safe.''

What has happened? We are not safe any longer because the press has gotten into entertainment and they have joined the conspiracy and they call spending increases spending cuts and they call deficits surpluses. That is our dilemma. That is our dilemma. The only thing that is going to save us is that free press getting back to their professional code of conduct, and cut out the entertainment, and get back to telling the American people the truth. Then we would not have to argue about tax cuts. It has to be an embarrassment to come out here with a tax cut. It would be an embarrassment to come out here and just spend billions and billions of dollars that we do not have. This year we are spending $103 billion more than we are taking in. We are in a deficit position.

I thank the Chairman and I yield the floor.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. I yield 5 minutes to the distinguished Senator from Texas.

The PRESIDING OFFICER. The distinguished Senator from Texas is recognized for 5 minutes.

Mrs. HUTCHISON. Mr. President, I want to address some of the issues I just heard from the Senator from South Carolina. The first is quoting of Alan Greenspan, the Chairman of the Federal Reserve Board. I believe Dr. Greenspan's comments have been taken far out of context. Because if you look at what he said, plainly it is if the choice is more spending or tax cuts, I will take tax cuts.

It is true he said he would be very cautious.

Mr. HOLLINGS. Will the distinguished Senator yield?

Mrs. HUTCHISON. I will yield on your time.

Mr. HOLLINGS. The Senator was correct in what I was saying. I said nothing about tax cuts—I favored those over spending. I said in my motion there is a surplus that we apply to reducing the national debt, and I quoted Mr. Greenspan as of February, when he said, ''Stay the course.'' I didn't say Greenspan said I prefer tax cuts over spending. I did not use that quote.

Mrs. HUTCHISON. Dr. Greenspan said: If it is a choice of tax cuts versus spending, he takes tax cuts. Paying down the debt is exactly what the Republican plan does. So I think it is very important we keep Dr. Greenspan's comments in context.

If you look at the President's plan, he takes $1 trillion and spends it. The Republican plan takes the same $1 trillion and gives $792 billion back to the people who earned the money, and we have a cushion for spending on issues such as Medicare and education in the rest of the $1.3 trillion in surplus that comes from income tax withholding.

The Republican plan takes all of the payroll taxes that we heard the Senator from North Dakota talk about and puts that into Social Security reform and stability. So when we are talking about a lockbox, we are saying all the payroll taxes for Social Security that people pay in will be set aside for Social Security. That is $2 trillion. That is exactly what the President's plan sets aside for Social Security.

It also has the effect of paying down debt by about 50 percent, according to the estimates. So you pay down debt and you stabilize Social Security with $2 trillion that is set aside from the payroll taxes that people pay in.

But for the other $1 trillion we are looking at that comes from income tax withholding, we have very different plans. The President would spend it. The Republicans would let the people who earned it keep it, and we would hold the rest in abeyance for spending on Medicare, education, national defense.

Why do we want the people who earn this money, who work so hard for it, to be able to keep it? Because we believe the people who earn it need the relief for their own purposes—for them to decide how they want to spend their money. The typical American family is paying more in income taxes in peacetime than ever in our history—38 percent in income taxes. A 10-percent across-the-board tax cut is fair to everyone. Because when people paid their taxes last year—they know what they paid, and they can take 10 percent off that. That is the most fair of all tax cuts, to let people keep more of what they earn. In fact, our tax relief package is less than the tax increases that President Clinton put in place in 1993. At that time, President Clinton said he was going to tax the rich and he put in that category people on Social Security who earned $34,000 a year. That is what he declared as rich. I think these people deserve a break, and that is what we are trying to give them.

We are giving marriage tax penalty relief. This morning at my constituent coffee, I met a schoolteacher and a football coach. I am going to estimate they earn about $35,000 and about $40,000 apiece. They get hit right square between the eyes with the marriage penalty because when you put their incomes together, they go into a new bracket. They are earning, then, $65,000 to $70,000 for a family of four.

That is wrong. We should not tell people because they get married that they owe more in taxes, just because they got married.

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

Mrs. HUTCHISON. Mr. President, did Senator HOLLINGS' question come off his time or mine?

The PRESIDING OFFICER. It came off of his time.

Mrs. HUTCHISON. Mr. President, it is time we provide marriage tax penalty relief, tax relief across the board, death tax relief so people will not have to visit the undertaker and the tax collector on the same day and give up the family farms that have had to be sold because of death taxes. That is wrong. This amendment will correct that situation. It is time we give relief to the hard-working people of our country.

I yield the floor.

The PRESIDING OFFICER. The time of the Senator has expired.

The distinguished Senator from Minnesota is recognized.

Mr. WELLSTONE. Mr. President, I understand I have 10 minutes. I will try to cut that in half in the interest of moving this along.

I cannot believe the amendment that is before this body. I am speaking about the Gramm amendment. The Center on Budget and Policy Priorities does very good work, as does Citizens for Tax Justice. Let's take the 10-percent tax rate cut across the board: this is what they say. 60 percent of the benefits of this tax cut will go to 10 percent of the taxpayers with the highest income. The bottom 60 percent of all taxpayers will share just over 9 percent of the total benefits under this plan. The average tax cut under the Gramm amendment, for the lowest income, 60 percent of all taxpayers, those with incomes below $38,000, will be about $99.

By contrast, those in the top 10 percent will enjoy an average tax cut of about $4,000. Tax cuts for the 1 percent highest income, those making more than $300,000 a year, will average $20,000 a year. I am not even talking about estate and capital gains tax cuts, which make the Gramm amendment even more regressive.

To pick up on the comments of my colleague from South Carolina, the original House Ways and Means Committee proposal in the second 10 years would explode the debt, costing $2.8 trillion. This may be only $2 trillion. But even here, $2 trillion is a lot of money. From 2010 to 2019, this tax cut package in the Gramm amendment will probably cost about $2 trillion. That is what it will cost us.

Mr. President, Kevin Phillips, in some commentary the other day on ''Morning Edition,'' talked about the House proposal. I think what he said applies to this Gramm amendment:

> The mind-boggling 10-year cuts passed late last week by the House of Representatives . . . deserve a new term: [Not pie in the sky but] pie in the stratosphere.

That is what this Gramm amendment is: pie in the stratosphere.

Sometimes my colleagues on the other side of the aisle—and I say this with a twinkle in my eye, it is never hatred; we always enjoy our work—they will accuse some of us of class warfare. I say to my colleague from Texas, this is class warfare. This is class warfare: 60 percent of the benefits go to the top 10 percent of all taxpayers. The bottom 60 percent gets 9 percent. The average tax cut for most of the people in my State of Minnesota is about $99. But if you make over $300,000 a year, there will be an average tax cut of $20,000 a year. I say to my colleague from Texas, this is class warfare. That is what his amendment is.

In some ways, I am glad to fight this war because the vast majority of people in this country, when they realize who gets the benefits and who does not, when they realize what this amendment does in the second 10 years, here is what they are going to say. They are going to say: We heard enough about how this surplus belongs to us. We are responsible adults. We are responsible parents and grandparents, and we believe that whatever the performance of our economy—and I hope it will be good; we do not know, this is all assumed—and whatever we have by way of surplus, here is what we believe: We believe that it does not belong to us; it belongs to our children and our grandchildren.

That means we pay off some of the debt we put on their shoulders, and that means we also make sure that Medicare and Social Security are there for them. It also means our children and our grandchildren, regardless of whether they are rich or poor, have opportunities; that there is equal opportunity for every child. That is what the American people believe. That is what Minnesotans believe.

I love this Gramm amendment. I love it because I think it presents in the clearest possible way to people in Minnesota and people in the country what we are about, whose side we are on. It is a class warfare amendment, and it should be trounced in a vote. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. I yield the Senator from Michigan 10 minutes.

The PRESIDING OFFICER. The distinguished Senator from Michigan is recognized for 10 minutes.

Mr. LEVIN. I thank the Chair. Mr. President, I thank my good friend from New York.

The tax program which is in the amendment before the Senate, like the plan that it would amend, is unfair to middle-income Americans. It is economically unwise, and it is based on unrealistic assumptions. The unfairness in the underlying bill it would amend is perhaps best shown in the fact that about two-thirds of its tax benefits go to the upper one-fifth of our people. The amendment makes that worse. It makes an unfairness doubly unfair because it will give almost 80 percent of the tax benefits to the upper one-fifth of the income bracket.

In addition to being unfair, it is also economically unwise because it jeopardizes Medicare, it fails to strengthen Social Security, and it risks higher interest rates. Yesterday, Alan Greenspan, testifying before the Banking Committee said:

> We probably would be better off holding off on a tax cut.

Why? Because of the uncertainty of budget surplus projections and also because we should normally reserve tax cuts for periods of economic slowdown.

The implication, in his words, has also been pretty clear over these last few months, which is that a large tax cut would cause the Fed to increase interest rates. For the average middle-income taxpayers, a rise in interest rates means larger mortgage payments, larger loan and credit card payments, larger payments on that automobile, and that would far outweigh the small share of the benefits from the tax cut which that average taxpayer might receive.

The tax program that is being offered to us is also based on unrealistic projections. Projections are always risky. We have seen many Federal budget estimates, and we know that as quickly as the surpluses appear, they can disappear. The estimates of both the Congressional Budget Office and the Office of Management and Budget have frequently been far off the mark in recent years, and that is not their fault. We have some bright economists in the CBO and the OMB. They have a difficult task. Forecasting the performance of the economy, particularly over the course of several years, is more art than science, and there is a lot of guesswork in it.

For instance, the CBO estimated that the unified budget surplus for fiscal year 2000 will be $79 billion. But 4 months later, in a January 1999 CBO document, the surplus for fiscal year 2000 was estimated at $130 billion. In 4 months, it jumped from a $79 billion estimate to a $130 billion estimate. The July estimate for fiscal year 2000 now projects a $161 billion surplus. So there has been a change of over 100 percent in the projection of the surplus in less than a year. If most Americans were confronted with such uncertainty over their own budget situation, they would follow a cautious course, and we should, too.

The projections in both the underlying proposal and the pending amendment to it are extremely risky because they are based on assumptions about domestic spending levels that are highly unrealistic. The on-budget surplus, which the Republicans now say will pay for the tax cut, is reliant largely on massive cuts in discretionary spending, $595 billion over 10 years. That is a 23-percent cut in real terms from the 1999 level adjusted for inflation. Can we really believe we will be cutting discretionary programs by 23 percent in real terms?

Is that what we are doing now?

If a realistic defense spending level is adopted—even the President's proposal; if we assume just that—the domestic spending cut will grow to $775 billion over 10 years, which is a 38-percent cut in real terms.

We have seen proof in the last few weeks that these levels are unrealistic. The so-called spending caps are already being exceeded by attaching emergency spending labels to new funding. We have already heard from the chairman of the Appropriations Committee that these limits, or caps, are going to be lifted in any event. The House tends to use emergency spending to get around the caps. Apparently, we are going to be more forthright and just lift the caps.

So most people in Congress already believe—whether they acknowledge this publicly or not—that the caps are simply not going to hold. So we already have strong evidence that the basis of the surplus projection is not realistic or credible.

The proposal before us is going to take the economy backwards, just as we are climbing out of a deficit ditch.

In 1992, the deficit in the Federal budget was $290 billion. We made remarkable progress which has brought us now to the threshold of surpluses. It came in large part because of a deficit-reduction package which President Clinton presented in 1993 and which we passed by a margin of one vote. We should not now, by passing a tax bill such as the one before us, head down the road toward new future deficits.

The alternative that Democrats offered yesterday was far better, by all three tests—the test of fairness, the test of prudence, the test of credibility. But by those same three tests, we should hold off on any tax cut. We should hold off on any tax cut, period.

First, we should see if the surplus is real before we adopt tax cuts. Second, if the surpluses are real, we should pay down the national debt faster. And third, we should save tax cuts for a time of economic slow down.

The argument is made that this is the taxpayers' money. It is. But the economy is the American taxpayers', too. The economy belongs to the American taxpayer. Social Security belongs to the American people, just as this money belongs to the American people. The surplus belongs to the American people. So does the Medicare program belong to the American people. Our education program, helping people through college, belongs to the American people, just as the surplus does.

These are taxpayers' dollars. There can be no dispute about that. But the veterans' program is the American people's program. When we cut veterans' health care, we are cutting into something that the American people want. It is their program, just as the surplus, just as the taxes, are the American people's.

The American people are speaking loudly, at least to me, at least in my office, when I go back home to Michigan every weekend and talk to the American people. What they are telling me is: Pay down the debt, protect Social Security, protect Medicare. Do what you need to do to invest in education. Don't cut veterans' programs. But we don't need this tax cut that is being proposed at this time, not just because it is unfair to middle income Americans—which it is, since most of the benefits go to the upper fifth—but we don't need the tax cut because we want debt reduction, real debt reduction.

That is what they are telling us. That is what the American people, who produced this surplus, who send us the tax money, are telling us. They are telling us that loudly, not just in public opinion polls—in the mail that we open up, in the phone calls we get, and in the personal pleas we get when we go home.

That is exactly what we should do: To hold off on any tax cut and reduce the debt with the money that otherwise would go to that tax cut, again, not just because it is unfair—which it is—but because it is unwise and imprudent.

Mr. President, I yield the floor.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER (Mr. BUNNING). The Senator from Texas.

Mr. GRAMM. Mr. President, it is my understanding that the Democrat side of the aisle has completed their run of speakers. They have a little time left. I have a little bit more. But it would be my intention, if it suits everybody else, to go ahead and try to answer all of these points that have been made, and try to deviate from my background as a schoolteacher and not take all day, and then go ahead and yield back my time if they would yield back theirs, and then we will set my vote aside and let Senator KENNEDY offer his amendment, if that will suit everybody on time.

The only thing I want to be sure of is—since I want to be sure I get to answer every point that has been made—I would like to be the last speaker on my substitute. So if that works with everybody, I am happy about it; if not, we can do it another way.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. The Senator's proposal is entirely agreeable. I cannot, however, let pass the notion that Texas may be the only State in the Union where a former professor of economics refers to himself as a sometimes schoolteacher. But that is the way it is. We look forward to hearing all he has to say.

Mr. REID. Will the Senator yield for a question?

Mr. MOYNIHAN. Sure.

Mr. REID. So we have someone here to speak when the Senator finishes, could the Senator give us an estimate of when he might complete his statement on this amendment?

Mr. GRAMM. Mr. President, how much time do I have?

The PRESIDING OFFICER. Eighteen and a half minutes.

Mr. GRAMM. I will be through before that. Senator KENNEDY may want to start making his way over here.

Mr. President, we are about to wrap up the debate on this amendment. I think sometimes it is easy to get carried away and get in the business of trying to look at people's motives. I would like, in my concluding comments, to try to set this whole thing in perspective.

I wonder sometimes if our Democrat colleagues do not just rediscover every once in a while how progressive—and that is the term that was made up by the people who wanted the Tax Code to be highly skewed, where higher income people paid the great preponderance of taxes in America.

We are today talking about cutting income taxes. Our dear colleague from Minnesota points out that if you make less than $30,000, you are going to get less than $100 of income tax cuts in this bill. But what our colleague fails to recognize is that 50 percent of Americans pay only 4.3 percent of the income taxes; 32 percent of American families pay no income taxes whatsoever.

So I know it makes for a good sound bite to say 32 percent of Americans will get no income tax cut if you cut taxes across the board by 10 percent, but they do not get a tax cut because they do not pay income taxes.

Tax cuts are for taxpayers. The people who will get a tax cut under this bill get no food stamps. Is that an outrage? People who will get a tax cut under this bill do not qualify for Medicaid. Is that an outrage that they do not qualify for Medicaid? People who will get a tax cut under this bill do not qualify for Aid to Families with Dependent Children. Is anyone outraged about that? I am not, because AFDC, food stamps, Medicaid are not for everybody; they are for poor people. Tax cuts are for taxpayers.

So when our colleagues stand up and say the top one-quarter of the taxpayers in America will get 60 percent of the tax cut under this bill, don't forget that the top 25 percent of income earners in America today pay 81.3 percent of all the taxes.

Why would anybody be shocked that a group of people who pay 81.3 percent of the taxes might get 60 percent of the tax cut? In fact, what our dear colleague from Michigan was pointing out is that the Roth bill is, from the point of view of the existing Tax Code, putting a heavier burden on higher income people. My amendment does not do that. Now, some of our colleagues, a few minutes ago, suggested that I was offering the House bill. The House tax cut bill is 457 pages long. The tax cut I am offering is 46 pages long. This is a very simple tax cut. At the end of my comments, I will go over what it does and does not do.

It is true that the top 1 percent will get more tax cut than the bottom 50 percent. The top 1 percent of income earners in America earn 16 cents of every dollar earned, but they pay 32.3 percent of the taxes. The bottom 50 percent pay only 4.3 percent of the taxes. So if you are giving a tax cut, people who pay taxes get it. If you are giving welfare or Medicaid, people who are poor get it. I don't know why that comes as a shock to our Democrat colleagues.

Our dear friend from South Carolina said the rich get it all. Well, the plain truth is that the average family in America making $50,000 a year, they are rich, according to the Senator from South Carolina. But the average family making $50,000 a year will get $624 in a tax cut by the 10-percent across-the-board tax.

How is it that only rich people are getting the tax cut? Well, you have to remember that when the Democrats, in 1993, raised taxes, they defined ''rich'' as anybody making over $25,000 a year when they taxed people earning $25,000 a year on their Social Security benefits. I hope people are not confused when they hear the Senator from South Carolina say under the Gramm amendment rich people get it all. I hope they understand that rich people are people over $25,000 a year. When Senator HOLLINGS was saying, yes, he voted to raise taxes on Social Security, that was on rich people who made over $25,000 a year. Don't forget the code when we are talking about these things.

There are a lot of people on the Democrat side of the aisle who say hold off on the tax cut. Well, I don't find that unappealing. Just to level with people, if we could stop the spending spree that is underway and hold off on the tax cut and have an election—I believe we are going to have a Republican President; I think I know who it is; I believe we are going to have a Republican majority in both Houses of Congress—I think we could do a better job 2 years from now. So when Senator LEVIN says hold off on the tax cut, why do I not end up supporting his position?

Well, the problem is, this is the Congressional Budget Office analysis of President Clinton's budget. He is proposing to spend $1.033 trillion, not only every penny of the surplus, but he is having to plunder Social Security for 3 out of the 10 years. So while our colleagues are saying don't cut taxes, what they are not telling is that the President has proposed spending every penny of the non-Social Security surplus, plus part of the Social Security surplus.

We are already $21 billion over the budget this year. I would be willing to wait when we had a President who I think would support a better tax package, but under President Clinton's budget, we will have spent every penny of the surplus before we can elect a new President. So that is why we have to act now.

The second thing is about how large this tax cut is, how outrageous, how obscene. If you want to spend all the money, any tax cut is obscene. If you don't want a tax cut, all tax cuts are for rich people, all tax increases are on rich people. So most people, at least in that language, don't have a stake in it.

But the problem is, all tax increases are on working people and our tax cut is for working people. The question is, Is it too big?

When Bill Clinton became President, Government was taking in taxes, 17.8 cents out of every dollar earned by every American. Because of the massive tax increase in 1993 and because people, as incomes have gone up, have moved into higher brackets, Government is now taking a peacetime record 20.6 percent of the economy in Federal taxes.

Now, if we took all $1 trillion of the non-Social Security surplus and gave it back to the American worker in tax cuts—and I remind Senators, we are giving less than $800 billion because we are keeping $200 billion for Medicare and for emergencies—if we gave it all back, the tax burden, at 18.8 percent of every dollar earned, would still be substantially higher than it was the day Bill Clinton became President. So even if you adopt our tax cut and even if the President signed it, when he left office and when this tax cut was fully implemented, he could say: Taxes were substantially higher when I left than when I came—even though supposedly we are talking about a huge tax cut.

Now, finally, if you take the arithmetic and you say: How big is this tax cut relative to the level of taxes we are collecting, over a 10-year period, the tax cut is a whopping 3.5 percent. Over a 10-year period, if we adopt our tax cut, we are reducing revenues by 3.5 percent.

How can the President say this tax cut endangers the American economy? In fact, the day before yesterday he was saying it endangers women's health care; if we let working people keep more of the money they earn, it is going to hurt women's health.

I don't know, if this debate goes on another day or two, he may say that infantile paralysis will be back, that polio will suddenly descend on America. If you let people keep more of what they earn, it could happen. The bubonic plague could come back. The point is, we are talking about 3.5-percent tax cuts over 10 years.

Why are we doing this? We are doing it because we are going to collect $3 trillion in taxes over the next 10 years above the level we are going to spend. We are taking $2 trillion and putting it away so when we get a President that has the courage to fix Social Security—we do not have such a President today, I am sad to say, but when we get one, we will have the money and we will be ready to do it.

Then out of the trillion that is left, we are saying, let us give eight-tenths of it back in tax cuts and let us keep two-tenths of it for Medicare and for any emergencies we might have.

Our colleagues say, if you give these tax cuts, the money is gone forever. That is interesting because we raise taxes round here all the time. But yet when they spend this money on $1.033 trillion of new programs, it is as if we can snap our fingers and have it back.

The truth is, you can always get money back that you give to the American public in tax cuts. If we start 81 new programs, which is what President Clinton wants to do, we will never be able to get that money back. We will never be able to end those programs. That is what the debate is about.

I see that one of my colleagues who had asked to speak before, came and waited for others to speak, has come back. How much time do I have at this point?

The PRESIDING OFFICER. The Senator has 6 minutes.

Mr. GRAMM. I yield that Senator 5 minutes of my time, and then I will sum up with the last minute.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. KYL. Mr. President, I have heard the name of the Federal Reserve Board Chairman, Alan Greenspan, invoked in this debate as if the Chairman would oppose the tax-relief bill. That is not my understanding of where Mr. Greenspan stands on the issue. I want to include for the RECORD at the end of my remarks a copy of a Wall Street Journal editorial on the subject that ran on July 27, 1999.

When Chairman Greenspan testified before the Banking Committee last week, he said that he would delay tax cutting and apply the surplus to debt repayment—but here is the part of the quote that many in the media have failed to report. He said he would defer tax cuts:

> . . . *unless*, as I've indicated many times, it appears that the surplus is going to become a lightening rod for major increases in outlays (emphasis added). That's the worst of all possible worlds, from a fiscal policy point of view, and that, under all conditions, should be avoided.

Mr. Greenspan went on to say, ''I have great sympathy for those who wish to cut taxes now to pre-empt that process, and indeed if it turns out that they are right, then I would say moving on the tax front makes a good deal of sense to me.''

Mr. President, Chairman Greenspan's view is important because opponents of this tax relief bill claim that the Federal Reserve will respond to its enactment by raising interest rates to the cool economy. But Mr. Greenspan's remarks make it clear that the real threat to continue prosperity is bigger government, not tax relief. And if the tax overpayment is not returned to taxpayers, I think it is clear that it will be spent long before it can be applied to debt reduction.

Just consider that President Clinton is proposing new spending amounting to $826 billion—more than the 10-year cost of the tax-relief bill that is before us. Remember, too, that our tax bill accounts for only about 25 percent of the available surplus. In other words, we are only proposing to refund about 25 cents of every surplus dollar to the people who sent it to us—hardly a risky or irresponsible thing. Seventy five cents of every surplus dollar would be dedicated to preserving Social Security and Medicare, and funding other domestic priorities.

Remember, to the extent that there is a surplus, we will have taken care of our core obligations already—things like education and health care, running our national parks, and providing for the national defense. It may be true that refunding the overpayment will mean we cannot fund some low priority programs, but that is the point: taxpayers ought to be able to decide how to spend their own hard-earned money before Washington wastes it.

Critics of the tax-relief bill also claim that it cannot be justified because projected surpluses may never materialize, that Congress and the President will be unable to live within the spending limits we agreed to on a bipartisan basis only two years ago. In other words, they contend that spending the surplus is a preordained outcome. To me, that is not a reason to defer tax relief. It is the very reason we need to pass tax relief—before Washington can find new ways to spend the tax overpayment.

Mr. President, I think it is important to clarify that we are talking about what to do with the non-Social Security surplus. Our plan saves all of the Social Security surplus for Social Security. President Clinton says that it is his goal as well, but his budget would actually spend $158 billion of the Social Security surplus on other programs. If our colleagues on the other side of the aisle would end their filibuster against the Social Security lockbox bill, we could pass it and make sure the Social Security surplus is not spent.

Let me turn for a few moments to the specific provisions of the tax-relief bill that is before us today. I want to begin by commending the chairman of the Finance Committee for producing a bill that fully meets the instructions of the budget resolution we passed earlier this year and provides a full $792 billion in tax relief over the next decade.

But I must say that I would have written the bill very differently. It seems to me that there are too many provisions that are targeted too narrowly. For example, the bill includes a tax break for the renovation of historic homes. That is great if you intend to engage in such renovation. But if you do not have the means to own a historic home, or do not want one, you get no relief.

People with a foreign address would have their frequent flyer miles exempted from the 7.5 percent air passenger ticket tax.

Generation of electricity from chicken litter would earn a tax break.

And if you are fortunate enough to get certain scholarships, your award would be excluded from tax.

These four provisions alone—and each may have merit in its own right—have a combined revenue impact of about $4 billion over 10 years—money that I would prefer to put toward broad-based, growth-oriented tax relief that help all taxpayers.

While there are many worthwhile provisions in the Finance Committee bill, a better approach is embodied in an amendment that will be offered by Senator PHIL GRAMM of Texas. Whereas the committee bill attempts to spread relief among some 130 parts of the Tax Code, the Gramm amendment would focus on just five areas, using the surplus to finally correct some of the most unfair and egregious provisions of the law.

The Gramm amendment would, for example, expand on the provisions of the underlying bill to completely eliminate the marriage-tax penalty. What rationale can there possibly be for imposing such a penalty? All of us say we are concerned that families do not have enough to make ends meet—that they do not have enough to pay for child care, college, or to buy their own homes. Yet we tolerate a system that overtaxes families. According to Tax Foundation estimates, the average American family pays almost 40 percent of its income in taxes to federal, state, and local governments. To put it another way, in families where both parents work, one of the parents is nearly working full time just to pay the family's tax bill. It is no wonder, then, that parents do not have enough to make ends meet when government is taking that much. It is just not right.

The marriage penalty alone is estimated to cost the average couple an extra $1,400 a year. About 21 million American couples are affected, and the cost is particularly high for the working poor. Two-earner families making less than $20,000 often must devote a full eight percent of their income to pay the marriage penalty. The highest percentage of couples hit by the marriage penalty earns between $20,000 and $30,000 per year.

Think what these families could do with an extra $1,400 in their pockets. They could pay for three to four months of day care if they choose to send a child outside the home—or make it easier for one parent to stay at home to take care of the children, if that is what they decide is best for them. They could make four to five payments on their car or minivan. They could pay their utility bill for nine months.

The Finance Committee bill goes a long way toward resolving the marriage-penalty problem, and I thank the chairman of the Finance Committee for that; but since we have the resources to solve it fully once and for all, we should.

The death tax is just as wrong, and we ought to do something about it, too. The Gramm amendment includes the provisions of the Kyl-Kerrey bill, as modified by the House, that would eliminate the death tax outright.

Although most Americans will probably never pay a death tax, most people still sense that there is something terribly wrong with a system that allows Washington to seize more than half of whatever is left after someone dies—a system that prevents hard-working Americans from passing the bulk of their next eggs to their children or grandchildren, or even their local charities. Liberal Professor of Law at the University of Southern California, Edward J. McCaffrey, put it this way: ''Polls and practices show that we like sin taxes, such as on alcohol and cigarettes.'' ''The estate tax,'' he went on to say, ''is an anti-sin, or a virtue, tax. It is a tax on work and savings without consumption, on thrift, on long term savings. There is no reason even a liberal populace need support it.''

Economists Henry Aaron and Alicia Munnell reached similar conclusions, writing in a 1992 study that death taxes ''have failed to achieve their intended purposes. They raise little revenue. They impose large excess burdens. They are unfair.''

In fact, 77 percent of the people responding to survey by the Polling Company last year indicated that they favor repeal of the death tax. When Californians had the chance to weigh in with a ballot proposition, they voted two-to-one to repeal their state's death tax. The legislatures of five other states have enacted legislation since 1997 that will either eliminate or significantly reduce the burden of their states' death taxes.

Talk to the men and women who run small businesses around the country and you will find that death taxes are a major concern to them. The 1995 White House Conference on Small Business identified the death tax as one of small business's top concerns, and delegates to the conference voted overwhelmingly to endorse its repeal. Remember, this is a tax that is imposed on a family business when it is least able to afford the payment—upon the death of the person with the greatest practical and institutional knowledge of that business's operations.

Although the death tax raises only about one percent of the federal government's annual revenue, it exerts a disproportionately large and negative impact on the economy. In fact, Alicia Munnell, a former member of President Clinton's Council of Economic Advisors, estimates that the costs of complying with death-tax laws are roughly the same magnitude as the revenue raised. In 1998, for example that amounted to about $23 billion. In other words, for every dollar of tax revenue raised by the death tax, another dollar is squandered in the economy simply to comply with or avoid the tax.

Over time, the adverse consequences are compounded. A report issued by the Joint Economic Committee last December concluded that the existence of the death tax this century has reduced the stock of capital in the economy by nearly half a trillion dollars.

By repealing the death tax and putting those resources to better use, the Joint Committee estimates that as many as 240,000 jobs could be created over seven years and Americans would have an additional $24.4 billion in disposable personal income.

Unlike the Finance Committee bill, which leaves the death tax in place indefinitely, the Gramm amendment would repeal the tax—pull it out by its roots. The House has already passed similar provisions, and the Senate should, as well. Death-tax repeal is a must.

Mr. President, there are three other components of the Gramm amendment that I will touch on only briefly. First, it would reduce marginal income-tax rates by 10 percent across the board. In other words, all taxpayers would see their tax bills reduced, proportionate to how much they pay. This is probably the fairest way of returning the tax overpayment.

Second, the amendment would index capital gains for inflation, recognizing that the Treasury should not reap the benefit of inflationary policies.

Third, it would provide a full deduction for health insurance for the self employed.

Mr. President, the Gramm amendment would provide broad-based relief, and would do so in a way that is not only fair, but which would keep the economy growing and providing a better standard of living for all Americans.

I will vote for the Gramm amendment. If it is defeated, I will vote for the underlying bill in order to get it to conference where the bill could be improved. I will, however, reserve judgment about whether to support the conference report until I can see if it comes close to the Gramm amendment or the House bill.

Before concluding, I ask unanimous consent that the Wall Street Journal editorial from July 27, 1999, which I mentioned at the beginning of my remarks, be printed in the RECORD at this point.

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

REVIEW & OUTLOOK—TRUTH AND TAXES

Ronald Reagan once famously noted that ''facts are stubborn things,'' but that was before the Clinton Presidency. One consequence of Clintonism is that facts have been irrelevant to political debate, as for example in the current fight over tax cuts.

Under the new Clinton rules, by now imbedded in media coverage, it doesn't matter whether something is true; what counts is whether it works politically. Thus last week Federal Reserve Chairman Alan Greenspan suddenly found himself hailed as a hero of the Democratic Party, allegedly for trashing the House Republican tax-cut bill.

Or so the news reports said. We read his remarks, however, and the truth is more interesting.

Mr. Greenspan: ''My first priority, if I were given such a priority, is to let the surpluses run.''

Rep. John LaFalce (D., N.Y.): ''Thank you, Mr. Chairman.''

Mr. Greenspan: ''As I've said before, my second priority is if you find that as a consequence of those surpluses they tend to be spent, then I would be more in the camp of cutting taxes, because the least desirable is using those surpluses for expanding outlays.''

For some reason the press corps never mentioned this spending caveat, as large as it is. We don't know how they missed it, because a short time later the Fed chief said he'd delay tax cutting ''unless, as I've indicated many times, it appears that the surplus is going to become a lightening rod for major increases in outlays. That's the worst of all possible worlds, for a fiscal policy point of view, and that, under all conditions, should be avoided.

''I have great sympathy for those who wish to cut taxes now to pre-empt that process, and indeed, if it turns out that they are right, then I would say moving on the tax front makes a good deal of sense to me.''

Now, also keep in mind that Mr. Greenspan is a central banker. He runs monetary policy, which means he needs the political running room to raise interest rates from time to time. Like all central bankers, he gets irrationally exuberant about deficits, which he fears could return and complicate this task. Ergo, he'd prefer surpluses to pile up from here to eternity.

Yet, if the surpluses are going to be spent, he'd still rather cut taxes first. And indeed, last week Mr. Greenspan repeated his belief that the revenue-maximizing tax rate for capital gains is ''zero'' and that he prefers a cut in marginal tax rates.

As it happens, last week the Beltway's media sleuths also ignored some startling facts from the Congressional Budget Office. CBO—historically no friend of tax-cutting—compared Congress's budget proposals with Mr. Clinton's. And it found that, despite its $800 billion tax cut over 10 years, Congress's budget actually reduces the federal debt more than does Mr. Clinton's

How can this be? because Mr. Clinton proposes to spend that money instead of use it to retire debt, just as Mr. Greenspan fears. Here's the CBO math on the Clinton proposals:

$111 billion for Medicare, including $168 billion for the new prescription drug bribe less other savings;

$245 billion for USA Accounts, another political handout;

$328 billion for additional discretionary spending—$127 billion for defense and $201 billion in nondefense programs''; and

$142 billion for higher debt service costs because of the higher spending.

The GOP tax cut is about $792 billion, while Mr. Clinton's new spending would amount to $826 billion. In short, Mr. Clinton isn't against the GOP tax cut because he wants to save it for posterity. He's against it because he wants to spend that money instead. Which by Mr. Greenspan's own testimony last week means the Fed chief would endorse cutting taxes first.

And, by the way, don't believe Mr. Clinton when he claims, as he did in his Saturday radio address, that ''the GOP tax cut is so large it would require dramatic cuts in vial areas, such as education, the environment, biomedical research, defense and crime fighting.'' As CBO also shows, since 1990 domestic spending (not including entitlements) has increased by 5% a year; that's roughly double the rate of inflation.

Mr. Clinton has taken to lying with such fluency that his whoppers are barely even noticed. We're not optimistic that anyone else will keep him honest. But we thought our readers would like to know.

Mr. KYL. To reiterate, the bill includes a tax break for the renovation of historic homes. That is great, if you intend to engage in such a renovation and you have a historic home. But if you don't have that kind of a home, it is not going to do you much good. People with foreign addresses would have their frequent flier miles exempted from the 7.5-percent passenger ticket tax.

Generation of electricity from chicken litter would earn a tax break. If you are fortunate to get certain scholarship, you could be excluded from a tax. These four provisions alone, which may well have merit, have a combined revenue impact of about $4 billion over 10 years—money I would prefer to put toward the kind of relief Senator Gramm has been proposing. That is why I support his amendment.

Let's take one of the provisions of his amendment, whereas, the committee bill attempts to spread relief. Out of about 130 different parts of the Tax Code, the Gramm amendment focuses on just 5 particular areas, using the surplus to finally correct some of the most unfair and egregious provisions of the law. For example, it eliminates the marriage tax penalty.

The Finance Committee proposal goes a long way toward working on that marriage penalty, but it does not eliminate it. The Gramm proposal would do that. It is not fair that we overtax families just because they are married. The impact is estimated to cost the average couple an extra $1,400 a year. About 21 million American couples are affected. It is no wonder both spouses in the family are having to work. One, in effect, is working for the family, and the other is working to pay off the taxes. They are upset with this marriage tax penalty. I support that provision.

While we deal with the death tax in the Finance Committee proposal, we don't eliminate it. It ought to be eliminated. The Gramm proposal eliminates it along the lines of the Kyl-Kerrey bill. I appreciate Senator Gramm including our provision in his amendment. The death tax is the most unfair tax of all. Death should not be a taxable event. If you want to tax people because they make some economic decision to spend money, to take money out of an account, to sell an asset, then tax that economic decision. They understand going in what the consequences are going to be. But nobody chooses to die. Why their heirs should have to pay a tax because of a death is beyond most of us. It brings in about 1 percent in revenue. It is not worth it. An awful lot of small businesses and farms, which have all of the assets tied up in equipment and the capital of the business itself, end up having to sell their assets in order to pay the taxes. The idea that it was to prevent the accumulation of wealth no longer works. In today's world, when you have to sell the business, you usually sell to some big conglomerate that then takes it over.

So the death tax is unfair. Our proposal, which in effect converts it to a capital gains tax on the sale of the assets if and when they are ever sold, is a much fairer proposal. It still permits the Government to recover some of the money, but it is not based upon the death of the individual, it is based upon the sale of the asset when the people want to sell it.

There are three other components I will touch on briefly. First, it reduces the marginal income tax by 10 percent across the board. In other words, all taxpayers would see their taxes reduced, proportionate to how much they pay, as the Senator pointed out. It is probably the fairest way of returning the tax overpayment. The amendment would index capital gains for inflation, recognizing that the Treasury should not reap the benefit of inflationary policy. Finally, it would provide a full deduction for health insurance for the self-employed, something I think everybody would like to see done.

We can afford to do those things, and we ought to do those things in this amendment. I will vote for the GRAMM amendment. If it is defeated, I will vote for the underlying bill in order to get it to conference where it can be improved. I will reserve judgment on whether to support the conference report until I see whether it comes closer to the approach Senator GRAMM has taken.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, I have worked up an example that I think tells the story here at the end of the debate. The question is, If we have a simple tax cut that cuts taxes across the board by 10 percent, eliminates the marriage penalty, repeals the death tax, indexes capital gains taxes, and gives a full deduction for health insurance, what will it mean to your family?

Obviously, it is easy to take how much taxes you pay and then take the 10 percent. Here is an example. Take this couple Senator HUTCHISON talked about, where you have a teacher and a football coach and they are married. Together, they make $70,000 a year. Now, I know there are some people on the other side of the aisle who are going to say they are rich. They have two children, and they might have one of them in college. If they have both of them in college, they are among the most financially stressed people in America.

But what would happen under this bill is that the 10 percent tax cut would mean that this family—a coach and a teacher, making $70,000 a year—would get an $800 tax cut; actually, it would be an $809 tax cut because of the 10 percent across-the-board cut; they would get a $1,400 tax cut from the marriage penalty elimination, meaning, in total, they would get $2,200 in tax cuts. That is roughly, I think, what working middle America is about.

Mr. President, I yield all my time back.

Mr. MOYNIHAN. Mr. President, this side of the aisle yields all our time back.

Mr. GRAMM. Mr. President, I ask unanimous consent that the Gramm amendment, No. 1405, be temporarily set aside in order for Senator KENNEDY to offer a motion relative to prescription drugs. I further ask consent that following the debate time on that motion, the Senate then proceed to a vote on or in relation to the Gramm amendment, No. 1405, to be followed by a vote on or in relation to the Kennedy motion. I ask unanimous consent that no other amendments be in order to the amendment prior to the vote. I further ask consent that there be 2 minutes equally divided prior to each vote.

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

Mr. MOYNIHAN. Mr. President, the Senator from New York, on behalf of the Finance Committee, is honored to yield to our distinguished friend and long-time colleague, Senator KENNEDY of Massachusetts. We welcome him back to the debate.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I understand we now have a 1-hour time limitation, am I correct, and the time is divided?

The PRESIDING OFFICER. Thirty minutes on each side.

Mr. KENNEDY. I yield myself 10 minutes, Mr. President.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 10 minutes.

MOTION TO RECOMMIT

(Purpose: To modernize and improve the Medicare program by providing a long-overdue prescription drug benefit, by reducing or deferring certain new tax breaks)

Mr. KENNEDY. Mr. President, I send a motion to the desk.

The PRESIDING OFFICER. The clerk will report the motion.

The assistant legislative clerk read as follows:

The Senator from Massachusetts, Mr. KENNEDY, moves to recommit the bill to the Committee on Finance, with instructions to report back within 3 days, with an amendment to reserve amounts sufficient to provide a prescription drug benefit to all Medicare recipients, in the context of modernizing and strengthening Medicare, by reducing or deferring certain new tax breaks in the bill, especially those which disproportionately benefit the wealthy.

Mr. KENNEDY. Mr. President, as was indicated in the motion, senior citizens deserve coverage of prescription drugs under Medicare, and it is time for Congress to see that they get it. This amendment presents a clear choice between prescription drug coverage for the elderly and unnecessary new tax breaks for the wealthy.

This debate is about priorities. New tax breaks are a priority for the Republicans. Prescription drugs for senior citizens are not. If senior citizens were the priority, we would be debating a Medicare prescription drug bill today—not a tax cut bill. If senior citizens were the priority, we would be debating a tax bill after we had taken care of Medicare and Social Security—not before.

These Republican tax bills have $230 billion in new tax breaks for people with incomes over $300,000 a year. They reinstate the three-martini lunch deduction.

There are sweetheart deals for the insurance industry, the timber industry, the oil industry, and large multinational corporations. But there is not one dime for Medicare prescription drugs for senior citizens.

Medicare is a clear contract between workers and their government. It says, ''Work hard, pay into the system when you are young, and you will have health security in your retirement years.'' But that commitment is being broken today and every day, because Medicare does not cover prescription drugs.

When Medicare was enacted in 1965, coverage of prescription drugs in private insurance policies was not the norm—and Medicare followed the standard practice in the private market. Today, ninety-nine percent of employment-based health insurance policies provide prescription drug coverage—but Medicare is caught in a 34 year old time warp—and too many seniors are suffering as a result.

Too many seniors today must choose between food on the table and the medicine they need to stay healthy or to treat their illnesses.

Too many seniors take half the pills their doctor prescribes, or don't even fill needed prescriptions—because they cannot afford the high cost of prescription drugs. Too many seniors are paying twice as much as they should for the drugs they need, because they are forced to pay full price, while almost everyone with a private insurance policy benefits from negotiated discounts. Too many seniors are ending up hospitalized—at immense costs to Medicare—because they aren't receiving the drugs they need at all, or cannot afford to take them correctly. Pharmaceutical products are increasingly the source of miracle cures for a host of dread diseases, but senior citizens will be left out and left behind if we do not act.

The 21st century may well be the century of life sciences. With the support of the American people, Congress is on its way to our goal of doubling the budget of the National Institutes of Health. This investment is seed money for the additional basic research that will enable private and public sector scientists to develop new therapies that will improve and extend the lives of people in the United States and around the globe.

In 1998 alone, private industry spent more than $21 billion in research on new medicines and to bring them to the public.

These miracle drugs save lives—and they save dollars too, by preventing unnecessary hospitalization and expensive surgery. All patients deserve affordable access to these medications. Yet, Medicare, which is the nation's largest insurer, does not cover out-patient prescription drugs, and senior citizens and persons with disabilities pay a heavy price for this glaring omission.

Prescription drug bills eat up a large and disproportionate share of the typical elderly household's income. Senior citizen spend three times more of their income on health care than persons under 65, and they account for one-third of all prescription drug expenditures. yet they make up only 12 percent of the population.

The greatest gap in Medicare—and the greatest anachronism—is its failure to cover prescription drugs. Ninety-nine percent of all employment-based plans—ninety-nine percent—cover prescription drugs today. But Medicare is still mired in the mid-1960s—when the private plans on which Medicare was modeled did not provide this coverage.

Because of this gap and other gaps in Medicare, and the growing cost of the Part B premium, Medicare now pays only 50% of the out-of-pocket medical costs of the elderly. On average, senior citizens now spend almost as much of their income on health care as they did before Medicare was enacted. And Medicare was enacted because there was a crisis in health care for the elderly in the 1960s. How can we fail to act today, to deal with the health care crisis for the elderly in the 1990s?

Prescription drugs are the single largest out-of-pocket cost to the elderly for health care. The average senior citizen fills an average of eighteen prescriptions a year, and takes four to six prescriptions daily. Many elderly Americans face monthly drug bills of $100, $200 or even more.

America's senior citizens and disabled citizens deserve to benefit from new discoveries in the same way that other families do. Yet, without negotiating power, they receive the brunt of cost-shifting—often with devastating results. In the words of a recent report by Standard & Poor ''Drugmakers have historically raised prices to private customers to compensate for the discounts they grant to managed care consumers.'' The private customers referred to in this report are largely the nation's mothers, fathers, aunts, uncles, grandmothers, and grandfathers.

Despite—and to a large extent because of—Medicare's lack of coverage for prescription drugs, the misuse of such drugs results in preventable illnesses that cost Medicare $20 billion or more a year, while imposing vast misery on senior citizens. It is in their best interest, and in the best interest of Medicare, to design a system that encourages the proper use, and minimizes the improper use of prescription drugs. Substantial savings can be found if physicians and pharmacists are educated on senior citizen-prescription drug interactions and on ways to identify, prevent, and correct prescription drug-related problems.

Beneficiaries, too, must follow instructions that are dispensed with the medication itself. Too often, we hear stories of senior citizens who skimp on medicine. They take half doses or otherwise try to stretch their prescription, to make it last longer. That is not right, and it doesn't have to happen. If senior citizens are confident that the drugs they need will be covered, proper usage will improve, and so will the quality of life for senior citizens.

During the course of this debate, we will hear many arguments from the opponents of this amendment. Their arguments are as predictable as they are wrong.

First, we will hear that the sponsors of this excessive tax cut are all for a Medicare prescription drug benefit, too. They claim that even after their tax cut, they still have $253 billion of surplus left. But we all know that those estimates are as phony as a three dollar bill—and about as valuable.

The only way that any money is left after the Republican tax cut is because their budget pretends to cut national defense by $198 billion below the President's request—a request that Republicans say is inadequate. Their budget also pretends that there will never be another emergency appropriation—even though emergencies will cost us $90 billion over the next 10 years if present trends continue. Their budget pretends to cut domestic programs from Head Start to education to highway construction to law enforcement by half a trillion dollars over the next ten years, cuts that no one believes will ever happen.

Republicans hope they can continue to play ''let's pretend'' until this reckless and irresponsible tax cut passes the Senate. But by then it will be too late—too late for today's senior citizens, who need prescription drug coverage—too late for tomorrow's senior citizens, who need a solvent Medicare—too late to protect Social Security—too late to meet pressing needs to educate the nation's children, support biomedical research, fight crime, protect the environment, and meet all the other pressing needs that are priorities for the American people.

This is an issue of priorities. Republicans may say that there is enough money left over to protect seniors. Let them put their votes where their mouth is. All this motion does is say set aside enough money out of the tax cut to provide a prescription drug benefit before we vote to pass a tax bill. This should be a simple vote for any Senator who cares about senior citizens. Tax cuts are a priority for the Republicans. Prescriptions drugs for senior citizens are not. If senior citizens were the priority, we would be debating a prescription drug coverage bill today—not a tax cut bill. If senior citizens were the priority, we would be debating a tax bill after we had taken care of Medicare and Social Security—not before. If senior citizens were the priority, it would be tax breaks that would get the left-overs, not the elderly.

Republicans also say that prescription drug coverage should not be provided to all senior citizens—only to the poor or those who have no current coverage. But we heard those same arguments when Medicare was originally enacted. The American people didn't buy these arguments then—and they won't buy them now.

Let's look at the numbers. Fourteen million elderly and disabled Medicare beneficiaries—one-third of the total—do not have a dime of prescription drug coverage today. Not a dime.

One-quarter of Medicare beneficiaries have coverage through an employer—but retiree health benefits are on the chopping block as companies seek to cut costs by trimming health care spending. In fact, the proportion of firms offering coverage has dropped one-quarter in just the last four years. No senior citizen—and certainly no 50-year-old looking forward to retirement—can count on prescription drug coverage being there for them when serious illness strikes.

Seven million Americans get prescription drug coverage through a Medicare HMO. But that coverage is offered voluntarily—and it is often being cut back or eliminated altogether. Three-quarters of Medicare HMOs will impose caps on their benefits of less than $1,000 next year. Almost one-third will impose caps of less than $500. The majority of seniors have annual drug expenses well in excess of $500. More than $325,000 beneficiaries will be dropped from their HMOs next year. There is not a single senior citizens who joined an HMO because of the promise of affordable prescription drug benefits who can count on that promise being kept.

Four and a half million senior citizens get prescription drug coverage through a Medigap plan. But that coverage is extraordinarily expensive and inadequate. According to Consumer Reports, a seventy-four year old senior citizen enrolled in the least generous Medigap plan offering drug coverage would pay an average of close to $2,000 a year more in premiums—on top of $1,4000 for the non-drug part of the coverage—a total of more than $3,000 a year. And that is an average. Some beneficiaries must pay more than $9,000 a year for drug coverage through Medigap. Whatever the starting premium, it goes higher and higher as senior citizens age and their need for medical care grows. Anyone who misses the chance to enroll in a plan offering drug coverage at age 65 never gets another chance if they have any health problems.

The only senior citizens who have stable, secure, affordable Medicare drug coverage today are the very poor on Medicaid. The idea that only the impoverished should qualify for needed hospital and doctor care was popular with Republicans more than 30 years ago when they fought against the enactment of Medicare. The American people rejected that cruel doctrine—and Medicare for all was enacted. Today, it is time for the Senate to reject the equally indefensible proposition that poverty is the price that senior citizens should have to pay to get the prescription drugs they need.

A couple of Marshfield, Massachusetts vividly demonstrates why we need to act now. Their plight is representative of millions of other senior citizens across the country. They live on a fixed income of $30,000 a year from Social Security and a retirement pension. They are not poor. Their income is not below 135% of poverty. In fact, it is not even below 200% of poverty—but it is not enough for them to afford the prescription drugs they need. Both have substantial medical needs, and both belong to the Medicare HMO—but 19% of the couple's income is still spent on prescription drugs.

By April, the couple had already exhausted their HMO's $150 quarterly cap for prescription drug coverage. The $956 cost of the wife's medications for May and June will come completely out of their pockets. She has been rationing her medication—not taking it as prescribed, in an attempt to stretch out the medicine to save money. She was a stroke victim five years ago. Yet, she has to cut back considerably on her most expensive prescriptions. She is having a difficult time with the left side of her body, and cannot move her left arm.

She says, ''My muscles are really tight, and it is a result of not taking my Methocarbamol, because I am trying to stretch my prescription dollars. We don't go out, we can't afford gas, and we have had to cut down on groceries.''

Every senior citizen in America could find themselves forced to choose between a decent retirement and the medications they need to survive. No person and no family should have to make that unfair choice. This is what our amendment is all about.

Senior citizens need and deserve prescription drug coverage under Medicare. Any senior citizen will tell you that—and so will their children and grandchildren.

I would like to just reiterate an earlier point. The debate this week is really about priorities, and there are many of us who believe that, prior to moving toward any of these kinds of tax breaks, we ought to secure Social Security, we ought to ensure the security of the Medicare system, and include in the Medicare system a prescription drug benefit program.

I have listened over the course of the past 2 days, as well as earlier in the year, to those who say we can afford the kind of tax breaks that are being recommended. They say that we will have sufficient resources at the end of it in order to provide for a prescription drug benefit. I don't believe that to be the case.

Even if it were the case, I am not going to take our limited time to debate how much may be left over after we deal with the Republican tax breaks. I don't think there will be much, if anything.

But what we are saying today is rather than wait to see if there is anything left, let's go ahead today. We are saying that any proposal that is going to come out of this Senate dealing with tax breaks is also going to include an important prescription drug benefit for the senior citizens of this country. That is what we are saying.

We say send this legislation back to the Finance Committee, and then we ask the Finance Committee to report back within a period of 3 days.

There are a number of acceptable proposals. The proposal by the President of the United States is one that I favor. Senator ROCKEFELLER and I also have a proposal that I favor. But this motion simply requires the Finance Committee to come back with funds sufficient to provide prescription drug coverage to all Medicare beneficiaries. It doesn't specify one proposal over another. That is, in effect, what this amendment is really all about.

We believe that coverage of prescription drugs is necessary in order to effectively upgrade Medicare to deal with modern realities. There are other considerations in the Medicare program that the President and others have outlined which deserve consideration. But today we should say that before we pass significant tax breaks, we are going to make a commitment that a prescription drug benefit program be put into place.

It is a matter of enormous importance. It makes an incredible difference in the quality of life of the senior citizens of this country.

Prescription drug benefits in the current system are completely inadequate. Those who rise to oppose it will say: Let us just have a partial program because there are only about one-third that have no coverage. We went through those numbers earlier. Only the poorest seniors have affordable, reliable and adequate coverage.

Those with retiree coverage cannot be certain it will continue. Those in HMOs are being told that their coverage will be limited to $500 or $1,000 a year. Others are being dropped because their plan is leaving the program. Seniors who can get into medigap are shelling out thousands of dollars a year for coverage that is inadequate.

Coverage of prescription drugs is an issue of life and death for our senior citizens. Some would like to limit our assistance to only some of the elderly. Are we going to say now on this important issue that we should turn Medicare into a poverty program, a Medicaid program? Clearly, we should not.

There are those who say, well, Mr. President, we only have a small group that aren't covered. Let's target it at that. But every kind of indicator shows that coverage is declining every year for those who are fortunate enough to have some coverage now.

Our program is very clear and simple. Again, it says that this will be a priority.

We said: Send this legislation back to the Committee. Have it come back to the floor with funds reserved to have a prescription drug program that is going to be worthy of its name. It says that before we see the major kinds of tax breaks and tax cuts in this bill, we should meet the needs of our senior citizens.

Every Member of this body can give chapter and verse about what is happening in their communities, and about how important this is. I am sure that others in this body have had the opportunity, as I have, of visiting a nursing home or a senior citizen gathering and asking them: How many of you are paying out of your pocket for prescription drugs $25 or $50 or $75 a month? You see all the hands go up. You ask them: How many are paying $75 a month? You will find about half to three-quarters of them. How many are paying $50? Half or three-quarters of them. How many are paying $100 or more? You will still see many of those hands in the air.

We are finding that many of the senior citizens are skimping on their prescription drugs—they take half of it or skip days—despite all of the negative health implications that has.

It is interesting that for the five most common preventable conditions or diseases in the elderly, just five preventable diseases for which prescription drugs are available, the Medicare system pays $30 billion a year in hospitalizations. Many of those hospitalizations could have been avoided if those senior citizens had been able to afford the prescription drugs recommended by their doctors.

That is what we are talking about. We are going to pay for it either on the front end or the back end.

This motion makes sense because it is the right thing to do from a health point of view. It is the right thing to do from a bottom line point of view. It is necessary if we are going to meet our continuing responsibilities to our senior citizens.

I would like to mention on the floor of the Senate a petition I just received from Silver Spring, MD. It is from the Homecrest House Resident Council in Silver Spring, MD. They wrote,

> We are enclosing our petition signed by most of our 300 residents. We are sure that we voice a concern of our friends around the Nation, seniors and disabled. We do without other necessities in order to buy needed medications.

Here are the names from just one senior citizen center. Three hundred senior citizens and disabled persons. They understand the importance of this particular program.

Again, this debate is about priorities. Are we going to have tax breaks for the wealthy and for special interests or are we going to have the protection of our seniors?

Final point: I was listening with great interest to the debate on the other side about whether we are going to accept the House proposal. The fact is, that House proposal has a lot of tax goodies. There is the restoration of the three-martini lunch.

Many Members thought we freed ourselves from the tax break for the three-martini lunch back in 1993. It is back in the House bill.

This bill has all sorts of other tax goodies for special interests, tax goodies for various industries, including the insurance industry, the timber interests, the oil and gas industry, for foreign tax credits, and others that I think are questionable.

Out of all those issue that are out there, I say prescription drugs for the elderly people are more important than putting into place the tax privileges in this bill.

This motion will put the Senate on record in favor of closing the largest gap in Medicare. A vote to reject it is a vote to put a higher priority on new tax breaks for the wealthy than on quality medical care for senior citizens. I know where the American people stand. It is time for the Senate to decide where it stands.

I hope this motion will be accepted.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. I yield myself 3 minutes. I want to comment on the history that our distinguished friend, the senior Senator from Massachusetts, makes about the origins of the Medicare program.

He was the Senator at the time. I was a member of the administration at the time and was involved. A basic decision was made, and thank goodness it was, that Medicare, medical assistance to the aging, would not be a poverty program. It would not be dependent upon income. The idea was that programs for the poor inevitably become poor programs. I think this has been the case over the years.

The second point I make deals with 1965 and the years that led up to it. The pharmaceutical revolution in ways began with the discovery of penicillin in London in the 1920s, and medications of the kind we know today have become a whole new phenomenon in medical care. There was a time when hospitals were about all you could do for ill people. Now so much more can be done, principally through pharmaceuticals.

Indeed, if you had to make some bizarre choice between providing hospital care and providing the full range of pharmaceuticals, one could very well choose the latter.

The Senator spoke of five lifesaving medications which are unavailable to people who instead go to hospitals where they can receive consolation, but no true treatment.

This is a very wise and necessary motion. This Senator, for sure, will support it.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I yield such time as I may consume.

Mr. President, no one in the Senate is more concerned about Medicare and the program's beneficiaries than members of the Finance Committee. This year alone, our committee has held a dozen hearings looking into the needs and future of this important program. We are firm in our commitment to strengthen and preserve Medicare for the Americans who are now a part of the program, and for those who will depend on it in the years ahead.

One of our areas of focus concerns prescription drug benefits, and we appreciate the seriousness with which the senior Senator from Massachusetts takes this issue. However, now is not the time and place to address this issue.

The carefully crafted bipartisan Taxpayer Refund Act of 1999 leaves over $500 billion of the surplus for Congress to carefully weigh and meet the needs and long-term viability of Medicare. In September, we will turn our attention to addressing this most important concern.

But we should not be pressured into simply accepting something that requires our most careful and studied attention.

Testifying before the Finance Committee only last week, Comptroller General David M. Walker made it clear that Congress must take great care as we address Medicare reform. He reminded us that Congress has learned some sobering lessons about moving forward, pressed by political expediency to alter such an important program, without benefiting from careful study and deliberation.

''Effectiveness,'' Comptroller Walker reminded our committee, ''involves collecting the data necessary to assess impact—separting the transitory from the permanent, and the trivial from the important.''

''Steadfastness is needed,'' Mr. Walker said, ''when particular interests pit the primacy of needs against the more global interest of making Medicare affordable, sustainable, and effective for current and future generations of Americans.

This makes it all the more important that any new benefit expansion be carefully designed to balance needs and affordability both now and over the longer term.''

Mr. President, Congress cannot haphazardly paste one politically motivated change after another on the Medicare program and call it reform. We must be careful. We must be deliberate. To know how important this is, we simply need to harken back to 1988, when Congress—again out of politics, and in a rush—pasted together the Medicare Catastrophic Coverage Act.

Within six months of enacting that legislation, Congress and the people realized the debacle, and we were forced to repeal it within the year.

So we've been down this road before, Mr. President. A rush to legislation that not only failed to serve those whom we intended to help, but that actually set back progress more than a decade.

There is no question that Medicare reform is necessary. And there is agreement on both sides of the aisle that prescription drugs for the elderly must be a critical component of the reform. But now is not the time to address this issue. I can assure you that the committee will continue to proceed with Medicare reform as a top priority. We look forward to working with Senator KENNEDY and others who are concerned about this issue. Likewise, we will continue to give the President's recent proposal careful consideration.

By proceeding methodically, but cautiously, Mr. President, Congress will construct a reform package that is complete—one that meets the pressing needs in the lives of the seniors who depend on the Medicare program. The amendment Senator KENNEDY offers—as well as the President's prescription drug benefit, as it now stands—provides only limited coverage to Medicare beneficiaries.

By waiting . . . by proceeding constructively . . . and by working in a bipartisan effort to reform Medicare, Congress will—in the end—provide a more complete and lasting reform—reform that will prepare the Medicare program for the new millennium.

This effort does not have to wait long. The Finance Committee intends to continue our work on Medicare reform following the August recess.

I fully intend to include a prescription drug option as part of the plan we will offer. At that time, the Senate will be able to more fully and carefully examine reform legislation. This will be in the long-term interests of everyone.

I compliment Senator KENNEDY on his continuing commitment in addressing social needs, but now is not the time to move on it.

I ask my colleagues to vote against the Kennedy amendment.

I yield the floor.

Mr. KENNEDY. I yield to the Senator from Minnesota, 5 minutes.

PRIVILEGE OF THE FLOOR

Mr. WELLSTONE. Mr. President, I ask unanimous consent the privilege of the floor be granted to David Doleski, a fellow in my office.

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

Mr. WELLSTONE. Mr. President, let me say to my colleague from Delaware, he said about four or five times, ''in the long term.'' That is not good enough. The long term is not good enough. When I am in Minnesota, and I travel the State, no matter where I go, in town meetings, there is a huge turnout of older citizens, of senior citizens. In my State of Minnesota there are probably about 800,000 Medicare recipients, and only 35 percent have any kind of coverage at all for prescription drugs —35 percent. Two-thirds of elderly Minnesotans have no coverage; two-thirds in Minnesota have no coverage at all. It is not uncommon to meet someone who is spending $300 a month on a $1,000 monthly income. Mr. President, $300 a month on a $1,000 monthly income.

It is also not uncommon to meet with people who will tell you—actually not in a public meeting. People are a little embarrassed to do it. But if you get to meet with people individually—they cut their pills in half. The problem is it doesn't give them half the benefit. Actually, it can be quite dangerous. Or if they don't cut their pills in half, there are people who just do not take them so they can put food on the table, or if they go out and buy what they need, then they do not put food on the table. I hear my colleagues on the other side saying ''in the long run.'' In the long run? What are we waiting for? What are we waiting for?

You are talking about tax cuts. I was on the floor earlier when we were discussing the Gramm amendment, which I assume will be voted down. But take that one amendment: 60 percent of the benefit goes to the top 10 percent. The average tax cut for the lowest income earners, the lowest 60 percent, earning below $38,000, would be $99. But if you have an income of over $300,000, it is a $20,000 tax cut. You are talking about $700 billion, $800 billion of tax cuts in the Republican proposal, crowding out any kind of investment like this; for example, affordable prescription drug costs for the elderly.

We have another amendment, the Gramm amendment, which is class warfare. That is what it is. The people in Minnesota are scratching their heads saying: We would love to get some relief, us hard-pressed working people, but that is not what the Republican plan is.

Now we have the Kennedy amendment on the floor, which I fully support, that speaks directly to the concerns and circumstances of older Americans. In my State of Minnesota, this is critically important. Only one-third of senior citizens have any prescription drug coverage at all. This is a burdensome cost. This is a health care issue. This is a public health issue.

What made Medicare important—it was a huge step forward in 1965—is that it was a universal coverage program. When we extend prescription drug benefits to Medicare, we make it a universal care program. For my father and my mother, neither of whom are alive today, both of whom had Parkinson's disease, without Medicare they would have gone under. They never made any money. The kind of drugs they needed, and seniors need, for Parkinson's disease—I can talk about other diseases—they cannot afford them.

I hear my good friend from Delaware say ''in the long run.'' The long run is too long. We are confronted with the urgency of now. This is a clear choice. You are either for the tax cuts, three-martini lunches, egregious breaks for large corporations, the vast amount of the money going to the highest income citizens, exploding the debt over the next 10 years and then the next 10 years it gets worse; or why don't we be fiscally responsible? Why don't we pay the debt down, make sure we support Social Security and Medicare, investment in our children, and when we support Medicare, the best thing we could do would be to make sure there is prescription drug coverage for elderly Americans.

I hope there will be 99 or 100 votes for this amendment. There should be.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. I yield 10 minutes to Senator FRIST.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. FRIST. Mr. President, I rise to speak against the amendment offered by my colleague, the Senator from Massachusetts. The Senator from Massachusetts has introduced an amendment which suggests we set aside this bill, recommitting it to the committee of jurisdiction, so they will incorporate funding for a new prescription drug benefit in the existing Medicare program.

I have several points to make. First of all, I think most important is that the Senate, this very body, has already set aside funds for Medicare modernization. This has now become a familiar chart on the floor of the Senate, but I think it is very important. It goes right to the heart of why this amendment should and hopefully will be defeated today. This is the plan. The U.S. Congress' use of the surplus, the almost $3.3 trillion surplus: Debt reduction, $1.9 trillion; tax cuts, $792 billion. We talked about that. But what is most important for this particular amendment is the $505 billion that is set aside over the next 10 years to specifically address issues such as Medicare modernization, including things such as the prescription drugs, which I, as a physician, believe is very important that we address as we modernize, strengthen, and bring Medicare up to date.

Let me repeat: The Senate, this very body, has already set aside funds for Medicare modernization, including prescription drug coverage.

First, what have we done? How can I say that with such determination? The congressional budget plan has $505 billion over 10 years. Very specifically, we say it again and again and again; it is for domestic priorities. That money is set aside, aside from the tax cuts, the tax relief, and the debt reduction.

No. 2, the Senate has already specifically, in a reserve fund, set aside $90 billion, in a reserve fund, for long-term Medicare reform. Again, I refer people to April 15, the day we passed in this very body the concurrent resolution for the year 2000, in section 203, reserve fund for Medicare. We lay it out. The charts are in the back, in terms of coming up with the $92.4 billion over 10 years.

No. 1, $505 billion is set aside for such things as Medicare modernization; No. 2, we specifically set aside $90 billion for Medicare modernization in a reserve fund, which I quoted from.

No. 3, in the President's very plan, which he introduced a couple of weeks ago, the net cost of the coverage, he said, for prescription drug coverage, was $46 billion for 10 years. That $46 billion is much less than the $90 billion we have already put in our reserve fund and is only a tenth of the $505 billion we set aside, but we do it right. We have a real plan. We do not do it piecemeal. We modernize, update, bring to life a system that was very good for 1965, 1970, 1980, 1990, but it is not good for the year 2000, 20005, 2010, specifically when the demographic shift hits, when we have a doubling of the number of seniors when we go forward. That is the framework we set forward, and it is what we need to address.

Our job, our challenge now that we have the money set aside —we do not need to recommit it, send it back for more dollars and cents—is to fix the system inside this framework, and we do it in three ways. We need to modernize Medicare benefits, bring it up to date. The 1965 car is not up to today's standards and we can modernize it. We demonstrated, through a bipartisan plan, the Medicare Commission—I will come back to what we actually said. We need to modernize. No. 2, we need to strengthen our Medicare commitment, our commitment to the seniors, the generation of today, the future generation—we need to make sure we can fulfill that commitment. And No. 3, the issue of prescription drugs.

Shortly after I came to the Senate, about 5 years ago, I had a patient who was a transplant patient, somebody whom I transplanted. When I was running for reelection, he was 64 years of age. When I transplanted him, he was about 62. When I was elected in 1965, he had Medicare. He had to give up his private plan. His private plan did cover prescription drugs. When he got to be 65, because we do not have a modern Medicare program there today, he had to give that up.

What we need is a system that doesn't only focus on prescription drugs but modernizes the overall program to match individual patients in a system which values choice, values freedom with those specific needs. That is what we set out to do in the Bipartisan Commission.

We need to strengthen our Medicare program so it will be there. We all know most young people today do not believe Medicare will be there for them. We need to make sure that it is.

Prescription drugs for our seniors and individuals with disabilities—again, somebody with diabetes is going to be on prescription drugs later. Someone with chronic heart disease or debilitating arthritis needs prescription drugs. It shows the inadequacy of our Medicare system today in the fact we do reimburse for hospital beds, we reimburse a little bit for preventive care, but not enough, and not anything at all for those people who need prescription drugs.

I say this because I am the strongest advocate, or as strong as others, that we must make prescription drugs a part of our proposal. The Bipartisan Medicare Commission—bipartisan, Democrat, Republican, 17 members—got together and came up with something that has comprehensive Medicare modernization and reform, of which prescription drugs is an integral part, to upgrade that machine which is going to be serving all of us someday.

How did we do it?

No. 1, we provide full Federal funding for immediate prescription drug coverage for low-income seniors; that is, up to 135 percent of poverty.

No. 2, we require in the National Bipartisan Commission—I should say, our recommendation was approved by a majority of the members, not a supermajority, but a majority of members did vote for that—it required all plans participating with the Medicare program to make an enhanced benefit package available which includes prescription drug coverage and protects seniors against unlimited out-of-pocket spending.

No. 3, in that National Bipartisan Commission, we require the medigap programs—all plans—to include prescription drugs, to make those drugs available in a policy. There are other prescription drug proposals out there that need to be discussed and should be discussed.

President Clinton put a proposal on the table. That program, I believe, is inadequate for a whole host of reasons which I hope we have the opportunity to discuss as we go forward.

It is a little disingenuous to say—and I think in some ways this amendment at least implies that—that hard-working families do not deserve tax relief today, which we have shown we can give with the priorities that have been laid out, until we set aside funds for Medicare modernization by just adding prescription drug benefits, because we have set that money aside; this body has done that.

The challenge before us, and the work before us, is to modernize Medicare, to strengthen Medicare so that it will be there for the next generation, with a focus on the patient, to make it less rigid, more comprehensive, have more preventive care, have it be less costly to the seniors. We should be able to do that. There are solid proposals before us to do that.

Let me briefly talk about what this Medicare Commission came up with. Again, remember that the majority of members supported this proposal. We did not have a supermajority.

The four appointees by the President of the United States voted against this proposal, but a majority of members, 10 of the 17, did vote in favor of it. What it basically does is set up a Medicare board to oversee a group of plans which could be, in many ways, individually tailored to the needs of a heart transplant patient or chronic care patient, but all having the same core benefits that we have today.

The prescription drug coverage we proposed and that a majority of members of the Bipartisan Commission agreed to is as follows:

Basically, prescription drugs today are provided for about 28 million people. Sixty-five percent of people in Medicare today have some prescription drug coverage. How do they get it? Employer-sponsored plans, with Medicaid and Medicare—we call for both; it is called dual eligible—and medigap insurance.

The proposal we came up with, and hopefully we are ultimately going to pass once we meet that challenge, is prescription drugs provided through employer-sponsored plans today, dual eligible today, and medigap today. This group provides about 65 percent of all Medicare recipients, individuals with disabilities, and senior citizens with some coverage. It can be strengthened with some coverage.

We basically say let's supplement that, let's direct our attention at the 35 percent of people who do not, and we do that through focusing on low income, up to 135 percent, No. 1, and, No. 2, saying anybody who is going to come to the table and participates in a plan—Mr. President, I ask for 2 more minutes to complete my remarks.

Mr. ROTH. I yield 2 more minutes.

Mr. FRIST. Thus, our proposal, which we have discussed, to fix the system will supplement by offering people up to 135 percent complete and full coverage, a high option plan for anybody who actually comes to the table.

I present all this today to make the point that, No. 1, the money, the budgetary framework, has been set, has been passed by the Senate. We set aside the $505 billion specifically in the resolution; the $90 billion—the President's own plan costs only $46 billion, and we have already addressed the problem of the money. The job of the Senate and the Congress is to fix the system for the American people. A bipartisan proposal that is on the table is the premium support plan.

Let's look at other plans. Let's not drop that issue. That is unnecessary. Supporting the Kennedy amendment does not do that today. We need to support freedom for seniors, give that freedom of choice, that freedom to match specific needs with a plan. We need to address Medicare. We have a plan to do that. We have already set aside the resources to do that.

The political tactics we are witnessing do nothing to modernize Medicare, do nothing to focus on that individual patient and the quality of care they receive.

I close by saying that before 2 o'clock or in the next 2 to 3 minutes, I will be submitting an amendment which addresses the Medicare issue.

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

Who yields time?

Mr. KENNEDY. I yield 6 minutes to the Senator from West Virginia.

The PRESIDING OFFICER (Mr. VOINOVICH). The Senator from West Virginia is recognized.

Mr. ROCKEFELLER. Mr. President, I have several points to make. The other side has talked constantly about we are going to fix the system. We cannot do prescription drugs until we fix the system. It is a question totally of priorities. I will put a little dose of reality into this.

No matter what my colleagues on either side of the aisle might think, we are not going to reform Medicare this year on a systemic basis. If it happens the way the majority party wants, it is going to be vetoed by the President. It is not going to happen.

The question before the Senate on this amendment is, Do we want to take the tens of millions of Americans who have no prescription drugs and give them the benefit of prescription drugs now through voting for the Kennedy amendment, of which I am proud to be a cosponsor, or do we want to say, oh, let's wait and fix the system, and then when we fix the system, which may be 3, 4, 5, 6 years from now, we will do prescription drugs because that is sort of neat and orderly?

The world does not work like that. The real world of the Congress and the White House does not work like that. We are either going to do tax cuts as they want to do it over there, or we are going to do prescription drugs and maybe some modest tax cuts as we want to do it over here. That is the choice that needs to be made.

The distinguished chairman of the Finance Committee, Senator ROTH, talked about catastrophic health care. He said beware of that experience. My reaction is the opposite. Remember that experience as the reason not to back off from making a hard choice. That was one of the best bills on health care this Congress ever passed. The Senate did not back off on catastrophic health insurance. Three times they tried to repeal it in the Senate, and 3 times we had 73 votes to defeat repeal because catastrophic health insurance was a good thing for seniors. We did not get the message out to seniors. That was our fault. But do not say beware of catastrophic health insurance. The House backed off. We did not. It was good legislation.

We are here to do the right thing. The right thing is to pick between the priorities. Do we want to wait 4, 5, 6, 8 years to fix Medicare until we get a bipartisan consensus? People talk about a bipartisan consensus for Medicare reform. It is not here. They talk about the Breaux-Thomas commission, the Medicare Commission. Everybody talks about the bipartisan thing. It was not bipartisan.

There were two Democrats who voted for it, yes, but it was not bipartisan. There is not a bipartisan consensus on the floor of the Senate today of what to do about Medicare, and there will not be one until we have some more iterations which I cannot yet explain because I am unable to.

Are we going to stand quietly by while the average senior in West Virginia has a gross income, from all sources, of $10,600 a year, and from which you then are to subtract $2,000, virtually all on prescription drugs or on medical out-of-pocket expenses, leaving that senior with $8,600 a year to live all of life? Are we going to let that person hang until the Senate, in its ultimate wisdom, comes to a sense of what is Medicare reform, and are we going to agree on it?

My priority is to do prescription drugs now. Pass the Kennedy amendment. Do it now. They talk about having a $90 billion reserve. The Senator from Tennessee said we have fixed the problem. I am very sorry to say that that reserve talks about ''may be spent for,'' so it might be prescription drugs, it might be disasters, it might be a whole series of things, but there is no Medicare prescription drug benefit that is in their plan.

In fact, if I could put it more boldly, under the Republican tax plan, there is no money for Medicare reform. There is no money for prescription drugs. It does not exist. I will hear arguments, and numbers will be thrown back and forth, but that is the fact. It does not exist. That is the reason for the Kennedy amendment—to make us pick a priority: Tax cuts, for the most part for people who do not need them or, in a very small measure, in a very small amount of money, prescription drugs for people who desperately need them, who do not in the form of a cliche but in the form of real life, have to pick each week whether they are going to eat, have heat in their homes, or have prescription drugs.

I say to the Presiding Officer, I say to my colleagues, try to live on $8,600 a year, as our seniors do in West Virginia. You could not do it. Prescription drugs are the reason the money gets so scarce for them. We can solve that problem by passing the Kennedy amendment. I think we have an absolute moral obligation to do so.

To wait for Medicare reform to be fully formed is a hoax upon those people. They do not know that we do not have a consensus on how to reform Medicare. They do know that they are hurting. They do know that they do not have prescription drugs. And they do know that some of them take up to 12 drugs a day, and they cost, and it is coming out of their pockets.

Medicare has no prescription drug benefits. These seniors are not on Medicaid; they are on Medicare. So they have nothing. So the money has to come out of their pocket. That is wrong in America.

So the question is the priority. Are we for giving those people prescription drugs—a modest amount of money—or are we for simply going ahead with the $792 billion tax cut and then saying, well, we will just wait until Medicare is reformed someday, and then perhaps we will consider prescription drugs? I think the choice is clear.

I thank the Presiding Officer.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 2 minutes to the distinguished Senator from Louisiana.

Mr. BREAUX. I thank the chairman of the Finance Committee.

I will be very brief and comment on the amendment of my good friend, the senior Senator from Massachusetts.

I do not think there is any disagreement that we ought to have prescription drugs in the Medicare program. But it is interesting that the recommittal motion tells the Finance Committee to report it back in 3 days. I guess we could go over the weekend and, on Friday, Saturday, and Sunday write a prescription drug program and modernize Medicare and reform Medicare, but I doubt whether that is humanly possible, unless the senior Senator from New York wants to spend the weekend doing all of this and finishing it up by Monday morning.

There is no question that there is a need for prescription drugs in the Medicare program. But I say to my colleagues, that is not the way to fix Medicare. We have a program that is becoming insolvent. It is going broke in the year 2015. Just adding more benefits to the program, without reforming the structure of the program, is like having dessert before you eat your spinach. It is easy to add more benefits to a program. But bear in mind, we have a program that is structurally going insolvent. We spend more money today than we take in. Just adding more benefits, without taking the time to fundamentally reform the program, is not the answer.

The distinguished chairman of the Finance Committee said he planned to actually begin a markup in September on a comprehensive Medicare reform bill which will include prescription drugs, doing it in a timely fashion. I suggest that after that is reported out, that is the time to look at how much money we need, and then pare down the tax cut, combine the two, and have something that can be signed into law.

I think, obviously, we cannot do it in the next 3 days. I think the chairman has outlined a program that makes more sense and that I think is really doable.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 8 minutes to Senator DOMENICI.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. Chairman, fellow Senators, I did not know that Senator BREAUX was going to come to the floor. I am delighted that he has. I want to state how consistent he has been over the months by just putting a quote from the distinguished Senator from Louisiana, a Democrat, here for everybody to see:

> Medicare must not be used as a wedge issue any longer. The question before this Congress is not whether to cut taxes or whether to save Medicare. That's not the choice we're facing. I support a tax cut, targeted, and I'm dedicated to saving Medicare. It's not an either/or position.

That is from a distinguished Senator who is on the committee that will do both—will reform Medicare and will write the tax laws. I give him a great deal of credit because he is a man of his word when it comes to these issues.

Frankly, it is not correct that it is either Medicare, prescription drugs, reform, or tax cuts. The truth of the matter is, Senator BILL FRIST has just showed you.

I hear Senator after Senator get up on that side and say there is no money for Medicare in this budget, there is no room after the tax cut.

Let me repeat, I went back and asked the Congressional Budget Office to do an analysis and assume that we froze discretionary spending. We put in the tax cut, we put in the $1.9 trillion for Social Security, and we asked them: How much money can be added to discretionary spending and Medicare reform and still live within the estimated surplus? And they told us—$505 billion.

I say to the seniors in this country, I believe you have witnessed here on the floor, through the good work of Chairman BILL ROTH and the Finance Committee—I say to the seniors across America, I have seen them produce a tax bill that I believe you will love because you care about your sons and daughters; you care about the married members of your family. This bill before us stops penalizing marriage for 22 million American families. I ask the seniors, isn't that a good piece of work? It makes child care more available for your grandchildren. Isn't that a good piece of work? It makes child care more accessible. And guess what. The President plans to veto these—all in the name of ''we can't afford tax cuts.''

To be honest with you, the truth of the matter is, when you finish with that Congressional Budget Office analysis, you are spending 23.4 percent of the surplus for tax cuts, you are putting the entire Social Security surplus aside, and you still have $505 billion to be used over the next decade for high-priority items. So for those who have come to the floor and said there is no money, there is $505 billion over the next decade. Do you want to use $100 billion of it for Medicare? Some say that is too much. The President thought $46 billion was enough. That is very interesting. We still have people talking about how much money we are going to need to reform Medicare. I don't know how much. I trust the Finance Committee, under the leadership of BILL ROTH, to produce a bipartisan bill. The President had proposed $46 billion as the entire amount necessary. Remember, the chart my friend BILL FRIST put up said there is $505 billion over the next decade.

Mr. BAUCUS. Will the Senator yield?

Mr. DOMENICI. I will yield in a little bit. You want to ask about the authenticity of my charts. I already explained it and you weren't here.

Mr. BAUCUS. I want to hear it.

Mr. DOMENICI. I heard your attack on it last night, but I was home so I couldn't come down here.

Mr. BAUCUS. Well, you stayed away.

Mr. DOMENICI. Let me finish.

The President asked for $46 billion for the entire reform package on Medicare. What are we talking about? Holding up a tax bill that takes care of the married sons and daughters of our senior citizens across America. They have children and need all these things that the Tax Code provides? They say, we just want to do anything but give them help, so we will even hold up their bill, claiming we are really holding it up for you seniors because we want to take care of Medicare.

Frankly, I have nothing but compliments for the distinguished Senator from Massachusetts, Mr. KENNEDY, because he is one who is concerned about this. But I am equally comfortable in saying I am. I think Senator BILL ROTH of Delaware is concerned about it. I think Senator BREAUX is concerned about it. Frankly, I believe we are going to have plenty of money left over to fix that Medicare problem from that $505 billion.

Now, if the Senator wants me to explain this budget, I will explain it right now.

Mr. BAUCUS. I have a question.

Mr. DOMENICI. That is a CBO number.

Mr. BAUCUS. The number on your chart that says CBO/Senate Budget Committee, that is really a Senate Budget Committee number. That is not a CBO number.

Mr. DOMENICI. Mr. President, the truth of the matter is, we can ask the Congressional Budget Office any questions we would like. We asked them how much is the surplus, if you freeze discretionary programs at this year's level for 10 years. They said these are the numbers.

Mr. BAUCUS. That is correct. That is CBO.

Mr. DOMENICI. That is CBO numbers.

Mr. BAUCUS. If I might ask another question. Basically, the CBO baseline we are all working under, House and Senate, is the baseline which assumes that after the caps expire by 2002, spending under the discretionary caps will proceed at inflation.

Mr. DOMENICI. That is not true.

Mr. BAUCUS. It is true. That is the assumption.

Mr. DOMENICI. That is not true, Senator. I did the budget resolution.

Mr. BAUCUS. What you have done is, you have gone back to CBO and said, OK, let's assume that there is no inflationary increase.

Mr. DOMENICI. That is right.

Mr. BAUCUS. Which is not CBO's assumption. But what you have done is, in order to show there may be, under your figures, there may be a $500-, $400 billion in spending, the yellow mark, you went back to CBO and said, I need to show a number, that yellow bunch there. What you did was, you said, CBO——

Mr. DOMENICI. Is this off my time?

Mr. BAUCUS. Just a second. You said, OK, CBO, give me a baseline that

I want you to produce. What I want you to produce is a baseline that shows no inflation after the year 2000 on spending caps up to the rest of the 10-year period.

If you do that, of course, you get that chart. But that is not the CBO numbers under which the Senate Finance Committee operated. That is not the numbers under which the House operated. That is not the numbers under which the rest of us operated. So that is why I am saying we are not operating off the same numbers. You produced your own numbers by telling CBO to produce them the way you wanted them produced.

Mr. DOMENICI. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. A minute of the time yielded.

Mr. DOMENICI. I ask Senator ROTH, may I have 1 additional minute?

Mr. ROTH. One minute.

Mr. DOMENICI. Let me assure fellow Senators and explain what this is. This is a true assessment of the surplus in total dollars, if you assume that for the next 10 years discretionary spending is frozen. I did that so we could find out how much new money is there, available to spend, because the discretionary programs are not entitled to an inflationary add-on. They are entitled to what we add on. If you want to know where their numbers came from, they came from the budget resolution we produced, which had $181 billion in discretionary spending. That was something we came up with. I asked them to take that out. And when they took it out, they said: Now you have this much to spend. You have $505 billion.

If you would like to certify that and ask the Congressional Budget Office, is this correct, they will tell you absolutely, because we got it from them.

Mr. President, I am not going to answer questions now because I want to finish my argument.

The PRESIDING OFFICER. There is a half minute left under the control of the Senator from Delaware. The Senator from New York has 5 minutes 51 seconds.

Who yields time?

Mr. DOMENICI. He just yielded me a half minute.

The PRESIDING OFFICER. A half minute has been yielded by the Senator from Delaware.

Mr. DOMENICI. Whatever baseline anybody wants to use, there is roughly $405 billion above a freeze available to be spent on discretionary spending and on Medicare reform. That is all we try to show in this chart. Before you start the chart, you can spend however much you want, but I decided to spend none so we could put in perspective how much there is that we can spend out of this surplus, and these are authentic numbers. They are correct, if you start with that assumption.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. How much time do I have?

The PRESIDING OFFICER. Five minutes 51 seconds.

Mr. KENNEDY. I yield a minute to the Senator from Montana.

Mr. BAUCUS. Mr. President, the point I am making is, those numbers are accurate, if you believe the assumptions behind the chart. The assumptions behind the chart are no increases, not even inflationary adjustment, for discretionary spending over the next 10 years. I think that is an unrealistic assumption. And it is, in effect, a reduction of some $500 billion over 10 years. If you add in the $127 billion for defense, that means, in effect, about a $775 billion reduction in domestic spending. So again, he is right, if you make those assumptions. I say those assumptions are unrealistic.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, to come back to a very basic and fundamental concept, we believe it is as important to give assurances to our senior citizens that there will be a prescription drug benefit for them as it is to have significant tax breaks. That is what this is about.

Those that oppose us say they have a different conclusion, a different priority. They think tax breaks are preferable. Then they make other assumptions in terms of what is going to be available at some future time.

I am not going to spend the last few minutes on this dispute, because this has been debated over the past few days, but the Wall Street Journal, the CBO, and OMB have basically indicated that if we go through with the kind of tax cut that is being proposed and advanced by our Republican friends, there just won't be resources left to deal with the elderly, the children and other priorities.

I say, why ask the senior citizens to wait? Why should they always be the ones who have to wait? Why shouldn't we say that the Senate will put aside the amount necessary to afford a good benefit program on prescription drugs as part of this legislation?

We want to give them the assurance that they are going to be protected. Why leave it iffy to the seniors? Why are they always the ones left behind? That is the question. This is an issue of priority.

We say, if you are going to go down this road with regard to tax breaks that benefit the wealthy, let's make sure we are going to allocate some funds for a prescription drug benefit for the senior citizens and disabled persons who are on Medicare.

My friend and colleague from Louisiana said we can't do that over this period of time. Well, they are going to have a conference on the two tax bills over the weekend. If they can have a conference on these two bills over the weekend, they ought to be able to get together and allocate sufficient funds for a prescription drug benefit in about half an hour. In the Finance Committee, we know they can do that within an hour. They can do it forthwith—introduce and report back with funds reserved for a benefit program. But we wanted to leave this up to the Finance Committee. This should not be a procedural issue, and it is not. Those of us who are supporting it are telling every senior citizen that we believe they are a priority, that their interests are important, and that their health care needs will be met. This isn't only an issue for the health care of the senior citizens; this matters to their children and grandchildren. They have an interest in the health care of their parents and grandparents.

We ought to be able to have a Finance Committee that can report back allocations of resources and say a sufficient amount will be reserved for prescription drugs. We will go ahead with the rest, but this is reserved for prescription drugs for all of those in Medicare. Let the Finance Committee work that process out, either as part of the Medicare proposal or as a separate proposal.

This is what this is about—priorities. It is about priorities. Those of us who are supporting it are giving the priorities to our senior citizens.

Finally, how much time do I have remaining?

The PRESIDING OFFICER. One minute 50 seconds.

Mr. KENNEDY. Mr. President, I ask unanimous consent a group of letters from various groups that support this motion be printed in the RECORD.

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

THE NATIONAL COUNCIL ON THE AGING,
Washington, DC, July 28, 1999.

Senator EDWARD KENNEDY,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR KENNEDY: On behalf of the National Council on the Aging—the nation's first organization formed to represent older Americans and those who serve them—we write to oppose the irresponsible tax cut proposal reported out of the Senate Finance Committee and to support your amendment to dedicate a portion of the tax cuts to a new prescription drug benefit available to all Medicare beneficiaries.

We are deeply disappointed in the Finance Committee's irresponsible decision to squander virtually the entire non-Social Security surplus on a massive tax cut. If this proposal were to become law, it would be impossible to protect and strengthen Medicare for the future. Without surplus or other new revenues, the Medicare program cannot remain strong while adding a meaningful new prescription drug benefit.

The Finance Committee tax cut proposal ignores the impending retirement of a vast number of baby boomers. With the Medicare population doubling by 2035 and a tax cut that would balloon to almost $3 trillion in the second 10 years, there would be no way to protect America's seniors, ensure future solvency and provide adequate drug coverage. The numbers simply do not add up.

We are also extremely concerned that such a tax cut would lead to drastic cuts in domestic programs that vulnerable seniors depend on. The cuts would undermine such

Older Americans Act programs as meals on wheels, protections against abuse and neglect, and home care services. The proposal clearly assumes that programs like these would be cut significantly.

The Senate Finance Committee tax cut proposals would rob Medicare of the funds needed for modernization and future solvency and drastically cut programs frail seniors need to remain independent. This massive tax cut is bad medicine for older Americans.

We deeply appreciate your efforts to attempt to protect and strengthen the Medicare program and its beneficiaries and to add a meaningful new prescription drug benefit.

Sincerely,

JAMES FIRMAN,
President and CEO.

NATIONAL HISPANIC COUNCIL ON AGING,
Washington, DC., July 28, 1999.

Hon. EDWARD M. KENNEDY,
Russell Office Building,
Washington, DC.

DEAR SENATOR KENNEDY: The National Hispanic Council on Aging (NHCoA), its chapters and affiliates, enthusiastically support your amendment to the Budget Reconciliation Bill S1429 that allows for medical prescription drugs for those in need. Elderly, of every economic means, will greatly benefit from this amendment.

It is our hope that the proposed cuts in taxes bill is not approved. Rather, that these monies are used in a more productive way benefiting those in need in general and elderly in particular.

Sincerely,

MARTA SOTOMAYOR, Ph.D.,
President.

AMERICAN NURSES ASSOCIATION,
Washington, DC, July 28, 1999.

Hon. EDWARD M. KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY: The American Nurses Association, the only full-service professional organization representing the nation's registered nurses through its 53 constituent associations, strongly supports your amendment to S. 1429, the Budget Reconciliation bill now being considered by the Senate, that would direct the development and implementation of a prescription drug benefit for Medicare.

ANA believes that enhancing the benefits package available under Medicare, including a prescription drug benefit, would enable beneficiaries to receive earlier, better, and more comprehensive care. The use of part of the projected budget surplus to pay for this benefit is an appropriate use of those funds and is crucial to improving health and outcomes for Medicare beneficiaries.

We appreciate your leadership on this issue and look forward to continuing our work together to include this amendment in the Budget Reconciliation bill.

Sincerely,

MARJORIE VANDERBILT,
Director of Government Affairs.

NATIONAL COUNCIL OF SENIOR CITIZENS,
Silver Spring, MD, July 28, 1999.

Senator EDWARD M. KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY: The National Council of Senior Citizens (NCSC) is following closely the debate on S. 1429, the Finance Committee tax bill. It is important that any tax bill this session allows for the use of some of the expected on-budget surplus to bolster the Medicare program and create a universal Medicare pharmaceutical benefit.

NCSC, therefore, strongly supports your motion to recommit S. 1429 back to the Finance Committee and to enact a pharmaceutical benefit for all Medicare beneficiaries. NCSC believes that the Congress must use this historic fiscal opportunity assure Medicare's solvency and to meet the pharmaceutical needs of forty million Medicare beneficiaries.

We urge all members of the Senate to support your motion to recommit.

Sincerely,

STEVE PROTULIS,
Executive Director.

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE,
Washington, DC, July 28, 1999.

Hon. EDWARD M. KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY: On behalf of about five million members and supporters of the National Committee to Preserve Social Security and Medicare, I am pleased to endorse your amendment to the Taxpayer Refund Act of 1999, S. 1429. I understand that your amendment would earmark a portion of projected budget surpluses to establish a universal prescription drug benefit under Medicare.

Medicare beneficiaries spend nearly three times as much on out of pocket costs as the under 65 population, significantly because of the absence of prescription drugs in the basic benefits package. Three-fourths of Medicare beneficiaries have some chronic health problems, which require ongoing treatment with prescription drugs. Many seniors do not fill prescriptions or skip required doses because of cost considerations.

It is imperative that we do not squander the opportunity presented by projected surpluses. Our first priority must be to extend Social Security solvency, improve and strengthen Medicare, and pay down the federal debt. Your amendment would modernize Medicare benefits in a way that meets one of the most pressing needs for current and future seniors. We support your amendment and applaud your consistent leadership on this issue.

Sincerely,

MARTHA A. MCSTEEN,
President.

EPILEPSY FOUNDATION,
Landover, MD, July 28, 1999.

Hon. EDWARD M. KENNEDY,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR KENNEDY: On behalf of the Epilepsy Foundation, the national voluntary organization that works for people affected by seizures through research, education, advocacy and service, this is to support your efforts to provide funding for a Medicare drug benefit program. As the Senate considers S. 1429, The Budget Reconciliation Bill, it is particularly important to assure that Medicare beneficiaries with epilepsy, for whom out-of-pocket expenses for seizure medications can be significant, have access to prescription medications at an affordable price. We also commend your support for other programs important to individuals with epilepsy who may face limited financial resources, such as Medicaid and Social Security.

As baby boomers age, there will be increasing numbers of age-related seizure disorders. It is estimated that 61,000 new cases of epilepsy occur each year among elderly Americans. By the year 2020, it is projected that one out of every two people developing epilepsy will be over the age of 65.

In addition, many low-income, young, disabled individuals with epilepsy are Medicare beneficiaries. For these individuals, access to prescription drug coverage at an affordable price is difficult.

I look forward to working with you to ensure that Medicare beneficiaries with epilepsy can continue to afford to follow their prescribed drug therapy.

Sincerely,

ERIC R. HARGIS,
President and Chief Executive Officer.

CONSUMERS UNION,
Washington, DC, July 28, 1999.

Hon. EDWARD M. KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY: Consumers Union supports your prescription drug amendment which is consistent with our goal of extending affordable prescription drug coverage to all Medicare beneficiaries.

The need is great. The average Medicare beneficiary uses 18 prescriptions each year, and average prescription drug spending is projected to be $1,100 in the year 2000. More than half will spend over $500. Seniors and other Medicare beneficiaries suffer financial hardship because of their out-of-pocket prescription drug costs.

Private prescription drug coverage is inadequate, over-priced, and not even available to many beneficiaries who can be denied coverage. Only 24 percent of Medicare beneficiaries have retiree drug coverage, and this number is expected to decrease. Medicare HMO coverage for prescriptions is not available in all geographic areas, and has proven unreliable with many HMO's pulling out of the market. Some medigap policies offer prescription drug coverage, but coverage is very limited and the extra premium charged for a policy with prescription drug coverage is likely to actually exceed the maximum benefit. Our analysis of medigap policies on the market during 1998 (for 75-year-olds) found that the average premium for medigap plan I, which provides at most a $1,250 prescription drug benefit, was about $1,850 higher than the average premium for medigap Plan C (which has nearly identical benefits other than the prescription drug benefit). This coverage represents extremely poor value for consumers.

The potential for prescription drugs to benefit those covered by Medicare has increased substantially since Medicare was enacted. Our nation's thriving economy and our government's dramatically improved budget status make this the right time to take this urgently needed step.

Sincerely,

GAIL SHEARER,
Director, Health Policy Analysis, Washington Office.

THE GERONTOLOGICAL SOCIETY OF AMERICA,
Washington, DC, July 28, 1999.

Hon. EDWARD M. KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY: This letter is written in support of your amendment S. 1429 to the Budget Reconciliation Bill. The Gerontological Society of America, an organization of 6,000 professionals in the field of aging, is vitally concerned that the tax cuts as proposed in the current Budget Reconciliation Bill will seriously jeopardize support for prescription drug coverage under Medicare.

The cost of prescription drugs has increased at an average of 6 percent annually and is the leading factor in today's rising health care costs. This has particular impact on elderly as they are more likely to be using, and even dependent on, multiple prescription drugs.

I hope you are successful in convincing your colleagues to support this important amendment.

Sincerely,

CAROL A. SCHUTZ,
Executive Director.

CONSORTIUM FOR CITIZENS WITH DISABILITIES,
Washington, DC, July 28, 1999.

Re Kennedy amendment on prescription drugs.

Hon. EDWARD M. KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY: We are writing as Co-Chairs of the Health Task Force of the Consortium for Citizens with Disabilities to support your amendment to include and protect sufficient funds within the pending Budger Reconciliation Bill (and within the budget surplus) to allow for the design of a new prescription drug benefit for Medicare beneficiaries.

CCD is a Washington-based coalition of nearly 100 national organizations representing the more than 54 million people living with disabilities in the United States.

The five million Medicare beneficiaries with disabilities are dependent on prescription drugs to maintain sufficient function, control disease progression, and prevent secondary medical conditions. It is imperative that Congress both acknowledge the benefit need and implement appropriate budgetary policies to begin to lessen the cost burden on the nation's most vulnerable populations.

Sincerely,

SHELLEY MCLANE,
National Association of Protection and Advocacy Systems.
JEFF CROWLEY,
National Association of People with AIDS.
BOB GRISS,
Center on Disability and Health.
KATHY MCGINLEY,
The Arc of the United States.

NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING,
Washington, DC, July 28, 1999.

Hon. TED KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY, The National Association of Area Agencies on Aging (N4A) supports your amendment to the tax legislation currently on the Senate floor which recognizes the need for a universal prescription drug benefit for Medicare recipients.

The largest out-of-pocket expenditure for Medicare beneficiaries is for drug coverage. Many beneficiaries are required to pay for their own prescriptions at a time when the cost of medication is rising sharply. Medicare needs to be modernized to recognize the remarkable advances in preventing and treating illnesses through drugs since the program's inception in 1965 and N4A applauds your efforts in this direction.

N4A is the umbrella organization for the 655 area agencies on aging (AAAs) and 230 Title VI Native American aging programs in the U.S. Through its presence in Washington, D.C., N4A advocates on behalf of the local aging agencies to ensure that needed resources and support services are available to older Americans. We look forward to continuing to work with you on all endeavors that promote the dignity and independence of older Americans.

Sincerely,

JANICE JACKSON,
Executive Director.

AMERICAN THORACIC SOCIETY,
AMERICAN LUNG ASSOCIATION,
Washington, DC, July 28, 1999.

Hon. EDWARD M. KENNEDY,
U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY; We have learned that during consideration of the Senate tax bill, you intend to offer a motion to recommit the bill to the Senate Finance Committee with instructions for the committee to develop financing for the establishment of a Medicare pharmaceutical benefit. The American Lung Association and its medical section, the American Thoracic Society, strongly support your efforts to move the issue of a Medicare pharmaceutical benefit to forefront of Congressional activity.

America's seniors need prescription drug coverage under the medicare program. Far too often, Medicare beneficiaries are forced to choose between purchasing the drugs they need or paying for food and housing. This intolerable dilemma is not just a problem for a few low-income seniors. It is a chronic problem being faced by middle class senior citizens.

While there are a number of difficult issues that must be resolved before Congress can move forward with the creation of a much needed Medicare pharmaceutical benefit, no issue is more difficult than determining how to pay for the new benefit.

Congress now faces a wonderful opportunity. The expected budget surpluses has created a rare opportunity for Congress to address one of the most glaring inadequacies in the Medicare program, the lack of a drug benefit. Before Congress can responsibly consider any tax cut, Congress must first ensure that federal resources exist to provide prescription drugs to our nation's senior citizens. Recommitting the Senate tax bill to the Senate Finance Committee is an appropriate first step in this process.

Again, thank you for your leadership on this process.

Again, thank you for your leadership on this issue.

Sincerely,

FRAN DUMELLE,
Deputy Managing Director.

NATIONAL OSTEOPOROSIS FOUNDATION,
Washington, DC, July 28, 1999.

Hon. EDWARD KENNEDY,
U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: This is in support of your prescription drug amendment to the tax bill.

The National Osteoporosis Foundation (NOF), the only non-profit, voluntary health organization solely dedicated to eradicating osteoporosis, represents 250,000 members. To NOF it is far more important that seniors receive the protection they need under Medicare than it is for Americans to receive a tax cut. First we need to protect our senior citizens and people with low incomes before we provide tax breaks for people of means.

Sincerely,

BENTE E. COONEY, MSW
Director of Public Policy.

Mr. KENNEDY. Mr. President, virtually every major organization that represents senior citizens or persons with disabilities is in urgent support of this particular motion.

They know what is happening. There isn't a Member who hasn't gone home and met with seniors in the state that doesn't know what is happening. It is not good enough to say we care about it and we will handle it some time in the future. You have a chance to handle it now, in the next 15 minutes.

We have a chance to put the Senate of the United States on record and say: OK, we will work the details out now, but we are going to allocate the resources for it. We don't have to do as my friend and colleague from Tennessee says—that we can wait until after 10 years and see where we are; or as our friend from Louisiana said, we can deal with this some time in the future.

The seniors deserve better. They need an answer and they need it now. They need a message from the Senate that says we hear you, we know what is of concern to those who have made this the great country that it is. They deserve this kind of a protection.

There is an enormous need and incredible consequences. It is a matter of life and death for many senior citizens. Let us say that it is at least—at least—as important to guarantee that there will be funding for prescription drugs as it is for a tax benefit. Many of us believe it is more important, but with this motion to recommit the bill we are saying it is at least as important as the tax cut bill itself. I hope this motion will be accepted.

Mr. ROTH. Mr. President, has all time on both sides expired?

The PRESIDING OFFICER. Yes.

Mr. ROTH. Mr. President, I make a point of order against the amendment under section 305 of the Budget Act on the grounds that it is not germane.

Mr. KENNEDY. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive the applicable section of that act for consideration of the pending motion.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

AMENDMENT NO. 1405

The PRESIDING OFFICER. Under the previous order, the Senate will return to the consideration of the amendment of Senator GRAMM of Texas. There will be 2 minutes of debate, to be equally divided.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

UNANIMOUS CONSENT AGREEMENT

Mr. ROTH. Mr. President, I ask unanimous consent that, notwithstanding the filing requirement, it be in order for the manager to offer an amendment that has been cleared by both managers.

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

Mr. MOYNIHAN. Mr. President, it is not a matter of one side of the aisle or the other on Senator GRAMM's amendment. Now for the first time, we find ourselves in complete agreement with the chairman of the Finance Committee, that the amendment is a disaster. We don't have to characterize the existing proposal, but it is not everything we would hope for. That is something even the chairman would dread, and he is right to do so. I think we are right in a situation such as this to overcome partisanship. It would be wicked, indeed, to join the Senator from Texas, and then where would we be? But we won't. I hope on our side we will support the chairman of the Finance Committee and show him that we share his view of the unacceptable extravagance of the proposal, the amendment of the Senator from Texas, which will soon be voted on.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MOYNIHAN. 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. SARBANES. Mr. President, will the Senator yield for a question?

Mr. MOYNIHAN. Yes.

Mr. SARBANES. I ask the ranking member on the Finance Committee this question with respect to the GRAMM amendment. In the course of the debate, was there any discussion on what this amendment would cost—not in the first 10 years but in the next 10 years?

Mr. MOYNIHAN. I think there was not. Were there such a debate and discussion, it would have been chilling.

Mr. SARBANES. This is the great exploding tax cut. I was looking at the very document the Senator from Texas himself distributed. It is clear that the marginal income tax rate cuts don't go fully into effect until the year 2008. By his own figures, it would cost $73 billion in the first 5 years, and $451 billion over 10 years; and it is not getting into full effect until right near the end of the 10-year period. So if you extrapolate out, you are going to have an incredible increase in its cost.

The same thing is true with virtually every provision that is in this amendment, with one exception. All of the others get phased in. They don't take full effect until close to the end of the 10-year period. Then you are given these cost figures which, of course, are over the range of the period. So, obviously, in the next 10-year period, these tax cuts are going to explode out of sight and put the Nation right back into the deficit box. Is that not a reasonable analysis, I ask the ranking member?

Mr. MOYNIHAN. The measure before us, which is moderate by the standards of the proposal of the Senator from Texas, would cost in the outyears, in the second decade, $3 trillion.

Mr. SARBANES. Not that of the Senator from Texas, but the other one.

Mr. MOYNIHAN. Start with the $3 trillion and think what that would add.

Mr. SARBANES. That is right; exactly. It would literally explode out of sight.

Mr. MOYNIHAN. Three trillion dollars is the Department of Treasury figure.

Mr. SARBANES. I thank the Senator.

Mrs. BOXER. Mr. President, will my colleague yield for a question? Will the Senator from New York yield for a question that has to do with a parliamentary procedure?

I wonder if he could enlighten the Senator. Perhaps Senator ROTH could. I thought we were under a unanimous consent to go to a vote. Has that been laid aside?

Mr. MOYNIHAN. We are delinquent and derelict and behind the times.

Mrs. BOXER. Is there any way to get us back on schedule and no longer delinquent and behind the times?

Mr. MOYNIHAN. The Senator from California has made her point.

Mr. ROTH. Mr. President, I make a point of order that a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROTH. 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. ROTH. Mr. President, I yield the remainder of time on behalf of Senator GRAMM.

Mr. MOYNIHAN. Mr. President, I make a point of order against the amendment that we are about to vote on under section 305 of the Budget Act on the grounds that it is not germane.

Mrs. HUTCHISON. Mr. President, I move to waive the Budget Act for consideration of the Gramm amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Congressional Budget Act in relation to the Gramm amendment No. 1405. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 46, nays 54, as follows:

[Rollcall Vote No. 230 Leg.]

YEAS—46

Abraham	Fitzgerald	Lott
Allard	Frist	Lugar
Ashcroft	Gorton	Mack
Bennett	Gramm	McCain
Brownback	Grams	McConnell
Bunning	Grassley	Murkowski
Burns	Gregg	Nickles
Campbell	Hagel	Roberts
Cochran	Hatch	Santorum
Coverdell	Helms	Sessions
Craig	Hutchinson	Shelby
Crapo	Hutchison	Smith (NH)
DeWine	Inhofe	
Enzi	Kyl	
Smith (OR)	Thomas	Thurmond
Stevens	Thompson	Warner

NAYS—54

Akaka	Durbin	Lieberman
Baucus	Edwards	Lincoln
Bayh	Feingold	Mikulski
Biden	Feinstein	Moynihan
Bingaman	Graham	Murray
Bond	Harkin	Reed
Boxer	Hollings	Reid
Breaux	Inouye	Robb
Bryan	Jeffords	Rockefeller
Byrd	Johnson	Roth
Chafee	Kennedy	Sarbanes
Cleland	Kerrey	Schumer
Collins	Kerry	Snowe
Conrad	Kohl	Specter
Daschle	Landrieu	Torricelli
Dodd	Lautenberg	Voinovich
Domenici	Leahy	Wellstone
Dorgan	Levin	Wyden

The PRESIDING OFFICER. On this vote the yeas are 46, the nays are 54. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

The point of order is sustained and the amendment falls.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

Mr. NICKLES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, I do ask we might have order.

The PRESIDING OFFICER. The Senate will please be in order. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I believe another vote is scheduled.

MOTION TO RECOMMIT

The PRESIDING OFFICER. The Senate will be in order. There are 2 minutes evenly divided for the motion submitted by the Senator from Massachusetts. Who yields time?

The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, can we have order? I will just take one moment.

Mr. President, when the Medicare program was agreed to in 1965, it was intended to provide health security for the seniors in this country. Now it still is a vital force, but there is a major element that is missing, and that is the prescription drug coverage.

There are no senior citizens, unless they are on Medicaid, who have a prescription drug benefit that is reliable, dependable, and affordable. This particular motion says we believe, those who support it, that as a part of this tax cut there ought to be set aside funding for a prescription drug benefit. We do not believe a tax cut has a higher priority than providing a prescription drug benefit for our seniors. But what we do say is the Finance Committee should set aside sufficient funds, and that the program can be developed later in this term. The motion ensures that funds will be earmarked to provide our senior citizens with a reliable, dependable, affordable prescription drug benefit.

Make such a fund part of this whole program. Do not take a chance there will be some funds down the line. Do not ask our seniors to wait any further.

They have waited long enough. They need this; they depend on it. Prescription drugs are a lifeline for our senior citizens.

I hope this motion will be passed as part of a tax program, and that there will be a designated fund available for a prescription drug program for all Medicare beneficiaries.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. I yield the time to the distinguished Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. FRIST. Mr. President, I rise in opposition to the motion of the Senator from Massachusetts for several reasons. First and foremost, this very body has already set aside funds specifically for Medicare modernization and specifically for inclusion of prescription drug coverage. The congressional budget plan has given us the figure of $505 billion. In our resolution passed just 2 months ago, we have $90 billion set aside specifically. The President's own proposal, his own proposal for Medicare prescription drug coverage, is $46 billion, much less than the $90 billion we have already directed to this cause.

We need to focus on fundamental modernization, repair of the Medicare system to include prescription drug coverage. That is something that is before us, not this issue of money just for prescription drug coverage. I urge its defeat.

The PRESIDING OFFICER (Mr. FITZGERALD). The question is on agreeing to the motion to waive the Budget Act with respect to the Kennedy motion to recommit S. 1429.

The yeas and nays have been ordered. The clerk will call the roll.

The legislative assistant called the roll.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted—yeas 45, nays 55, as follows:

[Rollcall Vote No. 231 Leg.]

YEAS—45

Akaka	Feingold	Lieberman
Baucus	Feinstein	Lincoln
Bayh	Graham	Mikulski
Biden	Harkin	Moynihan
Bingaman	Hollings	Murray
Boxer	Inouye	Reed
Bryan	Johnson	Reid
Byrd	Kennedy	Robb
Cleland	Kerrey	Rockefeller
Conrad	Kerry	Sarbanes
Daschle	Kohl	Schumer
Dodd	Landrieu	Specter
Dorgan	Lautenberg	Torricelli
Durbin	Leahy	Wellstone
Edwards	Levin	Wyden

NAYS—55

Abraham	Cochran	Gramm
Allard	Collins	Grams
Ashcroft	Coverdell	Grassley
Bennett	Craig	Gregg
Bond	Crapo	Hagel
Breaux	DeWine	Hatch
Brownback	Domenici	Helms
Bunning	Enzi	Hutchinson
Burns	Fitzgerald	Hutchison
Campbell	Frist	Inhofe
Chafee	Gorton	Jeffords
Kyl	Roberts	Stevens
Lott	Roth	Thomas
Lugar	Santorum	Thompson
Mack	Sessions	Thurmond
McCain	Shelby	Voinovich
McConnell	Smith (NH)	Warner
Murkowski	Smith (OR)	
Nickles	Snowe	

The PRESIDING OFFICER. On this vote the yeas are 45, the nays are 55. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the motion falls.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I yield time to the distinguished Senator from Rhode Island.

Mr. STEVENS. Parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. CHAFEE addressed the Chair.

The PRESIDING OFFICER. The Senator from Rhode Island.

AMENDMENT NO. 1442

(Purpose: To make an amendment in the nature of a substitute)

Mr. CHAFEE. Mr. President, the time in favor of this amendment will be controlled by Senator BREAUX for both Democrats and Republicans.

I commend Chairman ROTH for his hard work in crafting the Taxpayer Refund Act. I was pleased to support that and defend it in the Finance Committee. It is a carefully balanced, equitable bill that will provide targeted tax relief to all Americans. It has several features that I would like to point out.

First, it gives a generous tax deduction to millions of Americans whose employers do not provide health insurance. In other words, those who buy insurance through a company, but the company itself does not pay for the insurance, this helps make that deductible.

Second it corrects a flaw in the alternative minimum tax which, if left uncorrected, will result in the application of the alternative minimum tax to millions of American families who currently don't pay it.

Third, the bill contains some very important environmental and urban renewal initiatives. Despite all the meritorious provisions in the bill of Senator ROTH, I believe $800 billion in tax cuts is too big. What if the budget surpluses needed to pay for these reductions don't materialize? Does any one of us believe that Congress can or should hold discretionary spending to nearly $600 billion below current levels over the next decade?

What about the fact that we are now in the middle of, or perhaps at the end of, who knows, the longest burst of economic prosperity in our peacetime history? Is that going to continue unabated? Nobody can tell. Nobody has a crystal ball that will give an accurate answer.

So I am simply not comfortable with rebating more than half of the projected non-Social Security surplus in tax cuts. That is why, along with fellow members of the Finance Committee, Senators BREAUX, JEFFORDS and KERREY, as well as a number of other moderate Senators from both sides of the aisle, I have joined in sponsoring a $500 billion bipartisan alternative tax cut amendment.

This bipartisan alternative is a good, solid package. It would provide broad-based tax relief for middle income tax payers and families. It would increase the standard deduction to $4,350 for joint filers, $2,150 for heads of households, and $1,300 for single filers.

These increases in the standard deduction would have the effect of simplifying tax preparation for some 9 million households. Our bipartisan alternative contains the historic homeowner credit that I mentioned earlier. That is an outstanding provision and certainly will be of assistance in curbing urban sprawl.

If we are serious about passing a tax cut this year, I believe our bipartisan alternative is the right way to go. It would provide carefully targeted, well-deserved tax relief to the American people but for $300 billion less than either the House or Senate bills. There is no doubt in my mind that President Clinton will veto an $800 billion tax cut package, particularly one that resembles the House-passed bill. What is more, his veto will be sustained. All of that puts us right back at square one. All of this maneuvering could be avoided by the acceptance now of this sensible bipartisan alternative that is being proposed. I hope my colleagues will support that bipartisan alternative.

I thank the Chair, and I thank Senator BREAUX and yield the remainder of my time to Senator BREAUX.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I yield myself 5 minutes.

Senator BREAUX and Senator CHAFEE have thoughtfully crafted an amendment that offers a $500 billion tax cut. As with the alternative introduced yesterday by my friend, the distinguished ranking member of the Finance Committee, Senator MOYNIHAN, Senator BREAUX's amendment demonstrates that there is agreement on both sides of the aisle concerning the need to give individuals and families a well-deserved tax refund from the $3.3 trillion surplus.

I appreciate the fact that Senator BREAUX, with his amendment, offers a deeper cut than the alternative introduced yesterday, but I am concerned that it still does not go far enough. It does not go far enough in providing the much needed relief Americans require to meet the necessary and important priorities in their lives. It does not go far enough to offer broad-based tax relief that will be necessary to gain the bipartisan support needed to pass this bill in the Senate.

For example, Mr. President, the Breaux amendment does not lower the

15-percent tax bracket. Instead, it simply expands it by only $2,500 for individuals and $5,000 for joint returns. And this benefit is only available for people who do not itemize. This means that if you take a deduction for home mortgage interest you will not receive a tax rate cut, under this bill. Additionally, because the 15-percent bracket is not reduced, the tax relief is not felt by middle-income taxpayers in that bracket, nor is there a reduction for those paying taxes in the higher brackets.

The Taxpayer Refund Act of 1999 cuts the 15 percent rate to 14 percent and broadens the 14-percent bracket by twice as much as what the Breaux amendment would do at the higher 15-percent rate.

The Breaux amendment also falls short when it comes to providing family tax relief. For example, the Taxpayer Refund Act offers $222 billion for family tax relief. The Breaux bill only provides $43 billion. When it comes to providing families with the relief they both need and deserve, the amendment offered by Senator BREAUX is only 20 percent of the relief offered in our more complete package.

As with relief to families, this amendment also comes up short in providing health care relief. Where the Taxpayer Refund Act offers $52 billion in health-related cuts, this amendment offers only $32 billion, or roughly $20 billion less. The Shortfall can be seen in specific areas such as long-term care, where this amendment would not allow an employer to provide such long-term care coverage as part of its employee benefits package.

Another important difference between the Taxpayer Refund Act and this amendment is the area of estate tax relief. We have heard eloquent and persuasive arguments these past two days concerning how important it is that Congress provide American families with relief from death taxes. And our legislation offers almost $63 billion in relief. This will help countless families save the businesses, farms, and ranches that have been built by parents and grandparents.

It is good for these families, and for America, as it protects their work and sacrifice. Unfortunately, this amendment only contains a third of the relief that these families would receive from our legislation.

Mr. President, I compliment Senator BREAUX for the work he has done on this amendment. It certainly offers more than the alternative that the Senate voted against yesterday. Like yesterday's alternative, it shows that there is bipartisan support for relief, but it does not go far enough. It does not go far enough in the area of family tax relief.

It does not go far enough in the area of savings and investment. It does not provide enough health care tax relief, nor does it provide enough relief against death taxes.

As I said when I spoke against the Democratic alternative yesterday, the Taxpayer Refund Act of 1999 is built on the proposition that the income Americans earn belongs to them; that when government sets a budget and receives revenues in taxes to meet the budget obligations, government—by the will of the people—receives what it needs to pay the bills; and that when the people have given government more than what the budget calls for, well, then that money should be returned to the people.

It's that simple, Mr. President. And with that understanding, Congress passed a budget resolution authorizing the Finance Committee to cut taxes by $792 billion over 10 years. The Finance Committee, with bipartisan support, met that responsibility and, as a result, has offered the Taxpayer Refund Act of 1999. What we have offered is a broad-based tax relief plan that will benefit all Americans—one that is fair, constructive, and empowering.

Our plan will help restore equity to the tax code and provide American families with the relief and resources they need to meet pressing concerns. It will help individuals and families save for self-reliance in retirement. It will help parents prepare for educational costs. It will give the self-employed and under-insured the boost they need to pay for health insurance. It will begin to restore fairness to the tax code by eliminating the marriage tax penalty.

These are all important goals. And, as with the Democratic alternative, this amendment also falls far short of accomplishing all that we do with our broad-based plan. This amendment will leave many taxpayers without the relief they deserve. For that reason, I encourage my colleagues to vote against it.

Mr. BREAUX addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. How much time remains?

The PRESIDING OFFICER. The time does not begin to run on the amendment until the amendment is actually called up.

Mr. BREAUX. Mr. President, I ask for the reporting of the amendment.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Louisiana [Mr. BREAUX], for himself, Mr. CHAFEE, Mr. KERREY, Mr. JEFFORDS, Mr. TORRICELLI, Mr. SPECTER, Mr. BAYH, Ms. SNOWE, Mrs. LINCOLN, and Ms. COLLINS, proposes an amendment numbered 1442.

Mr. BREAUX. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

The PRESIDING OFFICER. There is 1 hour for the sponsor and 1 hour for the opponents.

Mr. BREAUX. Mr. President, I yield myself 5 minutes.

Mr. President, I suggest it is time for a reality check by Members of both parties as to where we are and what we are attempting to do.

We in the United States in this period of time are in a very unique, and I would also say very unusual, position in the sense that other countries around the world would love to have the problem that is facing all of us in the Senate this afternoon: We are faced with a country that has a $1 trillion surplus.

That is a problem that most countries would love to have. It is a problem because we are now faced with the question of what we are going to do with a $1 trillion surplus. Some have said all of it should be used in the form of a tax cut and given back to the American people. We can argue about how they do that. But, for the moment, let's just say they have decided all of it should go for a tax cut. Some on my side of the aisle say, no, we can't do that. It should be a very small tax cut, and the rest should be reserved for other functions of Government.

I point out to my colleagues what I think the rest of the American people already fully realize. They know if the proposal on that side of the aisle—an $800 billion tax cut—should pass and get sent to the President, it is clearly going to be vetoed, and nothing will result from this other than a debate. We will end up with nothing more than a political argument to make against each other. If we pass the Republican bill, and it ultimately goes to the President, there will be a big ceremony in the White House where he will veto that piece of legislation. He will then have a powerful political argument to say the Republican Party has wasted the trillion dollar surplus. There are some on the Republican side of the aisle who will say that is a great argument. The White House and administration will blame the Republicans for wasting the trillion dollars and giving an unnecessary and unrealistic tax cut that is targeted to the wealthiest people in this country. That is a great argument for us.

While the political parties may have a short-term political gain, I suggest that the real losers, if this is what is going to happen, are the American people because they end up with nothing —no tax cut, no decision on how to spend the surplus, with no money being allocated to real Medicare reform, and no pressure to continue to work on a Medicare reform program.

I suggest there is a different way we can look at this problem instead of a political opportunity. We can look at it as a policy opportunity to do something realistic, and that is what the amendment before this body does.

It is a $500 billion tax cut that is targeted to people who really need help in this country. There are some arguments that say the polls tell us the people don't want any tax relief. If you explain it properly when you go back, people do need help. People in the middle-income brackets would like to have a greater standard deduction than they have now. People on the edge of being kicked up into the 28-percent bracket would like to stay in the 15-percent bracket and work harder and earn more for their family. People would like to see more tax assistance for education and help for the 43 million Americans who work every day and can't afford to buy health insurance because they work for a company that doesn't provide them health insurance. We have carefully tailored the $500 billion to help those people.

Our legislation helps people buy health insurance. It helps people avoid the ridiculous marriage penalty by eliminating it and increasing the standard deduction. That is a tax policy that should have an opportunity to become law, because while we spend $500 billion over the next 10 years to help people who need help the most, we also reserve $500 billion for other priorities of Government, to do something on Medicare, which needs to be reformed. The chairman says we will do something in September, and that is a very courageous position to take. But there will be money to pay for what is needed for Medicare. There will be a $500 billion pot of money to go to cover the very necessary discretionary spending needs in this country.

So we are offering something, according to a reality check, that has the potential to become law as opposed to being merely a political statement on both sides of the aisle. Unfortunately, people in both parties have taken the position: It is my way or no way.

We were sent here not to do political statements and take political positions only, but to work together to resolve differences and come to an agreement on public policy. I happen to think public policy is good politics. But good politics is not necessarily good policy. We have a choice today, in the next couple of hours, to determine whether we are going to be interested in good politics in the short term, or whether we are going to try to work together to reach an agreement that can become law and become policy for the American people.

There are very few things in life that are either all one way or the other way. Anybody who has been around for a short period of time knows that. Certainly, when we are discussing what to do with $1 trillion, there are a lot of good ideas. But we have to conclude that neither side is completely right. There has to be a blend of different ideas and philosophies in order to come together in a democracy and reach something that can become law and, ultimately, good public policy. Then the argument will be over success, as opposed to an argument over failure. The track we are on now leads us to go back and tell our people it was their fault that nothing was done. That is arguing over failure as opposed to arguing about success and who was able to bring that to the American people.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. I thank the Senator from Delaware.

Mr. President, I was listening to my colleague, Senator BREAUX from Louisiana, and I want to respond to what he said because he said it—like he says everything—very well, regarding the whole question of reality tests and good politics versus good policy.

I speak against this amendment, not for the sake of good politics but for the sake of good policy. I speak against this amendment understanding that reality test, as I think about the lives of people in our country. I want to say one more time on the floor of the Senate—and I have said it a couple of times—that I do not understand this kind of bidding war on tax cuts. I understand very targeted tax cuts to those citizens who need it the most. I understand very targeted tax cuts that speak to the concerns and circumstances of hard-pressed working families. But I think the vast majority of people in the United States of America—and I think this is the meaning of the poll about tax cuts—are saying this: You all are sort of—I don't know what the word is—trying to pander to us and you have this argument that you have made for years—I am not saying all colleagues for this amendment have made this argument for years, but it goes something such as this: This money belongs to the people, and we are going to give it back to you, whatever there is in surpluses, which, of course, is all based upon assumptions we make. And, hopefully, these assumptions will be borne out about economic performance.

I really think the vast majority of people in Minnesota and the vast majority of people in the country are saying this belongs not to us but to our children and grandchildren, and whatever you have by way of surpluses—now we are focusing on the non-Social Security surplus—put it into reducing the debt to get the debt off the backs of our children. Make sure there will be Social Security and Medicare for our children and our grandchildren as it has been there for us; and, finally, make sure that our children and grandchildren are going to have the same opportunities we have.

We can't do that. I came to the floor the other day and said about my own party's proposal at $300 billion—$200 billion less than $500 billion—that we can't do all of that and have these tax cuts to the tune of $500 billion at the same time. It doesn't add up.

To use the old Yiddish proverb, ''You can't dance at two weddings at the same time.''

If you look at the non-Social Security surplus, three-quarters of it is based upon cuts or the caps in domestic spending.

We say we are concerned about veterans' health care, we want to have community policing, we want to have environmental cleanup, we certainly want to make sure we deal with what is becoming a crisis of affordable housing, and then all of us are forever and ever and ever talking about children and education. We talk about all those people who do not have any health insurance. We talk about prescription drug benefits for the elderly. How are we going to do all of that at the same time that we are going to have $500 billion of tax cuts? We are not.

With the Democratic proposal the other day on the floor with $300 billion of tax cuts, we were still several hundred billion dollars under where the caps take us. In other words, we were several hundred billion dollars—I think close to $300 billion—short of making up the cuts in discretionary spending. With the $500 billion it is worse.

I want to know where the give is going to be.

In all due respect, as I look at the pattern of our powerlessness in America today, it is a very distorted pattern of power. I know the Pentagon will get its resources. I know we will make sure that we invest in transportation.

I can just imagine with the squeeze on—that is exactly what you are going to have, deep cuts in discretionary spending for a decade, and then God knows where this takes us in the next decade—what is going to be cut.

We are going to go from 1 percent Head Start funding—pre-3-year-olds, Early Head Start funding—to less than 1 percent. We are going to go from 40 percent, or a little over 40-percent funding for Head Start, ages 2 to 5, to less than 40 percent. We are going to go from barely covering 20 percent of affordable child care needs for low-income families—much less moderate income and much less working families—to less than 20 percent.

That is the problem with this amendment.

My colleague from Louisiana said it is a compromise. It is a reality test. It is a compromise between the political center of gravity of where Republicans are and where Democrats are, but it is not based upon where I think the political center of gravity is in the country. I know that sounds presumptuous. Maybe it even sounds arrogant. I swear that I don't mean it to be. But I really believe the vast majority of people in our country are for tax cuts that are very targeted, that speak to the concerns and circumstances of really hard-pressed families, and they want to see the rest of us deal with Medicare. They want to make sure we have Social Security, and people want to see some investment in our children. They want to see opportunities for children in this country. We can't do it with this.

We have several hundred billion dollars more—well over $300 billion more—of cuts in discretionary spending if we go for their $500 billion package. Where are we going to cut? You mean to tell me that now we are putting a strait-jacket on ourselves and boxing ourselves in such a way that we are not even going to be able to make any of these kinds of investments in health, skills, intellect, and character of our children? We are not going to be able to it.

I don't see this as being any kind of reality test amendment. I think this is not at all based upon where most people in the country are. I don't think it is based upon what we have to do as a nation.

I think in the next century we have to grow together. I think in the next century, by the year 2030 or 2040 or 2050, we have to make sure the next century belongs to our children and our grandchildren. We have to make sure they get the best education. We have to make sure they have the best skill development. We have to make sure they are healthy. We have to make sure they are productive. We have to make sure there is less violence in their lives; that they grow up to be independent, resourceful, self-reliant, morally responsible and democratic citizens. That is what we ought to be doing with whatever kind of surplus we have.

We certainly shouldn't be supporting a proposal with $500 billion of tax cuts that will crowd out all of that investment, especially when it comes to the most vulnerable citizens in our country.

I hope this amendment will be voted down.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I yield 6 minutes to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, first I would like to thank my colleague, Senator ROTH, for his management of this bill and for bringing this bill to the floor of the Senate. I am going to talk preliminarily about the bill.

First, let me say to our colleagues who are offering the $500 billion substitute that I compliment them for the fact that they are trying to work to reduce taxes. I think that is important. There are several provisions they have in their bill that I compliment them for.

Most of all, I want to talk about the bill that is before us, the bill as reported out of the Finance Committee by a vote of 13–7. That was a bipartisan vote. I think that is important.

Again, I think that happened in large part because of the Senator from Delaware and because of the content of the bill. I think that maybe we spent too much time talking about numbers. Maybe that is partly my fault. I like talking about numbers. We have a $3 trillion surplus. We are going to give a tax cut of $782 billion. That is about 25 cents on the dollar.

We are going to take two-thirds of the surplus and use that for debt retirement. That is good.

Some people say: Wait a minute. You are not reducing the debt enough. We reduced the debt more than Clinton's proposal. Maybe that is good. I think that is probably good.

Concerning the tax cut and total of the estimated surplus: Some people may say: Maybe the estimates aren't right. Maybe they are too optimistic. And even though we are only taking one-fourth of the surplus and allowing people to keep it, they don't want to give it back to the taxpayers. They'd rather spend it.

Well, that is not what a tax cut is. A tax cut let's people keep more of their money. They do not have to get it back from Washington, DC. Is it their money, or is it Washington's money? It is their money. Is it not a gift from us. We are taking it from them right now. In some cases we are taking too much. In some cases the taxes we are taking from people are unfair.

I am going to talk about that because the bill we have before us alleviates some of those problems. It doesn't solve all the problems, but it alleviates some of the problems. Is it the best bill imaginable and perfect? No. But it does go a giant step toward eliminating inequities and injustices in the tax bill. I say ''injustices.'' There are some cases in the 1999 Tax Code where the taxes are unfair.

It is absolutely unfair for a married couple to have to pay more taxes than if they were living together and unmarried. It is unfair to have a tax penalty for being married—absolutely unfair. That is in the Tax Code today.

The bill of the Senator from Delaware eliminates that. We want to get rid of it.

Unfortunately, that doesn't happen under the Democrats' proposal. Let me talk about that for a second.

Somebody says: Well, you eliminate the marriage penalty. What does the House do? The House basically doubles the exemption for single people and for couples. That is one way of taking care of the exemption. But it doesn't eliminate the fact that a lot of people have combined incomes that push them into higher income brackets.

For example, an individual with a taxable income of $25,000 is taxed at 15 percent. Anything above that, they are taxed at 28 percent. That is kind of simple.

Let's say you have two teachers who are married, and they have a taxable income of $25,000. If they file as individuals, they are both taxed at 15 percent. If they are married, their combined income pushes them into a 28-percent tax bracket. They are penalized.

It just so happens, as it works out, that in this case they are penalized $1,400.

Where did I get that?

They have a combined income of $50,000. A 28-percent tax bracket actually kicks in at $42,000. They have $8,000 that is taxed at a 14-percent rate. It is higher than what somebody is paying at the 14-percent rate. Senator ROTH's bill moves the bottom rate from 15 to 14.

The difference between 28 and 14 is 14 percent. Fourteen percent times the number of thousands, if it is $10,000, that is $1,400.

This hypothetical couple pays an additional $1,400 more per year for being married. We shouldn't penalize them for that.

In the bill each couple has the option of being taxed individually. If one member of the couple is taxed at 28 percent, fine. It doesn't mean the next spouse has to be taxed at that rate as well. Maybe the income of that spouse, male or female, might be significantly lower. It would be taxed at a lower rate. Why tax them at the highest rate? We shouldn't do that. We eliminate that in this bill. That is not insignificant.

The example I gave was a $1,400 differential. CBO says the average marriage penalty is $1,400. We should be able to eliminate that, and we do eliminate it in this bill. Who benefits? Nineteen million married returns would have that inequity eliminated. That is in this bill.

Let me talk about the 14-percent bracket expansion. I wasn't particularly fond of this idea. I thought, why move the 15-percent rate to 14 percent? What does that mean? Somebody asked me the other day on a radio show: What does that mean to me as a taxpayer? It means we have a benefit for all taxpayers. Any taxpayer will benefit. How much do you benefit? Individuals, up to $250; and a couple, $430.

Therefore, a couple who makes up to, I think, $48,000 receives a $430 benefit. Somebody said the tax benefit in the bill is only 50 cents a day. Their numbers are not adding up. The benefit of that is $430 a couple.

I will touch on the bracket expansion. I want to compliment our colleagues on the pending amendment. They expand the 15-percent bracket up. We have that in this bill, too, under the pending bill authored by Chairman ROTH. We expand the 15-percent bracket. That means a lot of people who are paying 28 percent will pay 15 percent. We increase that by $5,000 per couple or $2,500 for an individual. That means a couple will save $700. If they have a combined income of $42,000, we save them $700 by reducing the rate from 15 to 14. For a couple earning $40,000 or more will save $1,130 under the bill. That is almost $100 a month.

I use the test sometimes of my son and his wife. He sells cars, and she is a schoolteacher. They have one child. How will this benefit them? From those two provisions alone, they will save almost $100 a month in taxes, and they are a middle-income, tax-paying family. I think that is a good provision. When combined with marriage penalty relief, the average married couple will realize significant savings through this bill.

For instance, those items together come to $1,100 just in the rate reduction and the expansion of the 15-percent rate. Then there is $1,400 savings in eliminating the marriage penalty. Now we are talking about $2,500 per year for a married couple making $40,000, $50,000, or $60,000 a year. That is not insignificant. That is $200 a month.

We are helping a lot of people. The number of people who would benefit from expanding the 15-percent rate upwards, so they don't have to pay 28 percent, is a reduction of 13 or 14 percent —13 percent by the substitute offered and 14 percent by Chairman ROTH's proposal. Chairman ROTH's proposal says to individuals in that category, we are going to cut their rate in half for that additional $5,000. That is a significant savings. Add that all together, and we are talking about $2,500 for a couple who make $40, $50, or $60,000. That is not insignificant.

Mr. President, 98 million people will benefit from the reduction in the 15 to 14 percent income bracket, 80 million who have incomes less than $75,000. In other words, it is a tax cut for taxpayers, not necessarily targeted the way as some others might like, but it is a tax cut that is weighted on the lower end of the tax schedule.

Moving the 14-percent bracket up, 36 million middle-class people will benefit from that provision; 19 million married returns will benefit from elimination of the marriage penalties.

Then there is something else that hardly anybody is talking about. We have a provision that eliminates the penalty called alternative minimum tax that disallows a lot of the tax credits we have already passed. In 1997 we passed a tax credit, $500 per child. It was $400 last year, $500 this year. That is law. I know a lot of the people arguing against the Republican tax bill didn't like it when we passed that in 1997. I had an appearance last night with Gene Sperling, and he said the President supported the $500 tax credit for a child.

Maybe a little history would be in order. The President campaigned for it in 1992, and he forgot about it in 1993 when he raised taxes on all Americans. Not only did he forget about it, but he did a tax increase rather than a tax cut. It wasn't until 1995 that the $500 tax credit passed again. That was when Republicans took control. We passed the bill, and the President vetoed it. We passed it again in 1997, and he signed it. Now they are trying to take credit for it. They didn't want a tax cut in 1995, they didn't want a tax cut in 1997, but we gave it to him and he signed it. Now that is law.

Because of AMT, a lot of people are not able to take full advantage of that tax credit or child care tax credit—13 million families, and I tell my colleagues that number is growing every year. Senator ROTH's amendment has significant relief. My colleagues will be interested to know that is $96 billion. Over one-tenth, about 12 percent, of the entire tax bill is targeted toward AMT relief on American families. I have not heard anybody talk about it. If anybody thinks that provision is wrong, offer an amendment to strike it out.

If anybody thinks the marriage penalty provision, which is $112 billion—again, probably about 15 percent of this entire package—is too generous, if Members don't think we should have marriage penalty relief, offer an amendment and take it out. If Members don't think we should cut the rate from 15 percent to 14 percent—which is $298 billion, which is the biggest provision in this entire bill, which is three-eighths of the entire bill—if Members don't think it should be in there, take it out. I would oppose any such amendments, because these provisions are at the heart of this legislation and are what make this bill a tax cut for taxpayers on the lowest end of the ladder.

A lot of people say the Republican package is a tax cut for the rich. It is not. Those people have not read the bill. This bill reduces taxes for all taxpayers, including people at the lowest end of the economic ladder.

The provisions I discussed are $506 billion out of $792 billion. That is over five-eighths of the bill I have already described. I haven't heard anybody single out any of those sections and say: that is a bad provision, we shouldn't have that provision.

Let me discuss a couple of other areas in this bill and why we should pass the bill. Let me talk about estate taxes. A lot of people are not aware of how the amendment of the Senator from Delaware works. It replaces the unified credit with an exemption. Most people say: What in the world are you talking about? Unified credit, under the existing system, says we will credit you so much in taxes, and you don't have to pay; but above that, you start paying taxes at whatever rate it is. It means if you have a taxable estate, once you start paying taxes, you start paying taxes at a 39-percent rate. If you have a taxable estate of $1 million, 39 percent goes to the Government.

What we do by replacing the unified credit with an exemption is, once you run out of the exemption, you start paying taxes at the lowest rate, which is 18 percent. That is a big difference. That is a big difference for estates that are barely taxable. So, if you are over the exemption amount—the exemption amount today is $650,000—and you don't have to have a lot of property or a lot of wealth to have an estate of $650,000, if you get above that, your tax would be 18 percent instead of 39 percent. That is a big difference, and I compliment the chairman for doing it.

Frankly, I would like to eliminate the estate taxes and have the taxable event not be death but when the property is sold. Senator KYL and others have been advancing that. I think that is an excellent idea. You should not be taxing somebody because somebody dies. You should tax them when that property is sold. If the people who receive the property, the beneficiaries, the family, if they want to keep the business and keep the business operating and running, great. If they want to sell the business, tax it as a capital gain and tax it at the old valuation, at whatever escalation has been in the market value. That is the capital gain. That is what the taxable event should be, when the property is sold—not because somebody dies.

Again, the chairman's provision, exchanging the unified credit for an exemption, is a giant step towards, basically, bringing about some relief in estate taxes which I think is critically important. If you believe, as do I, in family-owned businesses, if you believe the Government is not entitled to take over half of people's property just because they pass away then you should support this bill. Somebody said earlier this provision in the bill only benefits the wealthy. I disagree strongly with that statement.

My father, unfortunately, passed away when I was pretty young and we had a family-owned business, Nickles Machine Corporation, in Ponca City, OK. We had a significant dispute with the IRS for 7 years about the valuation of this company. The IRS said: We think it is worth a whole lot more and we want you to pay a lot of taxes. My mother did not pass away; my brothers and sisters did not pass away—just my father. And he was second generation in this business. Yet the Government said: We want a chunk of it.

The estate tax rate today says any estate over $3 million, they want 55 percent. Why in the world would the Federal Government be entitled to take over half of what somebody worked his or her entire life for because somebody passed away?

One of the changes we made in 1981, it has been seldom noticed, but one of the great changes we made, we eliminated the inheritance tax between spouses so surviving spouses do not have to pay a dime of inheritance tax. That is a positive change. I was here and had a little something to do with it, and I am very pleased we made that change.

But it isn't enough. Now, even though we have made that change, when the surviving spouse passes away and you have a taxable estate of $3 million—maybe it is a manufacturing company, maybe it is a farm or ranch, maybe it is a restaurant, and it happens to be worth $3 million—the Federal Government comes in and says: We want half. I absolutely think that is wrong. That is one of the many reasons why I think we need a tax cut today. That is one of the reasons why I think we need a greater tax cut than the alternative proposed by our colleagues that would provide $500 million. I note the estate tax relief they have in their provision——

The PRESIDING OFFICER. The 15 minutes of the Senator has expired.

Mr. NICKLES. I ask an additional 10 minutes on the amendment.

The PRESIDING OFFICER. The Senator may proceed.

Mr. NICKLES. Looking at the provision offered by our colleagues, in the substitute they have $19 billion of estate tax relief and the estate tax relief offered by the underlying proposal is $63 billion. So it does a lot more in estate tax relief in the chairman's bill than what is offered in the substitute.

I happen to believe in estate tax reform very strongly, and not because it benefits the wealthy. I happen to believe it is a matter of fundamental fairness and freedom. People should be able to work their entire life and be able to pass their property on to their kids without Uncle Sam coming in and saying that we want half or even over half. The chairman's amendment helps make that change.

Also in the underlying bill, we increase retirement savings. Everybody in this room knows we do not save near enough. What we do under the underlying bill is we increase IRAs over a 3-year period from $2,000 to $5,000. We do that in both the IRAs that are tax exempt going in and the ROTH IRAs, into which you may put after-tax dollars. That means we are allowing people to put in more money to save for their own retirement.

The $2,000 limit goes back for years and has not been indexed for inflation. Frankly, we in Congress should encourage savings. We want people to be less dependent on Government, more dependent on themselves, to be able to save for their retirement. Increasing this amount from $2,000 to $5,000 is a giant step in the right direction. Again, I compliment the chairman. This provision is in his bill. It is not in most of the other bills. I do not believe it is in the substitute as well.

Finally, I want to touch on one other thing, and that is the self-employed health care deductibility. The chairman's bill says, for self-employed persons, we are going to allow 100-percent deductibility. We had this debate actually when we were debating the Patients' Bill of Rights. It was included in the measure we passed on the floor of the Senate. I argued then if we want to increase health care access, we should at least make the Tax Code equitable, and it is not equitable. Major corporations today get to deduct 100 percent of their health care costs; self-employed deduct 45 percent. What is right about that? What is right about a code that says: Self-employed person, you deduct 45 percent but GM or any corporation in America, you deduct 100 percent? I am offended by that section in the Tax Code and I support this bill for making that much needed change. I used to be self-employed. I used to run a corporation. A corporation deducts 100 percent, but if you are self employed tough luck, you only get to deduct 45 percent.

Then the chairman's package also has a major expansion for people who do not get anything from their employer. If they pay over half their health care cost, they get to have an above-the-line deduction for their health care expense. Again, why in the world, if we are going to use the Tax Code to encourage health care, why do we not let it apply to everybody in America? We do not do that today. If you do not work for a generous employer who subsidizes your health care, you are out of luck. If you are not self-employed, you are out of luck. You have to pay for your health care with after-tax dollars. You do not get any deduction.

The chairman's bill changes that inequity and says, yes, you eventually get a 100-percent deduction. It phases that in, but eventually that person gets a 100-percent deduction for their health care cost as well, and they do not have to itemize to get it. All taxpayers would get it. Again, this is a giant step in the right direction in bringing tax equity in health care costs.

When we allow people to buy homes and we say you can deduct your interest, we do not say you have to work for a generous employer to be able to deduct the interest. Everybody gets it. We are free to use the Tax Code to encourage health care. It should apply to everybody, and again, the chairman's package makes a giant step in that direction.

The chairman's package does many other things. It allows an extension of time for people to be able to deduct their student loans; it allows a continued deduction for companies that have educational plans and benefits; it has a plan to help in education; it has a plan to help in health care; it has a plan to help increase savings and retirement and 401(k)s; it has a plan to allow people to keep more of their own money; it eliminates the marriage penalty.

I tell my colleagues that those are things we need which will help American families. That is not just a tax cut for the wealthy. That is not something my colleagues can demagog. They may want to, but if they want to demagog, where do they want to cut? Do they want to eliminate the permanent R&D tax credit? Do they want to eliminate the self-employed deductibility? Do they want to eliminate the marriage penalty? Do they want to eliminate the reduction in rate from 15 to 14? Do they want to eliminate the expansion of the 15-percent tax bracket? I don't think so.

I think the chairman has put together a good package and that package, yes, costs $792 billion. I say costs. It is going to allow people to keep $792 billion of their own money. They are going to be sending in over $3 trillion more than the Federal Government needs in the next 10 years. We are saying we are going to let them keep some of that themselves. The chairman has crafted this in a way that is going to help a lot of middle-income working Americans who are interested in health care, who are interested in education, who want to not be penalized because they happen to be married.

So I compliment him for his package. I urge my colleagues, with all great respect for the amendment that is pending, I urge them to vote no on that amendment because we can do more, and we should do more. The American taxpayers deserve more, deserve better. I hope our colleagues vote no on the pending amendment and vote yes on final passage, hopefully tonight.

I will mention, as far as procedurally, I hope we can finish this bill tonight. It is possible. It will not be easy, and our colleagues will have to work together to make that happen, but I hope it will be possible for us to have final passage on the underlying amendment later tonight.

I yield the floor. I thank my colleague from Delaware.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I yield 10 minutes to the distinguished cosponsor of the amendment, the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. TORRICELLI. Mr. President, thank you very much.

The Senate has had before it three very distinct blueprints for the American future, not a tax plan for the remainder of this year or next year but blueprints that will dictate many priorities and decisions for more than a decade. They are very distinctly different.

The Senate has before it a Republican tax reduction plan that will never become law because the President will never sign it. The Senate is considering a Democratic tax reduction plan that will never become law because this Congress will never pass it. And there is a bipartisan tax reduction plan of $500 billion now before the Senate.

It is termed a ''bipartisan tax reduction plan,'' but it should be better known as the ''October plan,'' because we may spend July and August debating our partisan proposals.

Members of the Senate may not endorse this proposal today, but I suggest that by the time we reach October, it is a plan such as this that will bring us together.

This plan, crafted by Senators BREAUX, KERREY, CHAFEE, SPECTER, COLLINS, SNOWE, BAYH, myself, and a group of others, is based on a belief that the Nation should have returned to it as much of its tax dollars as possible, while still being prudent to allow the development of a surplus, protecting Social Security and other national priorities. Reducing taxes is a national priority, but so is hiring 100,000 teachers, rebuilding American schools, providing for a pharmaceutical benefit in Medicare, improving the national infrastructure, and reducing the national debt.

Like any compromise, this plan is designed to accommodate many of these objectives, and I think we have succeeded. But it is also based on the belief that the American people, after 8 years of economic expansion that was built on hard work, high taxes, and sacrifices, deserve a dividend.

This $500 billion tax reduction plan is a fair and reasonable dividend. This surplus developed for a reason. In 1993, appropriately in response to burgeoning deficits, this Congress increased taxes by a quarter of a trillion dollars. In the years that followed, American businesses produced and American workers produced at unprecedented levels. They have provided an economic expansion and also a Government surplus, and they deserve now to have some of it returned. That is the foundation of this plan. But we accomplish nothing by returning these tax revenues if we only prestage a burgeoning deficit in the future or we deny other needs in the country as well.

Tax reduction is an economic imperative, in my judgment, but so is education and so is improvement of the national health care system, and so is expansion of the national infrastructure. There is before this Senate but one balanced plan that can achieve these tax reduction goals while meeting these balanced national objectives, and it is this plan, the ''October plan.''

This plan is also based on a recognition that even in good economic times, it is important to recognize that these are not perfect economic times. The United States today faces twin economic problems:

First, record levels of consumer debt. The current economic expansion is threatened by mounting middle-class consumer debt more than any other single indicator. Middle-income families with young children are shouldering more debt in home mortgages, credit card bills, and educational expenses than at any time in our national history.

This plan is designed to respond to that need by moving 4 million Americans, people who earn $50,000, $60,000, $70,000 in family income, with young children, and moving them from the 28-percent bracket to the 15-percent bracket where they belong.

This Government has no right to go to a family that earns $60,000 and $70,000 and struggles every month to educate its children, provide housing, clothing, and food, and take 28 percent of that income for the Federal Government. I do not believe it was ever our intention.

Prosperity and inflation moved people into these tax brackets. For a long time, some of us lived with the illusion that people who lived at these modest incomes somehow had expendable income, as if they were living lives of luxury. There is no luxury in American life today on an income of $30,000 to $70,000 with children. This bill recognizes that fact.

We also recognize that many senior citizens and many young families supplement their incomes by modest savings—people who earn a few thousand dollars in capital gains, put a little bit of money in the bank, or they invest in the stock market for a little security to participate in American growth. The Federal Government should not be charging capital gains taxes on people who earn $2,000 and $3,000 a year. We should be doing everything we can to encourage these people to save for an emergency, prepare for the future, and this bill deals with that reality, in response to the fact that the other crisis in American economic life today, beyond high consumer debt, is a virtual collapse in national savings. This year, the United States has a national savings rate of minus 1.2 percent, the lowest rate since the second year of the Great Depression. We are the only developed nation in the world with a negative savings rate.

This legislation responds to that reality. We eliminate the capital gains taxes on the first few thousand dollars of savings, which, in part, takes 4 million taxpayers off the tax rolls entirely—young families and probably largely senior citizens who want a little security in life. They should pay nothing, and that is what this bill provides.

Those are the twin objectives we have: Reduce consumer debt by lowering taxes on the middle class by moving people from the 28-percent bracket to the 15-percent bracket; and, second, by encouraging savings, both as Senator ROTH has done by an expansion of the IRA, and in our case from $2,000 to $3,000.

This Government should be doing everything possible to encourage Americans to save money, if not for our larger economic purposes, then simply because 50 percent of Americans have no pensions; 60 percent of Americans retire only on Social Security. My colleagues and I know why there is such enormous pressure on this Congress to increase Social Security and other Government benefits: Because people are not saving money, and they do not save money because this Government has made it economically irrational to do so, and the Tax Code is the answer to changing that reality.

Our bill, I think, is easily defined and explained. It is simply $500 billion over the course of this next decade. It removes 3 million people entirely from the tax rolls by increasing the standard deduction and eliminating taxes on modest savings. Three million people, largely senior citizens, will pay nothing.

Second, as I suggested, we move 4 million people from the 28-percent tax bracket to the 15-percent tax bracket, meaning that a family of four earning $71,000 will now have their taxes arguably reduced in half and have money available for their own family needs. For a single person earning $37,000, this translates into a $600 tax cut. A family earning $71,000, as I suggested, receives a $1,300 tax cut.

We also do more. We eliminate the marriage penalty entirely in the standard deduction. We increase and expand the child care tax credit to remove American women from this dilemma where they have to choose between going to work to pay the mortgage and knowing their children are safe by allowing affordable child care.

The PRESIDING OFFICER. The time yielded to the Senator from New Jersey has expired.

Mr. TORRICELLI. I close by urging my colleagues to join with me in this bipartisan plan for reasonable and affordable tax relief. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BREAUX addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. I yield 10 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 10 minutes.

Mr. SPECTER. I thank my colleague from Louisiana.

Mr. President, I join in cosponsoring this centrist approach. In my view, the tax proposal to cut $792 billion over 10 years is too much. It may be that the United States would be best served by not having any tax cut at all, but it appears we are headed for some tax cut. And a group of centrists, so-called moderates, have joined together on the proposal which is now on the floor for a tax cut of some $500 billion.

This same group, in substantial measure, was assembled 2 weeks ago on the so-called Patients' Bill of Rights, where the centrists had an alternative proposal to the more extreme proposals on the right and on the left.

We have rounded up the so-called ''usual suspects,'' but we have a few more; and I think there is some chance that this bill, this proposal, this amendment will be adopted, if not today, then perhaps ultimately.

At the outset, I acknowledge the proposition which has been advanced by the Chairman of the Federal Reserve, Alan Greenspan: that the Government of the United States would be best served if there were to be no tax cut at all.

The projections of the surpluses are highly speculative. If you change the interest rate a bit, or if you change the unemployment rate a bit, those surpluses would change very dramatically.

There is a strong argument for the proposition that we would be best advised to pay down the national debt. The national debt now stands in excess of $5.5 trillion. When the Presiding Officer and I came to the Senate, after the 1980 election, the national debt was slightly under $1 trillion. Notwithstanding the so-called ''Reaganomics'' of the administration of President Reagan, by the time he had left office, the national debt was in the range of $3 trillion, and it has gone up.

To reduce the national debt would reduce the carrying costs on the interest, and there is a great deal to be said for that. But my sense is the temper of the times is that we are going to be looking at a tax cut to some extent. If we ameliorate, or reduce the tax cut from the proposed $792 billion to $500 billion, then we have more assurances that we can take care of other needs of America.

There is a consensus that the Social Security fund ought to remain inviolate, ought to be preserved at all costs. I believe that it is true that the Social Security fund will be secure under any of the pending proposals. But you can't be entirely certain of that because that significant measure depends on the economic forecasts, the unemployment rate, and the interest rate.

Beyond Social Security, there is a commitment to preserve Medicare. A lesser tax cut would provide a better guarantee that funds will be available for Medicare.

Then we have the issue of prescription drugs where, again, there is a growing sense that this is an issue which has to be taken into account. Again, a lesser tax cut gives more flexibility for prescription drugs.

So when we look at the imponderables and the problems, there is much to recommend a lesser tax cut, so that a figure in the $500 billion range appears preeminently reasonable.

Earlier today, about an hour ago, the Senator from Minnesota, Mr. WELLSTONE, said he did not think the majority of the country favored any tax cut. Well, it is hard to assess where the majority of the country is. What is going to happen in the course of the next 6 weeks, probably, presumably, likely, is that a tax cut will come out of the Republican Congress. The plan is, if this tax cut is adopted, the Senate and House will go to conference, and there will be a resolution of the issue by the end of next week, before we start the August recess.

Then there will be an opportunity for Americans to digest the positions taken by the Republican Congress, contrasted with the position taken by the President's Administration and what the Democrats have in mind.

I believe if the Senate were to enact this amendment on the $500 billion tax cut, we would be in the position to have some realistic negotiations. It is perfectly obvious, at this stage of the proceeding, that the aura of politics is very heavy in this Chamber, very heavy in the House Chamber, very heavy over all of America—less heavy, frankly, outside the beltway.

During the August recess, as I undertake my open-house town meetings, I am anxious to get guidance as to what the Congress ought to do from the prevailing wisdom of Pennsylvanians and the wisdom of men and women outside of the beltway.

But I think a tax bill coming out of the Senate at $500 billion would set the stage for some serious discussions with the White House, and an important aspect of those discussions will be what is going to happen to the appropriations bills.

We are now operating under the 1997 Balanced Budget Act. Speaking for my subcommittee, which has jurisdiction over three major Departments—the Department of Education, the Department of Health and Human Services, and the Department of Labor—the allocation of $80 billion is totally insufficient when we look at what we had appropriated last year, what the inflation rate has been—however small, it is a factor. Looking at the financing of the National Institutes of Health, which have made such dramatic achievements; the financing for Head Start, Healthy Start, and worker safety; that is a matter which has to be reconciled, has to be negotiated with the White House during September, before we go into October where we have the highly publicized possibility of the so-called train wreck.

But those are factors which have to be taken into account. There again, an approach of $500 billion leaves greater flexibility to accommodate other pressing needs of the Government.

Later during the consideration of this tax bill, I will have an opportunity to speak about an amendment which I have pending, which is the flat tax. That is a proposal to simplify taxes in America so they could be filed on a single postcard.

I regret that this measure has not received greater attention, notwithstanding the fact that it was introduced in the House of Representatives by Majority Leader ARMEY in the fall of 1994, and I introduced it—the first bill in the Senate—in March of 1995, which really provides some very substantial relief on simplicity and breaks for the American people. That is not to be, but I will have an opportunity a little later to explain, in some detail, the flat tax proposal.

Mr. President, inquiry as to how much time I have remaining of the 10 minutes allotted.

The PRESIDING OFFICER. One minute.

Mr. SPECTER. I thank the Chair.

In conclusion—the two most popular words of any speech—I believe that America ought to be governed from the center; America needs to be governed from the center; and America wants to be governed from the center.

Where we have the competing proposals—the one which was defeated yesterday, the Democratic proposal at $295 billion; the competing proposal of $792 billion—the $500 billion figure will provide more flexibility for other needs of America, will move to the center, will give better assurances that adequate funding will be available to protect Social Security, to provide Medicare reform, to provide important programs such as prescription drugs, to provide for the kinds of funding necessary for the National Institutes of Health, the other important items yet to be resolved under an arrangement with the White House on the pending appropriations bills.

I join my colleagues in urging adoption of the Chafee-Breaux proposal.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 10 minutes to the Senator from Alaska.

The PRESIDING OFFICER. The Senator from Alaska is recognized.

Mr. MURKOWSKI. I thank the Chair, and I shall not take the full 10 minutes.

Mr. BAUCUS. Mr. President, might I get some understanding of the order. I wonder if there is some way we could go back and forth.

Mr. MURKOWSKI. I was under the impression we were talking on different sides of the amendment.

Mr. BAUCUS. If we understand that the next speaker will be the Senator from New Jersey, that would be helpful.

Mr. ROTH. That is correct.

Mr. BAUCUS. I thank the Chair.

Mr. MURKOWSKI. Mr. President, the issue before us today is whether we should replace the Finance Committee's tax relief bill with a smaller $500 billion tax relief bill. I commend the authors of the amendment for their effort to provide tax relief to the American people, but I believe very strongly that the Finance Committee bill is a better, balanced approach.

Let's examine it for a moment. For example, middle-class families would receive far less relief under the $500 billion amendment because the 15-percent bracket is not reduced. Moreover, the marriage penalty relief in this amendment will not affect the 30 percent of married couples who itemize deductions.

The biggest flaw in the authors' approach is their belief that this $500 billion tax cut would be approved by our President. He has stated already he would not sign a tax bill, a $500 billion tax bill that cuts taxes by more than $300 billion. And the Director of the OMB has indicated that a $500 billion tax cut would be vetoed. So we have a veto threat.

We also have a responsibility to the American taxpayer. As a member of the Finance Committee, I rise in strong support of the Taxpayer Refund Act as proposed by Finance Chairman ROTH. I commend his chairmanship, the professional staff, and the Joint Tax Committee staff who have worked so hard in putting this together. It has been very difficult, but it is fair, it is balanced, and it is growing in support, as Americans and Members of this body recognize its contribution from the standpoint of fairness and equity. Everybody shares. Everybody benefits. It is a great opportunity for the American people to share in this prosperity associated with the surplus.

The Roth bill gives the overtaxed American family a refund of the taxes they are now overpaying to the Federal Government which has resulted in the surplus. The Congressional Budget Office projects that the total budget surplus over the next 10 years will be $2.9 trillion. Nearly $1 trillion—that is, about $996 billion—of that surplus comes from overpayments of income and estate taxes. The American people should share. They know to whom this refund belongs. It is an obligation of this body to give some of it back.

What Senator ROTH and my colleagues on the Finance Committee have done in this bill is to take about $791 billion of those tax overpayments and return that money to the American people, the hard-working American taxpayers. All of the $1.9 trillion Social Security surplus will be used solely for preserving Social Security. As a result of this bill, we will have more than $200 billion available for saving Medicare and paying down part of the debt.

We have heard from the President that he will veto this bill because the tax refund is too large, and the liberal Washington press mindlessly parrot the President's statement and argue that we should not provide such a large refund.

First of all, the President wasn't very supportive of any kind of a refund. He is coming around now. Think of the media, the media that parrot an argument that has no foundation, that somehow it is wrong for the American people to have a tax refund. Think about that for a moment. What is wrong with the American people sharing in this surplus? After all, it belongs to them. What do you do if you get a tax refund? What do you do if your taxes are reduced? Well, you have a couple of alternatives. You can save it, or you can go out and buy something, spend something. That is going to increase somebody's inventory. Go out and buy a new bicycle; somebody has to put in more bicycles.

The point is that it addresses an alternative for the American people. We should save more. We are going to have an opportunity to save more.

The Democrats automatically jump to a conclusion: Interest rates are going to go up. There is no proof of that. There is no indication of that. That is scare tactics, Mr. President. What is wrong with the American people having more dollars in their jeans to spend or save if they wish?

Mr. KERRY. Will the Senator yield for a question?

Mr. MURKOWSKI. I will yield at the end of my statement. I will be happy to at that time.

We only have to go back to December of 1980, under the Carter administration. Some people have forgotten. Do you remember what the inflation rate was? The inflation rate was better than 11 percent. Interest on the prime rate in this country was 20.5 percent. Imagine that. What was that due to? Partially the oil shock. So here we have an opportunity where we can have a significant refund, and the beneficiary is the American people.

The fact is that what the President wants us to do is not to provide a tax refund to the American people. Instead, he wants to take that surplus to finance $1 trillion in new spending. Despite his claim that he wants to cut taxes by $300 billion, CBO has scored the President's budget as actually raising taxes by $100 billion over the next 10 years. In other words, at a time when we are running a real surplus in the hundreds of billions of dollars, this President comes along and wants to impose even more higher taxes on the American people so he can finance a big and growing Government.

The bill before us should not be vetoed because it provides a tax refund to every single American who pays taxes. The lion's share of the tax cut, more than $410 billion, results from cutting the 15-percent rate to the 14-percent rate and the almost total elimination of the marriage penalty. Is that what President Clinton objects to—reducing the tax rate paid by the lowest income taxpayer? Or does the President object to elimination of the marriage penalty? That must be the case, because if our President had his way and we cut taxes by $300 billion, we could not eliminate the marriage penalty, we could not cut the rate paid by the lowest income earners.

When the baby boomers are set to retire in 11 years, this bill expands retirement incentives, allows increased competition by people over 50 years of age.

I commend the chairman, Mr. ROTH, for upping the limit on contributions to IRAs to $5,000. It has been over 20 years since we raised the $2,000 IRA limit. Upping the limit to $5,000 is long overdue, and it is incentive for the American people to save for retirement.

In recent months we have seen that America's savings rate is actually a negative number. These incentives could well serve to increase our savings rate. Is that what President Clinton objects to—retirement savings incentives? Or does the President object to the health care provisions in this bill, health care changes that bring a much-needed level of equity to the Tax Code?

Allowing the self-employed to deduct 100 percent of the cost of health insurance finally brings small businesses to parity with large corporations. What is wrong with that? For the first time in our history, under the bill, employees who pay for more than half of their own health insurance will be able to take an above-the-line deduction for those costs. It sounds fair to me. I thought the President was so concerned about the uninsured. Why would he, if he was that concerned, veto a tax bill that finally provides health equity to employees and small business owners? I ask that question of the President.

Much overlooked in this bill are the more than $12 billion in educational changes that will make it easier for graduates to pay for their student loans. In addition, more than $1 billion of this bill will help communities construct new schools. Does the President object to that?

The PRESIDING OFFICER. The time of the Senator from Alaska has expired.

Who yields time?

Mr. MURKOWSKI. I urge support of the Finance Committee chairman's bill.

Mr. BREAUX. Mr. President, I yield 5 minutes to the distinguished Senator from Vermont.

Mr. JEFFORDS. Mr. President, I thank the Senator for yielding the 5 minutes. We have worked closely together on this bill. I am here to recommend passage of it.

First of all, I commend my chairman, Senator ROTH. I support many of the provisions in his bill. Many of the provisions in his bill are in this bill. I express my sincere hopes that the bill's good provisions will stand. I agree with much of what Senator SPECTER said about some of the ramifications if we continue on our present course. This is basically ''Roth lite'' as far as the bill goes.

It is very much modeled after it. It just cuts it back somewhat so we can get sort of in the middle.

This $500 billion centrist alternative represents an attempt by some of us to find a middle ground. The Senate finance Committee has approved tax cuts of roughly $800 billion. The President has said he will veto a bill of that size. The Senate Democrats have proposed tax cuts of $300 billion, and the President has signaled his willingness to sign a bill with that level of tax cuts.

The bad news in all this is that the parties are at an impasse. One side is dug in at $800 billion; the other will not budge from $300 billion. The good news is that both sides agree that we can afford and achieve some level of tax cut. I certainly do. And since both sides agree that a tax cut is appropriate, sooner or later we will have one.

What those of us sponsoring his centrist amendment are saying is: ''Let's compromise. Let us take a step toward the middle. Let us settle on a figure we can agree on. And let us get this tax cut done—sooner, rather than later. If neither side can give ground, if we lock ourselves into hard and fast positions, this whole process will come grinding to a halt. How the process will ultimately play out is anybody's guess. It could mean we have another government shut-down. Or it could mean we end up with an omnibus bill like we had last year.

It does not have to be that way. This should not turn into a game of ''chicken'' between political parties. But both sides will have to give a little.

In the end, I think we will ultimately end up with a tax bill that is somewhere between $300 billion and $800 billion—in other words, around $500 billion. I do not see why we can not settle on an acceptable mid-point now.

You can get a lot of tax relief with $500 billion. The centrist package will provide for broad-based tax relief for most taxpayers. Taxpayers who do not itemize deductions will see a big increase in the standard deduction. This increase is not just tax relief. It is also tax simplification. With a larger standard deduction millions of taxpayers will no longer have to itemize their deductions. Taxpayers who itemize will also get a break, as the 15-percent bracket will be expanded.

Up to $5,000 that was formerly taxed at 28 percent will now be taxed at 15 percent. This 13 percent reduction in tax will mean savings up to $650 for married couples.

Our centrist package also addresses the marriage penalty. It eliminates the marriage penalty in the standard deduction, and eliminates part of the marriage penalty in the earned income credit. Our Tax Code should not punish marriage—especially among the working poor. Right now two low-income people who marry often find themselves with a smaller earned income credit than they would have had as single taxpayers. That shouldn't be.

This alternative also encourages savings and investment. The first $1,500 of capital gains would be tax tree. Again, this is not just tax savings; it's also tax simplification. During the tax filing season, the complex schedule D was one of the things Vermont taxpayers complained about most often. Under our proposal, millions of people with capital gains from mutual funds could avoid filing out schedule D.

Our alternative includes targeted provisions that serve important national interests like retirement savings, education, and protection of the environment. When people move between jobs it will be easier for them to take their pension benefits with them. More people will be able to claim the deduction for student loan interest. Long-term care insurance would be deductible. The research and experimentation credit would be permanent and the low-income housing tax credit would be extended. These are but a few of many tax issues addressed in our alternative package.

In the Finance Committee, I voted to move the bill out of committee and keep the process going. I applaud Chairman ROTH for the reasoned approach he has taken in this bill.

With a projected surplus approaching a trillion dollars, I think we can afford some tax relief. I must confess, however, I'm a little uneasy with the level of tax cuts in the Finance Committee bill. An $800 billion tax cut leaves little margin for error if the surplus projections are not correct. An if these projections understate the surplus, we can always come back and enact further tax cuts.

I'm also concerned that an $800 billion tax cut doesn't leave us a cushion sufficient to fund a Medicare prescription drug benefit, to pay down our national debt or to address other areas of concern, like education. I think we should go slower, be a little more cautious. Some would call this the conservative approach.

Still, I want tax cuts. Our $500 billion alternative allows for meaningful tax relief, while also leaving a significant chunk of the surplus intact for other national priorities.

Mr. President, the American people are tired of gridlock. They're frustrated that compromise is becoming a lost art. We don't need to wait for a veto before getting down to serious negotiations. We can get this bill done today.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield to the Senator from New Jersey for 5 minutes.

The PRESIDING OFFICER. The Senator from New Jersey is recognized.

Mr. LAUTENBERG. Mr. President, I thank the chairman of the Finance Committee. I appreciate this opportunity to state my opposition to the Chafee-Breaux amendment, which would provide a $500 billion tax cut.

The proposal is being put forward by some of the moderate Members of this body, and I have tremendous respect for Senators CHAFEE, BREAUX, and the other cosponsors. Its sponsors may be moderate, but this amendment is not. If you really look at the numbers, I would say it is fiscally irresponsible.

It is always tempting to believe the best solution to a conflict is to split the difference. But that is not true when one side is taking an extreme position. That is what is happening.

In this case, splitting the difference would be terrible policy. It would force either unreasonable cuts in education, defense, and other priorities or, more likely, it would eventually force excessive cuts in Medicare and Social Security.

Supporters of large tax cuts have been coming to the floor arguing that we have a $3 trillion surplus to divide up. But that is wrong. I have even heard the arguments being made about how well regarded the original Finance Committee bill of $792 billion was, and claiming that it is the only fair thing to do—to give it back to the people who paid the bills in the first place. The fact of the matter is, we are all on a mortgage; all of our citizens share a mortgage, all of us in this room and outside in the countryside. It is our national debt.

I don't know any family that, given a chance to get a couple of bucks in their pockets—less than $150 in the tax cut for modest-income earners of $38,000—would not rather have their mortgage paid off for them. That is the condition we ought to be in—paying off our mortgage and paying off our national debt, not giving it back in forms that produce most of the benefits for people in the highest share of the income strata. We were talking about people who are wealthy, who make $800,000 a year—by any judgment, they are pretty well off in this country—getting $23,000 a year worth of tax cuts in the original bill. Now we are in the compromise stage, and we are down at a level that still, frankly, doesn't make economic sense.

It is expected that we are talking about a surplus. Well, first, I want to point out it is a projected surplus. There is a big difference. Hardly anybody who has looked at CBO's projections truly believes that they are without question. To be fair to CBO, even they have acknowledged their estimates are uncertain.

They depend not only on guesses about our economy, but they depend on assumptions that the Congress will make drastic cuts in a broad range of popular programs from veterans' health care, to education, to law enforcement. If Congress merely maintains defense spending at the levels requested by President Clinton, all of these other programs would have to be cut about 40 percent.

Alan Greenspan, Chairman of the Federal Reserve, who is really the most esteemed spokesman on the economic condition in our country, has said: Hey, be careful. The Fed Chairman told the Banking Committee in an article from the Washington Post this very day:

> It would be unwise to cut taxes now altogether on the basis of surplus forecasts that could be far off the mark. If Congress goes ahead with a major tax cut, I think it also has to be prepared to cut spending significantly in the event that the forecasts on which they are based are wrong.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LAUTENBERG. I thought I had 10 minutes.

Mr. ROTH. I yield 2 minutes from the bill.

Mr. LAUTENBERG. Mr. President, it is less time than I thought I would have to speak on this subject. I have waited patiently. I guess I will try to wrap it up now.

The projected surplus is truly a mirage. If Congress were to maintain basic Government functions at this year's level, it would be a $1 trillion non-Social Security surplus, yes, but it would be more like one-tenth of that, or $100 billion, by the time we finish with this tax cut.

We are slashing prospectively important domestic programs such as VA and other programs, trying to find trick ways to satisfy our obligation to the Veterans' Administration and to the Census, which is clearly identified in our Constitution as an obligation, now calling it ''emergency'' spending.

What we are observing, I think, is some sleight-of-hand work. I hate to use that term, but that is what I see, ''cooking the books,'' making sure we take whatever forecasts suit the situation the best.

There is no way to do what we want to do, what we are obliged to do, if we are going to give away $500 billion in tax cuts. There are better ways to deal with our financial or fiscal condition. Alan Greenspan confirms that.

I hope this Senate will respond to the American people's desire. Get rid of the mortgage, pay down the debt, and then talk about tax cuts that are targeted specifically to modest-income people.

Mr. BREAUX. I yield 5 minutes to the distinguished Senator from Maine, Ms. COLLINS.

Ms. COLLINS. I thank my colleague from Louisiana.

Mr. President, I rise today in strong support and as a proud cosponsor of the Chafee-Breaux bipartisan compromise plan. I commend the Senator from Louisiana and the Senator from Rhode Island for their leadership in bringing Members together to craft this important proposal. This amendment represents a fair, prudent, and responsible compromise between and among the competing proposals we have been debating. It is a sensible bipartisan plan.

In crafting this proposal, our bipartisan coalition has been guided by several principles. The first is perhaps best summed up by the expression, ''Don't count your chickens until they are hatched.'' We know, based on CBO estimates for the next 10 years, that we may have a projected surplus of $3 trillion. However, $1.9 trillion of that surplus is due to a surplus in the Social Security trust fund. I don't think we should spend a penny of the Social Security trust fund surplus for either tax cuts or for spending increases on non-

Social Security-related programs. That should be reserved for paying Social Security benefits and for Social Security reform.

That leaves roughly $1 trillion to decide how we are going to allocate. Our bipartisan coalition believes adopting a more prudent tax relief goal of approximately $500 billion over the next 10 years will provide millions of families in Maine and across the country with much-needed tax relief, while at the same time guarding against the possibility that the current surplus projections may not be fully realized in the years to come. Our proposal allows for additional amounts of the public debt to be paid down, as well as reserving extra funds that could be used to preserve and protect Medicare, to strengthen education, and for other priority programs.

Our second principle is to target the tax relief we are providing. In this time of economic good fortune, we should focus our tax relief on hard-working lower-income and middle-income families. Our proposal would do just that. It allows for additional public debt to be paid off while removing 3 million low-income taxpayers from the tax rolls altogether. In addition, it slices the marginal tax rate nearly in half for another 4 million Americans.

The third principle we have adhered to is quite simply pragmatism. In order to craft, to pass, and actually enact into law a tax relief bill, we must offer a plan that enjoys bipartisan support. Our proposal meets this test and in the process offers a blueprint for reasonable tax relief that should and could become law. Indeed, I predict that ultimately what will be signed into law will be very close to the proposal the bipartisan coalition has put forth today.

In addition to this broad-based tax relief, our proposal includes a number of compelling tax relief measures. For example, the amendment provides substantial relief for the unfair marriage tax penalty that causes many married couples to pay more taxes together than they would if they had remained separate. It also contains important health care-related tax proposals that I, along with many other Senators, have advocated for some time. That includes a 100-percent deduction for self-employed individuals purchasing their own health insurance, as well as the deduction for the purchase of long-term care insurance.

In addition, our amendment contains valuable estate tax relief provisions to help our family businesses and our family farms stay in the family. It includes provisions that I sponsored to help families save for college education of their children as well as to encourage the environmental benefits that come from biomass plants.

An astute, perhaps even a casual, observer might well notice that our bipartisan coalition's plan bears a striking resemblance to the plan put forth by the Finance Committee. It is, however, a slimmed down version of the Finance Committee bill in that it trims about $300 billion from the Finance Committee legislation.

I urge the adoption of the Chafee-Breaux amendment. It seems a good middle ground that best provides tax relief in a prudent way for American families.

Mr. ROTH. I yield 6 minutes to the distinguished Senator from Illinois.

The PRESIDING OFFICER. The Senator from Illinois is recognized for 6 minutes.

Mr. FITZGERALD. Mr. President, I thank Senator ROTH for this time.

I am pleased to rise in support of the tax relief act that has been proposed by Senator ROTH and the Senate Finance Committee.

During this debate which has been going on some 15 hours and several days before that, we heard many opponents of tax relief argue that we ought to focus on paying down that external national debt, which now stands at about $3.6 trillion. Many on the other side have said our focus on paying down that national debt should encourage Members to support the President's plan, which actually has very limited tax relief in it. By the CBO's own estimates, it actually has a $95 billion tax increase, and people believe that somehow going with no tax cut in the President's plan will pay down more of the national debt. But, in fact, if you look at the real numbers and look where the national debt will be 10 years out, in the year 2009, you see that Senator ROTH's plan and the Finance Committee plan pays down more of the national debt, the external national debt, than the President's plan which has a net tax increase of $95 billion.

In fact, under the Senate plan that is now before us, the national debt will be paid down, the external national debt, will be paid down from $3.6 trillion to $1.5 trillion by the year 2009 versus only $1.8 trillion under the President's plan. In other words, even with the tax cuts, we pay more of the external national debt, and we are in a better position, therefore, in the future to take care of our ongoing obligations for Social Security and Medicare.

But I want to encourage my colleagues to step back from this whole debate. We have heard all sorts of arguments about how much the surplus is projected to be—$3 trillion—and their plan will save that amount and this plan will cut taxes by this amount. But let us step back from that issue and just look at where overall levels of taxation are right now in our Nation's history.

Going back to 1941—this is from the Congressional Research Service—if you look at the levels of taxes in this country, Federal taxes as a percentage of our gross domestic product, you will see that our taxes right now are almost at an all-time high. Right now, Federal taxes as a percentage of our gross domestic product are 20.6 percent of our economy.

When President Clinton first took office, taxes were 17.8 percent. If we were to give the entire $3 trillion surplus back in the form of tax cuts, the tax burden would still be 18.8 percent of the gross domestic product. You have to look back to 1944 and 1945, when we were in the midst of World War II, to find such high levels of taxation on the American people.

These are the seven heaviest tax burdens in U.S. history. Right now, in the year 1999, our tax burden is up here. To get equivalent high tax burdens, you have to look to the administration of Franklin Delano Roosevelt in 1944, or Harry Truman in 1945 when we were attempting to throw Hitler out of Europe, and when we were spending 38 percent of our money on our Nation's defense. Today, we are only spending about 23 percent. By historic standards, our taxes are enormously high. In fact, they are unprecedented in our peacetime history, and we ought, therefore, to be thinking about tax relief.

Another thing I would like to point out to you is that right now the average family in America is paying nearly 40 percent of its family income in combined Federal, State, and local taxes. That 40-percent burden means that in families in this country where you have two parents who are working, one of them is working for the government. I don't happen to think that is right. We need to do what we can to alleviate that tax burden on our American families.

We talk all the time in Washington about government programs that can help our families, help our children, improve their education, but all too often we ignore the fact that the greatest single reform we could have for our kids or for their futures would not be another government program but, in fact, more parental involvement in their lives.

But when you have a confiscatory level of taxation that is taking nearly 40 percent of the average family income where parents are working two, and sometimes two and a half or even three jobs just to pay the cut extracted by Uncle Sam——

The PRESIDING OFFICER. The time yielded to the Senator has expired.

Mr. FITZGERALD. Could I request 2 minutes taken from the bill?

The PRESIDING OFFICER. There are 2 additional minutes yielded by the manager.

Mr. FITZGERALD. In short, families right now in America are spending more on taxes than they are on food, housing, and clothing combined. The actual tax levels have increased by 35 percent. The combined Federal, State, and local tax burden has increased by 35 percent on American families since the late 1950s. That tax burden is too high. We need to alleviate it.

I compliment Chairman ROTH for what he has done to structure a bill that would eliminate that odious marriage tax penalty on 22 million American married couples who are penalized for being married. It would also give serious major tax relief to people in the lowest tax bracket—that 15-percent tax bracket which would be lowered to 14 percent. That bracket would also be expanded in size so that more Americans could pay taxes at that lower level.

I appreciate the time. I yield the floor.

Mr. KERRY. Will the Senator yield for a question on the remaining time?

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

Who yields time?

Mr. KERRY. I thought he had additional time.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I yield 5 minutes to the distinguished Senator from Indiana.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. Mr. President, thank you. I am pleased to be on the floor of the Senate as a part of a bipartisan group once again—this time to advocate a tax cut for the American people that is fiscally responsible, that honors our values, and that can actually be done.

I am disappointed we will not have an opportunity to vote on this proposal today because I believe it is in the best interests of the American people. Ultimately, I believe that if we are going to ever span the partisan chasm that stretches before us, it will be on the ground that I and others are staking out here today.

This proposal is fiscally responsible. It allows for paying down 94 percent of the publicly held Federal debt—94 percent of the publicly held Federal debt. That is fiscally responsible. It, as the other proposals would do, extends the life of Social Security to the year 2053—54 more years—by adding $1.8 trillion to Social Security. That, too, is fiscally responsible. It extends the life of Medicare to the year 2020, adding $210 billion—allowing for that to extend the life of Medicare.

As my colleague from Louisiana, Senator BREAUX, pointed out, on some occasions none of the proposals that are before us permanently solve every issue of Medicare. All of them simply postpone the day of reckoning. Our proposal would do that and give us time for systemic reform. But, in the meantime, adding $210 billion to extend the life of Medicare is the fiscally responsible thing to do.

Finally, it allows for $500 billion of tax reductions for the men and women of our country, completely removing from the tax rolls 3 million hard-working Americans and moving 4 million people from the 28-percent tax bracket to the 15-percent tax bracket.

I have listened to the eloquence of my colleagues, many of whom have mentioned the important needs of our Government—and our Government does have important needs—many of whom have mentioned the funding priorities for Government spending programs which are important.

I remind all of us about the needs of the American people, of families, working men and women. What about their needs too? Many working families across my State, even in this time of plenty with a strong economy, are having trouble paying the mortgage, putting something away for retirement, affording a college education for their children. These families—at a time when we are adding $1.8 trillion to Social Security, $210 billion for Medicare, and the other for discretionary spending—can very much use the $1,000 for an average family across my State to help meet their pressing needs. It is the right and appropriate thing to do.

This proposal honors our values—our most basic values—and eliminates entirely the marriage penalty. No longer will people be penalized by the Federal Tax Code simply because they choose to get married. We should encourage marriage. We should not discourage marriage.

This proposal makes child care, care for a sick parent, and health insurance for those who are without it more affordable. These are the right things to do.

I think it is important to recognize that we can cherish our values and promote them by reducing taxes just as easily and sometimes better than through increased public spending.

This proposal has room for a $45 billion drug benefit under Medicare, the same amount of public spending required of the President's proposal, and still we would have $180 billion for additional discretionary spending over the next 10 years.

There has been a lot of talk and a good deal of disagreement about the appropriate level for discretionary spending increases. I must say, with all due respect, I cannot agree with my colleagues in the majority because I find the assumptions and accounting upon which their proposal is based are suspect at best. They ask us to believe they can hold to spending caps over the next 10 years that they have already admitted they cannot abide by in this very year. That simply is not possible. Yesterday I listened to one of my colleagues on the Senate Banking Committee have an amazing colloquy with the Chairman of the Federal Reserve Board in which he essentially said, Mr. Chairman, the reason I am supporting tax reductions is that I cannot keep from spending irresponsibly. He looked at the Chairman of the Federal Reserve and almost asked him: Mr. Chairman, stop me before I spend again.

Colleagues, we have been elected to this body to make tough choices and set priorities. I believe we can and should. The prescription of the majority is one for increased debt and deficit. This is a path I choose not to travel. At the same time, I cannot find myself in agreement with those who show charts and list figures basically arguing for an inflationary increase for Federal spending as far as the eye can see, basically putting Federal spending on autopilot. I do not know of any working family in my State who has been guaranteed inflationary increases in their family income for 10 years. Why should we treat the Federal Government any better than ordinary citizens? Of course we should not.

I asked the Chairman of the Federal Reserve yesterday about productivity increases. We are seeing amazing productivity increases in the private economy. Shouldn't the Government be asked to become more efficient and productive as well, thereby decreasing the need for annual increases in spending? Of course we need to set priorities and make difficult decisions, allowing us to live within our means, just as families across my State and country are asked to live within their means.

This is a momentous debate. The consequences of our decisions will last for many years to come. I believe we have set the right balance of priorities, fiscal responsibility, honoring our values, doing right by future generations in a bipartisan way. I appeal to the President and my colleagues for support for this measure.

I yield the floor.

Mr. ROTH. Mr. President, I yield 5 minutes to Senator LIEBERMAN.

Mr. LIEBERMAN. Mr. President, I rise to oppose the amendment before the Senate introduced by my friends from Rhode Island and Louisiana. But in doing so, I rise to oppose all of the amendments that have been offered to cut taxes.

It is particularly difficult for me to rise and speak against this amendment offered by this centrist group. It contains some of my dearest friends and closest collaborators in the Senate. I have parted company with them only after much consternation and consideration. I do so because, if they will allow me to say so, I think the centrist course we would best follow in this case is to stay right in the middle of the road that has brought the American economy to the extraordinary point of growth and strength it occupies today, and that is the road of fiscal responsibility. It took a lot of hard work to get us to this plentiful place that we are enjoying today, with high growth, low unemployment, a surprisingly high stock market, and surprisingly low inflation.

I think the Federal Government helped to begin it all by creating the climate for sustained economic growth by exercising some real fiscal discipline. Then most of the prosperity has come, as it always does in America, from the private sector, from millions of businesses and individuals, innovating, cooperating, and profiting. Now, as a result, for the first time in a generation it looks as if the Federal Government may actually go into surplus—if we let it.

Oscar Wilde once wrote, "I can resist everything except temptation." I fear the same may well be said of this Congress as it giddily proceeds to spend a surplus that no one knows is really there, that would take our Nation back into deficit and endanger the critical economic gains we have made over the past several years.

So I ask, why not stay the course that has raised the standard of living of millions of American families? Why not wait for at least another year to see if the surplus projections are real, if the economy will continue to grow, if Congress is prepared to exercise the required spending discipline? That is the question Senator LEVIN and I will ask later on a motion to strike the entire tax cut before us, which would mean we would wait a year. It is the question that Senator HOLLINGS will ask in an amendment we will offer later which would recommit this tax cut to committee.

I must say, as all of us here, I suppose my reflex is to propose tax cuts, not to oppose them. I was very active in support of the tax cuts we passed—just 2 years ago. I think sometimes we forget that in this debate. Just 2 years ago, I cosponsored the cut in the capital gains tax and supported so many of the incentives that the chairman of the Finance Committee offered to increase savings in our country. I would welcome the opportunity to vote for a balanced, thoughtfully crafted tax reduction package such as the one the Senators from Rhode Island and Louisiana have offered today if I were convinced we could afford it, if I were convinced the money was there to support the tax cut, or, in the alternative, if I thought, as Chairman Greenspan has suggested, that the economy needed it, needed to be stimulated.

But the more I have looked at these protections of a $1 trillion surplus over the next decade, the more it looks to me like a Potemkin surplus—not a real one, a facade with nothing behind it because it is based on projections of 2.4-percent growth over the next 10 years, which may happen but would extend what is already the longest peacetime expansion of our economy in history. It is possible, but I would not bank on it, or at least I would not spend in tax cuts the profits of such unprecedented projected growth until I knew they were in the bank.

Of course, both baselines, OMB's and CBO's, assume cuts in spending that are massive and unsustainable. These are cuts that few in either House would ever support and, in fact, are not supporting right now, as Congress simply exceeds the budget almost every day, exceeds the caps through transparent accounting gimmicks, calling excess spending emergency spending and double counting when necessary.

In other words, we do not have to wonder whether Congress over the next decade will be able to hold the spending line on which the surplus, which would fund these tax cuts, is contingent because Congress is already proving today that it cannot so control itself. The result is that by passing a major tax cut, paid for by a surplus that probably will not be there, we would likely incur sizable deficits for years to come.

The PRESIDING OFFICER. The 5 minutes of the Senator have expired.

Mr. LIEBERMAN. I ask the Senator from Delaware if I might have 2 more minutes off the bill.

Mr. ROTH. I yield 2 more minutes to the Senator.

Mr. LIEBERMAN. I thank the Senator.

On top of that, of course, we would leave little or no money available for building the solvency of Medicare and Social Security, for supporting our national security—defense—and we would thus raise the specter of a major tax increase down the line to compensate for our profligacy right now.

It seems quite clear from what Alan Greenspan is saying, if we cut taxes now, the Fed will increase interest rates soon thereafter, which would put a drag on the economy, slow down business investment, and probably lower the stock market, and it would hit average working Americans literally where they live, driving up the cost of their mortgages, car payments, credit card bills, and student loans to the point where it would dwarf any tax benefit most Americans would receive from this bill.

In other words, we would be robbing Paul to pay—Paul, while simultaneously robbing our economy of the dynamism we have labored so hard to create. And to what purpose? None that I have heard, except to return to the American people a surplus that is not going to be there.

What we need now, I argue, is a little more of the fiscal discipline and responsibility that helped bring this economy to the point of great growth it is at now.

I thank the Senator from Delaware, and I yield the floor.

The PRESIDING OFFICER. The Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana.

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

The PRESIDING OFFICER. The Senator from Maine.

Ms. SNOWE. I thank the Senator. Mr. President, I congratulate Senators BREAUX, CHAFEE, JEFFORDS, and KERREY for reigniting the centrists on an issue that certainly is important to the American people.

It is interesting that we are here today confronted with a major issue, and it is not surprising that various Members of this Senate, the House, and the President have different positions on an issue of such significance. What we have tried to do with the package that has been offered by Senator BREAUX and Senator CHAFEE is to bridge the gap between what the President has offered, what the House has offered, and the package that has been offered by Senator ROTH and the Senate Finance Committee. We are trying to bring the differences together to preserve the viability of a tax cut for the American people.

Lyndon Johnson once said: The good news is, I see the light at the end of the tunnel. The bad news is, it is the light of an oncoming train.

That is the prospect we are facing in Congress with the tax cut proposal because all the positions are different and everyone is taking a very polarized position on this very important issue.

I hope our package will be one that can bridge the differences from all sides. That is why we have tried to stake out this position so that we can have a bipartisan proposal that will avoid that train wreck.

Over the last few days, we have heard comments from the administration and from Members of this body saying there is no room for compromise; there is zero room for a consensus. I think that kind of intransigence is unacceptable because ultimately it will result in no tax cut at all, and that is not in the best interest of the American people. We should not reject out of hand the possibility of developing a consensus on this issue, and that is what this proposal is all about.

This proposal is certainly similar to ones that have been offered on the floor by the Senate Finance Committee and by Senator MOYNIHAN. So it is not a question of substance because if you look at the various components of the tax cut package, they certainly exist in all of them.

It is a matter of size, and that is why we decided that instead of the $792 billion package offered by the Senate Finance Committee or the President's package of $300 billion, we would come in the middle with $500 billion. That represents a consensus upon which I think we can all agree. That represents less than 40 percent of the $1.1 trillion projected on-budget surplus over the next 10 years, less than 40 percent.

It comes in the middle between the President's package and the Finance Committee's package. I think that it is eminently sensible, it is prudent, and we have to err on the side of economic caution when it comes to how much we are going to spend of the projected surpluses over the next 10 years because those surpluses are just that, they are projections. Some have referred to them as the hypothetical jackpot.

We have to be particularly cautious about how much we intend to spend over the next 10 years from projected surpluses. We want to save the additional $300 billion so we can look at Medicare, so we can look at prescription drug plans, so we can look at Social Security, and all the other issues contained within discretionary spending that we think happen to be a priority, or we can create a surplus reserve.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Ms. SNOWE. I hope, Mr. President, that Members of this body will give very careful consideration to the compromise proposal we are offering because it keeps open the door of the tax cut for the American people.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I inquire as to whether the distinguished chairman has additional time. We can rotate.

Mr. ROTH. I yield back the remainder of my time.

Mr. BREAUX. I yield 5 minutes to my distinguished colleague, Senator LANDRIEU.

The PRESIDING OFFICER. The Senator from Louisiana.

Ms. LANDRIEU. I thank the Chair. Mr. President, I rise to support my senior colleague from Louisiana and thank him and Senator CHAFEE for bringing us together and for bringing this measure before the Senate and before the American people, a measure that, in my mind, is a very good starting point for where we need to be and on what we need to be focused.

It does a couple of things of which I am very proud and a couple of things for which I believe I ran for the Senate to try to do. One, it is very fiscally responsible. It pays down a significant portion of the publicly held debt and gives tremendous benefits to the market and to our economy because of that savings approach.

It also sets aside a prudent amount of money, and under the leadership of my senior Senator, it enables us to not only throw more money at Medicare, which we need to do for prescription drugs, but it provides a floor or a framework for us to really put in some systemic reforms if we could come to an agreement to strengthen a program that is depended on by almost everyone in our Nation.

It also gives us a starting point and a proposal to reduce taxes, not for the very rich, not for those who have already benefited from this booming economy, but it gives us an opportunity, through strategic tax cuts, to make it possible for more people to enjoy this new historic economic boom that we are experiencing.

It does this in very strategic ways, and I will hit on a few in a moment. Before I begin that point, I want to say that I have the greatest respect for the Senators from Connecticut and particularly my good friend, Senator JOE LIEBERMAN, who just spoke. There is hardly a time I ever disagree with him on an issue of this magnitude, but I have also looked at the projections underlying the bipartisan plan of Senator BREAUX and Senator CHAFEE.

I have learned through that review that over the last 50 years, the average rate of growth has been 3.3 percent. This plan is based on a very conservative projection, I believe, of a 2.4-percent growth. I do not concede the point that these projections are off. I will concede that on the other side, in terms of the spending projections, we are tight. But we have never, as Senator BAYH pointed out, spent the inflationary standard.

There is room to pay down our debt, provide for reform of Medicare, provide a new and very much needed prescription drug benefit, leave room for some reasonable, responsible new spending for programs, and give some strategic relief to hard-working American families, families that are struggling every day to put their children through school, families who are struggling to keep an elderly person at home with the added expense so they do not have to live alone or live in a nursing home that perhaps is not appropriate for them.

There are many important parts of this bipartisan plan that help average, hard-working families begin to be a part of this new economy.

One of the things I want to mention that is actually interesting but not a part of this plan, and I hope as it is massaged and improved and perfected over the next weeks there can be some strategic tax relief to encourage low-income families to begin saving, just as we have the Roth IRA plan and the traditional IRA plan. Those have really helped a lot of middle-income Americans.

But today there are many Americans who live in Louisiana who do not make enough money to set aside $2,000 a year. So there is a possibility, through this tax proposal, that we could structure some tax relief to enable these lower-income, hard-working Americans, to begin savings accounts that can promote their wealth, promote their economic fortune, and help them to participate in the new economy.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Ms. LANDRIEU. If I could have 30 seconds to wrap up.

So besides the program I have just described, there is family tax relief, savings and investments, education—tax relief for small businesses; their No. 1 request to us is for some tax relief so they can continue to afford insurance for themselves and small businesses throughout this country. There are many others—tax credits for the renovation of historic homes, and some other things that create jobs, stir investment, and give people the tools they need to participate in this new economy.

I thank my senior Senator. I am proud to be a part of this bipartisan effort. I ask unanimous consent to be added as a cosponsor of the amendment.

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

Mr. BREAUX. Mr. President, as a great political philosopher once said: You have to know when to hold them and know when to fold them; you have to know when to walk away and you have to know when to run.

I do not think this is the time to run or to walk away, but neither do I think that either of the two parties at this time is supportive of the concept that has been offered by our centrist coalition.

However, while I think that time does not arrive yet today, I think some time before the year's end both sides will come to reach an agreement that what we have offered on the floor is the right approach and one which will allow us to get something done with regard to this type of a tax cut and reservation of funds to do what we need to do as a government.

I hereby ask that my amendment at the desk be withdrawn.

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

The amendment (No. 1442) was withdrawn.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. May I stress the admiration of this Senator, and I think many, for the case that the Senator from Louisiana and the Senator from Rhode Island have made and their colleagues in the centrist coalition.

I note the trenchant counsel of that philosopher from Bourbon Street: When to hold them, when to fold them. I say, it is very clear that their time will come again, sooner perhaps than we know.

With that, I yield 10 minutes to the Senator from Massachusetts.

Mr. CHAFEE addressed the Chair.

Mr. MOYNIHAN. Forgive me, sir. I withhold that. I think the Senator from Rhode Island wishes to speak.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Just briefly, I congratulate my colleague, Senator BREAUX, from Louisiana, for his presentation and organization of this whole effort that we have had. I believe there is going to come a time—not tomorrow, not the day after but before long—in which this proposal, which he and I and so many others have worked on, is going to be accepted by this body. I certainly hope so.

I thank Senator MOYNIHAN for the kind comments he made about the efforts we have made.

I thank the Chair.

Mr. MOYNIHAN. Again, I emphasize that this was a bipartisan effort, with Senator CHAFEE on the Republican side. And I say to him, semper fi.

On that note, I yield to Senator JOHN KERRY.

Mr. KERRY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KERRY. I thank the distinguished ranking member.

Mr. President, I appreciate the hard work and the thinking that went into the so-called centrist approach. I would like to associate myself with that thinking and with the reasonableness that I think guides most of their actions.

But may I say, respectfully, that something is in the air in Washington that I think is clouding people's thinking a little bit, about where we are on this whole tax bill.

I am all for giving a tax cut when you have the money to give as a tax cut. But everybody here understands some plain truths. Notwithstanding those plain truths, the Senate has in front of it a $792 billion tax cut.

A moment ago we were talking about a $500 billion tax cut. The fact is that most of the analysis that is reasonable, dispassionate—and certainly not pie-in-the-sky sort of dreaming about the future—suggests we have nothing near a $1 trillion, let alone $3 trillion, surplus.

Everyone here has accepted the fact that $2 trillion is going to go to pay down the debt and protect Social Security, and, indeed, a little bit for Medicare, hopefully. But that set aside, whatever prospect there is for a surplus is outside of that $2 trillion. The problem is that the hard reality already tells us an entirely different story from that which Senators are acting on in voting on the size of the tax cut on which we are voting.

We are already breaking the caps. There are appropriations bills that everybody knows are being marked up in a fictitious manner with an understanding that come September or October there is going to be an agreement to change the caps because you cannot meet the appropriations bills without changing the caps.

We are already $30 billion-some over the caps. We are doing it with the fiction of emergency spending. We are calling the census an emergency spending.

Everybody knows these games are being played right now. Nevertheless, the Senate is poised to act on this fictitious surplus.

I do not know one Senator who has gone back to their constituents and said: We're going to cut veterans' benefits. We're going to cut highways. We're going to cut border guards. We're going to cut drug fighting. We're going to cut the Coast Guard. Nobody is saying we are going to cut these things. But the absolute inescapable reality of this budget is that unless you increase the spending of discretionary by something reflecting inflation, you are going to cut.

I heard the Senator from Indiana say: What is it that says we're going to go out into the future increasing these budget accounts by inflation? The fact is, we have done it every year. We do it. That is what happens. It gets more expensive.

The Government isn't somehow exempt from the inflation figures and factors to which the rest of the economy is subject. Prices go up. Costs of contracts for the Government go up. Fuel costs go up. Insurance—whatever it is. The fact is, we already know what is happening to medical costs in the country. Yet everyone knows we are not sufficiently laying out the amount of money that it is going to cost the Government to do its business. Not withstanding that, we are poised to carve out, to fix in concrete a measure of give-back that predicates that if you go down that road and you freeze Government at the level that the figures are based on, you are going to have a 38-percent cut, or so, in all of the discretionary budget.

Tell me the year in which we have not increased defense spending. Tell me the year, particularly, that the majority party has not set out, as a goal, to increase defense spending. But they did not even figure that into the level of spending that we have here.

This is the reality. If you keep the current accounts at their current level, plus inflation—and no one here has said to America they are going to reduce those accounts all across the board by X percentage—you are going to spend an additional $595 billion. So you have to subtract that $595 billion from the so-called $1 trillion that has been set aside from the $3 trillion because we are protecting Social Security with $2 trillion.

That leaves about $400 billion. But every year we have had an average of $80 billion of emergencies. Are people suggesting there are going to be no emergencies next year, even though every year we have had a budget there has been an emergency expenditure? Just taking the average of $80 billion, you will have an absolute, predictable additional $31 billion in Social Security Administration costs. Those aren't counted into the Republican bill. You will have absolutely $178 billion of additional interest rates because of the money you are not paying down on the debt. You will have to pay that interest. That is not calculated. That is an additional $178 billion. That leaves us conceivably with this little red block, not a trillion dollars, but this little red block, which might amount to $112 billion or so, depending on what we do for prescription drugs, for Medicare, and a lot of other issues facing America.

The real choice in front of the Senate is considerably different than the fiction we are being fed. I heard the distinguished ranking member yesterday talk about the reality that we lived through in the 1980s, the creation of fiscal crisis as a means of achieving ideological and political goals. I respectfully suggest that what we are looking at is a form of Stockman 2. That is what is going on. This is Stockman 2. We are going to come in with a tax cut that has no money, that isn't predictable, and we are going to create a new crisis in our Government, where we are going to face a whole set of choices that a lot of people here will love because we know they hate those particular expenditures. But they are expenditures that time and again, year in and year out, our fellow citizens have said they want us to make. And time and again, the Congress, when it has had that great clash with the President, has capitulated and made them.

So this is a remarkable new kind of thinking, where if one big mistake is a mistake, we are going to come in and say we will make it a lesser mistake, but it is still somehow better thinking. So instead of $791 billion, some people would argue we ought to do 500 or 300. The fact is, all of those figures are out of sync with the reality of what we have in front of us.

We don't even show a real budget surplus until the year 2006. In the year 2006, assuming that you have spending plus some little measure of inflation, the way we have traditionally, you have only $29 billion of surplus by the year 2006. That is the hard reality.

I hear my colleagues come to the floor and say: We have the highest measure of taxation against our gross domestic product that we have ever had. What they don't tell you is the reason it is so high is because so many people are cashing in on their capital gains. We lowered the capital gains tax. They don't tell you the capital gains tax isn't even counted in the measure of the gross domestic product. So you have a completely artificial set of numbers, when they come in and tell you the tax rate is up.

That is the way it is supposed to work. That is why we have a progressive tax structure. When the economy does brilliantly, you are supposed to get a little more money into the Government so that you have the ability to do the things that are important for the long-term of our country.

Recently, I had the pleasure of meeting with a number of high-tech presidents. And to a person, these people, who are fueling the engine of our productivity growth in America and creating the high value-added jobs, will tell you they need an America that has a citizenry that is educated and capable, that depends on investment. You don't measure the debt of this country by the figures that show up on debt. You measure the debt of this country by the people who can't access those high value-added jobs, who don't have child care and the ability to live with clean water and clean air and so forth.

Mr. President, I think we are measuring things backwards, wrong. I think we are on a very dangerous track which will have long-term implications for the full measure of the citizens of our country. I express that concern as we come, sometime, to a vote on this issue.

Mr. MOYNIHAN. Mr. President, Senator BINGAMAN has an amendment he will offer.

AMENDMENT NO. 1462

(Purpose: To express the sense of the Senate regarding investment in education)

Mr. BINGAMAN. I appreciate the courtesy.

Mr. President, there is an amendment that I believe has been filed. I send it to the desk.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative assistant read as follows.

The Senator from New Mexico [Mr. BINGAMAN] proposes an amendment numbered 1462.

Mr. BINGAMAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. ___. SENSE OF THE SENATE REGARDING INVESTMENT IN EDUCATION.

(a) FINDINGS.—The Senate finds the following:

(1) The Republican tax plan requires cuts in discretionary spending of $775,000,000,000 over the next 10 years.

(2) If defense programs are funded at the level requested by the President, funding for domestic programs, including those providing funds for public schools, will have to be cut by at least 38 percent by 2009.

(3) Such cuts in funding for public schools would deny—

(A) access to critical early education services to 430,000 of the 835,000 young children who would otherwise be served by Head Start in fiscal year 2009;

(B) services to 5,900,000 children under the program for disadvantaged children under title I of the Elementary and Secondary Education Act of 1965, almost ½ of those who would otherwise be served;

(C) access to Reading Excellence programs to 480,000 children, making those children less likely to reach the goal of being able to read by the end of the third grade; and

(D) the opportunity to learn in smaller classes in the earlier grades to 1,000,000 children.

(4) If discretionary cuts are applied across the board, funding under the Individuals With Disabilities Education Act (IDEA) would be cut by $3,400,000,000 by the year 2009, resulting in a reduction in the Federal share of funding, rather than the increase in funding requested by school boards and administrators across the Nation.

(5) If the Federal share under IDEA is increased from its current level of 10 percent, then other education programs would experience even deeper reductions, denying more children access to services.

(6) The Pell grant, which benefits nearly 4,000,000 students, would have the maximum grant level reduced to $2175, from the current level of $3850.

(7) Such a level in Pell grants would be the lowest level since 1987, and would deny low and middle income students critical financial aid, increasing the cost of attending college.

(8) Nearly 500,000 students would be denied the opportunity to work their way through college with the help of the work-study program.

(9) Nearly 500,000 disadvantaged students would be denied extra help in preparing for college through the TRIO and Gear-up programs.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that $132 million should be shifted from tax breaks that disproportionately benefit upper income taxpayers to sustain our investment in public education and prepare children for the 21st Century, including our investment in programs such as IDEA special education, Pell grant, and Head Start, and to fully fund the class size initiative.

Mr. BINGAMAN. Mr. President, this amendment has a very simple purpose. The purpose is to protect the current investment that we are making in education.

The amendment seeks to decrease the tax breaks that disproportionately benefit upper-income taxpayers in order to sustain the current level of funding for education with an increase, a small increase for inflation. If the Republican tax bill we are considering is accepted as written, Congress must cut discretionary spending by more than $775 billion over the next 10 years. When we say discretionary spending, of course, we are talking about domestic discretionary spending, which includes education, but we are also talking about national defense, what we spend on our military.

If we say the portion of discretionary spending that is spent on our military is likely to be funded at the level requested by the Joint Chiefs of Staff, which is very likely—in fact, we usually do better than the Joint Chiefs' request—then domestic programs have to be cut 38 percent. By those ''domestic programs,'' in this amendment I am talking about education. If these cuts are spread across the board, it would result in very substantial reductions in current educational programs.

Let me show to my colleagues a chart that tries to make the point. I think it makes it pretty well.

It shows with this red line, starting in the year 2000 and going to the year 2009, we are spending nearly $34 billion on education in the Federal budget. That includes what we spend on education through the Education Department but also Head Start. We have included Head Start because we consider that a program that assists greatly in preparing students for school. So we are spending a little below $34 billion this year.

If you take the Republican plan, as I understand it, and take the logical assumption that we are going to have the kind of cut in domestic programs we have to have in order to get enough room for this size tax cut, then you see that go from $34 billion down to a little over $19 billion by the year 2009.

An education freeze, of course, would keep it right at 34 billion, but that would not make any provision for inflation. What we are doing in this amendment is saying that the Senate should go on record as requesting that the tax cut be reduced by $132 billion so that we have room not only to maintain Federal funding for education where it is today but also to allow it to increase as inflation increases.

The Senator from Massachusetts made a very good point a few minutes ago: The cost of buying services, of paying utility bills, of doing everything goes up for the government as it does for everyone else. It certainly goes up for the schools.

Now, we have not built into this amendment, I should point out, any provision for the fact that we are going to have tens and hundreds of thousands of new children coming into our school system in the next 10 years, and we are not proposing increases in education funding to account for that. We should be, quite frankly, but we are not. We are also not proposing increases for any new education programs. I have been hearing Mr. Greenspan's testimony, as I am sure all of my colleagues have, and he says: Start no new spending and cut no taxes. That is his basic position, to let the surpluses run and let's get our fiscal house in order.

I don't agree with that position. I believe there are some areas in our Federal budget where we should increase spending. Education is the first priority, as I see it. But if we were to take the Republican plan as it is proposed, it would mean that 430,000 of the 835,000 children who would otherwise be served by the Head Start program would lose services by the time we get to the year 2009. It would mean that more than 5.9 million of the 14.6 million children who live in high-poverty communities would lose essential education services under title I. The title I program is the largest education program we fund here in Washington. It would mean that 480,000 of the 1 million students who currently are served by the Reading Excellence Program would lose the opportunity to learn and to have that additional help by the time they complete the third grade. It also means that the chance of increasing the Federal share of the cost of the Individuals With Disabilities Education Act, IDEA—the line item that we try to fund each year—the stated goal of many in this body has been that we should at least go to 40 percent of what it costs to implement IDEA. But that would be clearly impossible under what I understand the Republican tax bill is to provide. Instead, we would be forced to cut special education by $3.4 billion by the time we get to the 10th year of the Tax Code.

Pell grants, which currently benefit nearly 4 million students—if we assume we are going to continue to provide a grant to 4 million students, then you have to slash that from $3,850 per year, which is today's level, down to $2,175 by the year 2009. Nearly 500,000 disadvantaged students who need extra guidance and support through the TRIO Program and the GEAR UP Program would also lose that extra help.

In my home State, these statistics could be brought down to a very concrete level. One example would be Head Start. We have about 8,000 young people in our Head Start Program in my State today, which is about half of what we should have; that is, half of those who are eligible. We would have about 3,000 fewer if this tax bill were agreed to.

I hope very much that we can get a strong vote of support. I believe the American people do not want to see a tax cut adopted at the expense of continued support for education as we go into this new century. Everyone realizes that our future depends upon how well we can prepare young people for the opportunities they will have in their lives. It is not responsible for us to be proposing tax cuts that are going to prevent us from at least maintaining the level of effort we have today in education. That is the difference. That is what we are trying to fix in this amendment. I hope very much that we will have a strong vote in favor of it.

Before I yield the floor to my colleagues to speak in favor, I hope, of this amendment, let me also say a couple of words about another motion I am going to propose and which will be voted on when we get into the long list of motions. It is a motion to do something which is very modest, as this amendment is very modest. This only involves $132 billion. We have been talking about trillions for the last 2 days. This other motion would be to have the bill go back to the Finance Committee with instructions to report back with an amendment providing that an additional $100 billion be applied to debt reduction. That is a small thing to ask. I think of it more as a tithe than anything else.

If we are talking about nearly $800 billion in tax reduction over the 10 years, we ought to say let's go back and at least take $100 billion of that, which is surplus that we can anticipate, and commit that to debt reduction. That will be another item that I believe is very meritorious. I think all Senators should support it. I think it is the responsible thing to do. I do it because, in my State, whereas there is disagreement about new spending programs and whether we should fund those, and where there is disagreement about a lot of other items we are debating, there is a strong consensus that we need to make a downpayment on debt reduction as part of this reconciliation bill. This reconciliation bill is a blueprint for where we intend to go in the next 10 years.

I hope the blueprint we finally adopt shows that we intend to maintain funding for education, at least at current levels. I will be arguing each year I serve in the Senate that we should be increasing funding for education, not cutting. We should at least maintain the current level. I also hope we will adopt a roadmap for the next 10 years that contemplates substantial debt reduction. And I will propose this other motion, which we will vote on later in the debate, on that subject.

I see I have some colleagues who wish to speak. I know the Senator from Maryland does. Let me yield her 10 minutes to speak on this, or the bill, whichever she prefers.

The PRESIDING OFFICER. The Senator from Maryland is recognized.

Ms. MIKULSKI. I thank the Chair, and I thank the Senator from New Mexico.

Mr. REID. Will the Senator yield for a unanimous consent request?

Ms. MIKULSKI. Yes.

Mr. REID. Mr. President, it has been cleared, as I understand it, on the Republican side and over here that all votes will occur when all time has been used on whatever amendments have been offered up to that time.

Mr. ROTH. Mr. President, it was brought up to me, but we haven't had a chance to get it cleared.

Mr. REID. Mr President, perhaps we will offer the request in a few minutes.

The PRESIDING OFFICER. The Senator from Maryland.

Ms. MIKULSKI. Mr. President, later today Senator JOHN KERRY, Senator ROCKEFELLER and I will make a motion which protects our senior citizens in the wake of the Balanced Budget Act of 1997. I would like to talk about this but I also rise to support the amendment offered by the Senator from New Mexico, Senator BINGAMAN. As usual, his amendment is well thought out. It brings intellectual rigor, sound public policy, and responsible fiscal policy to this debate, and really meets a compelling human need.

How I wish the rest of this debate reflected the Bingaman amendment, because I believe we have embarked upon a debate on these tax cuts which are, indeed, reckless. I believe the other party is practicing very reckless economics. First of all, we don't really have a surplus; we have a promissory note of a surplus. No. 2, we are looking at an area where we are not sure what the projections will be, and we need to be prudent. Therefore, we should use the taxpayers' dollars to meet compelling human needs, national security, and stay the course in terms of our research and development.

While we are in the midst of debating bloated tax cuts, we have marines who are on food stamps. I don't see how we can meet our national security commitment, do a tax cut, and have marines on food stamps. The marines say ''semper fi''—''always faithful.'' They are faithful to the United States and we have to be always faithful to the Marine Corps and to the military. Right over there in Quantico, they are getting food stamps and they run consignment shops. That is not right.

The Senator from New Mexico offers this excellent amendment that says: Stay the course on education.

When I travel in my own State, people don't come up to me and say: I have a marriage penalty. They say: I am married, I have children, and I want them to have the same kind of good education I did. Barb, make sure we have sound public schools, well-trained teachers, and structured afterschool activities. That is what the Bingaman amendment does—it lets reserve funds stay the course for our children.

While we are looking at Senator BINGAMAN's amendment, there is another compelling human need that needs to be addressed. We have to reserve certain funds to correct the draconian effects of the Balanced Budget Act of 1997 on Medicare. The motion that I am cosponsoring will provide $20 billion to fix many of the problems in Medicare reimbursement. My colleagues might recall that in 1997 we passed a Balanced Budget Act. We were going to save money on Medicare. But we went too far in our cuts. HCFA went too far in its regulations. Guess where we find ourselves? In my own home State, 34 home health care agencies have closed. I have 10 public home health agencies, primarily in rural counties, some who travel on snowmobiles to treat home-bound patients, and eight have closed because of the budget cuts. There is a terrible problem, and we need to go back and correct the draconian cuts of the Balanced Budget Act of 1997.

We also have a situation where we have skilled nursing facilities that are teeter-tottering on closing. Some might say: Oh, that is a profit-making industry. Stella Morris isn't profit making. Hebrew Home isn't profit making. But I will tell you they will now have to find funds through private, philanthropic dollars even though the Government should be providing funds.

We have people in my own home State who are being turned away from nursing homes because they are so sick, they have such complicated illnesses, that the nursing home can't take them because of the skimpy, spartan reimbursement policies that are the result of the Balanced Budget Act of 1997.

Some of those spartan reimbursements went to Medicare HMOs. I always thought that Medicare HMOs for seniors were a risky proposition because our old-timers are sick. They need complicated prescription drugs. I thought that these HMOs that were essentially making a profit may have some problems. However, these HMOs also provide seniors with extra health benefits that they cannot get in regular Medicare, oftentimes for no extra money.

Now, I will tell you that the nonprofit HMO in my own State—Blue Cross Blue Shield—is pulling out of 17 rural counties in my State, as of 3 weeks ago in 17 counties, and 18,000 people will lose their Medicare + Choice HMO. Why? Because Blue Cross Blue Shield is losing $5 million, and they can't afford to provide services.

Dear colleagues, I ask you to reexamine the premise under which we are operating.

No. 1, the surplus is not yet available. It is a promissory note. Let us move with prudence. Let us meet compelling human needs. Let us meet our national security responsibility and stay the course in research and development.

Let's support the Bingaman amendment on education. Let's deal with the issues that came from the Balanced Budget Act of 1997. Let's make sure our marines aren't on food stamps.

Let's make sure that those on food stamps and their children have access to public education so that in the next generation they won't have to be on food stamps.

Then we truly have been responsible. We are then getting our country ready for the millennium.

I would like to say one final word in closing. I thank the Senator from New Mexico for his strong advocacy for veterans, and particularly for veterans with disabilities. The Senator knows that we have an 18-month backlog. He has spoken to me about this.

In his State, they have billboards complaining about the VA backlog.

I bring to the Senator's attention that in VA–HUD appropriations, we have under this budget allocation a 10-percent cut. We will not be able to deal with that backlog.

In fact, while we are opening tax loopholes, we might even be closing veteran hospitals.

I yield the floor.

I thank the Senator.

Mr. BINGAMAN. Mr. President, I thank the Senator from Maryland for her very insightful words and her kind comments about me but also for her leadership on these key issues.

PRIVILEGE OF THE FLOOR

I ask unanimous consent that Kathryn Olsen Senator and Gabe Mandujano of my staff be granted floor privileges during the pendency of this bill.

The PRESIDING OFFICER (Mr. BENNETT). Without objection, it is so ordered.

Mr. BINGAMAN. Mr. President, I yield 10 minutes to the Senator from Rhode Island, Senator REED.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. REED. Thank you, Mr. President. I thank the Senator from New Mexico for yielding the time but also for his farsightedness. He recognizes, as the American people recognize, that the key to our future is investing in education. His amendment would precisely do that. It would sustain our education investment at least at the rate of inflation.

We are here debating what to do with a surplus. This debate is a direct result of some very difficult choices we made starting in 1993 and continuing for the last several years. We now have before us a supposed $3 trillion surplus. But we all recognize and agree that $2 trillion of that is the Social Security account. We are in various ways recognizing that we don't want to disturb those accounts. So we are really talking about roughly $1 trillion, or $965 billion.

As the Senator from Massachusetts so eloquently pointed out and so accurately pointed out, within that surplus we have already made significant commitments.

One of the problems with the proposals that have been made by the Republicans—the almost $800 billion tax cut, or the $500 billion tax cut—is that the assumptions they are using have to be seriously questioned. They are theoretical assumptions, first, that we will enjoy the same kind of economic growth over the next 10 years that we have enjoyed recently.

As Chairman Greenspan pointed out in his appearance both before the Senate Banking Committee and the comparable committee in the other body, the business cycle has not been repealed. We will run into, particularly over a 10-year time span, situations in which projections do not provide the resources that we think of today.

But the second assumption and the one that is of critical importance to Senator BINGAMAN's amendment is the unrealistic assumption that we will continue these caps on discretionary spending as we have proposed in the 1997 balanced budget amendment.

These discretionary caps are already constraining what we do. In fact, we have already violated these caps. As the Senator from Massachusetts suggested, we will probably in October somehow formally or informally avoid these caps.

But the premise of this supposed trillion-dollar surplus is that we will live within these caps. You can see from Senator BINGAMAN's presentation that if we do not do our investment, education will collapse. We will find ourselves underinvesting in education as we have in so many other programs.

The reality is, as was suggested before, that if we, in fact, simply fund the President's proposal by the year 2009, we will be spending 38 percent in domestic discretionary spending. There is no way that we can do that. Frankly, the political reality is that there is no way we will do that.

We have to recognize that we will be investing in these programs. We have to recognize, as Senator BINGAMAN has said, that one of our first priorities is to continue to invest in education.

Looking at these Republican proposals, I am reminded of what happened in the early 1980s. George Bush, when he was campaigning against President Reagan, described his economics as ''voodoo economics.'' It turned out to be that way. The supply side theories of cutting taxes will stimulate the economy, pay for themselves, and lead to surpluses proved dangerously in error during the 1980s.

Perhaps what we are talking about today when we look at these Republican proposals is ''de ja voodoo economics.'' The theory is that we will return to the same kind of deficits, the same kind of economic instability that plagued us through the late 1980s and into the early 1990s until we did take some difficult votes in 1993.

What Senator BINGAMAN is saying is let's recognize the reality. Let's recognize that we have to fund educational programs at least at the level of inflation. If we do that, we will have to invest at least about $132 billion.

That is what we should be doing. If we don't do that, we are going to lose out tremendously in the title I programs—a Federal program that provides assistance and support for low-income students. Frankly, we understand the crisis in urban and rural education that this money is so effective in dealing with. Without it, urban systems and rural systems would be situated even worse. Without it, we would be fostering and contributing to two separate and terribly unequal societies. We have to keep our commitment to these young people.

We would also lose opportunities to reform education, for professional development programs, for opportunities to have smaller class sizes, for opportunities to go ahead and fix crumbling school buildings throughout the country. We would do something that all Members say we would never want to do, and that is renege once again on our commitment to special education.

I don't know how many times I have been on the floor listening particularly to my colleagues on the other side who have been talking about how we have to put more money into IDEA, the Individuals with Disability Education Act, how we have imposed programs on localities promising robust spending, and we have never delivered. If we have not delivered on IDEA yet, if these tax proposals pass, we will never have a chance to deliver on our contribution to local school systems.

When we move to the area of higher education and Pell grants, work-study programs, the new LEAP program, which is an outgrowth of the State Student Center Grant Program, all of these provide opportunities for Americans to educate themselves beyond high school. We all recognize that might be the most critical issue we face as a nation—educating our citizens to enable them to assume challenging roles in the next century.

Yet we dramatically cut these programs, denying opportunities to thousands and thousands of Americans. We say to them again: This is not the land of opportunity; this is the land of advantage and affluence. Anyone lucky enough to pay for college with their own resources can go but don't look to the Government to provide the kind of help provided in the last several years.

All of these cuts lead Members to ask a very simple question for the working families of Rhode Island, for the working families of New Mexico, for the working families across this country, when they lose the Pell grants or see the urban school systems getting less and less support and local property taxes going up: are they better off with whatever tax cut they receive than these proposed programs? I think not.

One other aspect of the Republican proposal is a terribly distorted benefit that goes to the very wealthy at the expense of middle- and low-income America. Our constituents know education is the most important aspect facing our society. They want Congress to continue to support families. They want precisely what the Bingaman education amendment does. I believe if we listen to those people who sent us here, they will say vote for this amendment. They will say reject this deja voodoo economics that is underlying the proposals by the majority party. In fact, I hope we respond to that clarion call from our constituents.

I commend and thank the Senator from New Mexico for his efforts and for his time.

I yield the floor.

Mr. WELLSTONE. Mr. President, I want to speak briefly about my support for Senator BINGAMAN's amendment, which urges restoration of a portion of the Republican cuts in several key education programs. There is nothing more important to me than doing the absolute best I can—and encouraging my colleagues on both sides of the aisle to do the same—to push, push as hard as we possibly can to re-order our spending priorities so that they better reflect the real concerns and circumstances of the lives of those whom we represent who are trying to raise and educate their kids, or send them to college.

Our goal should to be approve a tax plan that will send a clear, unmistakable message that this Congress cares about education, that this Congress wants to ensure sure that children come to school prepared to learn and are given every possible opportunity to grow, to succeed, to excel. It is time to end photo op politics. It is easy for all of us to get our pictures taken with young children at schools, but the question is, have we done enough? The answer: we have not. I believe my colleagues' proposal, modest as it is, moves us in the right direction. I know there are technical reasons why we couldn't actually directly transfer funding for this year in the amendment—an approach which I wanted to take—but at least this amendment sends the right signal regarding a reordering of our priorities.

I consider this a matter of national security issue, a national priority. Making sure that the young are ready to learn is good for our democracy, or economy, and our national defense. it is our responsibility to make sure that teachers are qualified and equipped with the right tools, and that the opportunities for learning will be there in the afternoons long after the last class has been dismissed. I cannot say forcefully enough: this must be accomplished not at the expense or detriment of our children but to their collective advantage.

I'm behind the proposal to shift these excessive tax breaks to a plan that would fully fund the initiative to hire 100,000 qualified teachers to reduce class sizes. It's no mystery that smaller class sizes translate into greater opportunities for children to get more individualized attention.

We've heard that the size of the Republican tax bill is such that it will require significant cuts in crucial education programs. We've heard that if defense is funded at the level requested by the president, we should anticipate at 38 percent ($180 billion) cut in domestic discretionary spending. That is the worst possible news for the millions of people who rely on vital initiatives like Title I, Head Start, and the Reading Excellence program. Absolutely ludicrous.

For instance, under this proposal: Nearly 6 million disadvantaged children would lose Title I services that help them meet basic academic needs; 270,000 summer jobs and training opportunities would be eliminated for low-income young people; 375,000 children would be denied Head Start services that help them come to school ready-to-learn; and 549,000 children would be cut from the Reading Excellence program, denying them the extra help they need to read well by the 4th grade.

Mr. President, allow me to share some examples from my own experience. Minnesota, like most states, receives only a portion of the Title I money it desperately needs as it is. Our current allocation is about $88 million. If fully funded, we would receive approximately a quarter-billion dollars and over a hundred million additional dollars for concentration grants, according to the Minnesota Department of Children, Families and Learning. Well, I suppose that's a start. A cut of even half a percent on a program like Title I would be disastrous. But I can see it coming.

One-fourth of Minnesota's Title I dollars goes to only two cities, either to Minneapolis or St. Paul, because both cities have high concentrations of poverty. How can we expect to eliminate the learning gaps among our children when so many others are left without opportunities or options?

Right now elementary and secondary education receive on average about eight percent of its funding from the federal government. It is imperative that we take bold steps to pass a tax measure that will, at the absolute least, serve to move us closer to providing the resources so badly needed in so many areas of education. But it seems clear we will not do that here.

Another area that I believe is a vital component of our national infrastructure is our schools. That is why I am an original cosponsor of Senator Robb's school modernization effort that we will hear more about later. I think it too is a step in the right direction and I honestly believe it's another sure way to say to our kids, ''You matter. Your schools matter. Your future matters.'' In Minnesota alone, there is a one-point-five billion dollar unmet need for school construction. Our average school is over 50 years old. Eighty-five percent of Minnesota schools report a need to upgrade or rebuild their building just to achieve ''good'' overall condition. Sixty-six percent report at least one unsatisfactory environmental factor like air quality, ventilation, acoustics, heating, or lighting.

My staff and I have visited nearly a hundred schools over the past eight months and we've heard stories of pathetic conditions throughout the state. I know many of you have heard these stories in your own states. In my state, for example, Two Harbors High School, which is on the north shore of Lake Superior is representative. Two Harbors is a thriving community, but each day its students must enter a facility that can't meet some of their most basic educational needs. Three separate studies were conducted to assess Two Harbors' facilities. The studies identified twenty-seven critical needs that are characteristic of so many of our schools. The original facility is sixty years old. The facility does not comply with the Americans with Disabilities Act. There are no teacher offices. The school does not permit the separation of middle level and senor high school level students. The list is extensive. I know we've heard it all before—the crumbling schools, the lousy physical environments, and the resulting distractions that once again detract from our children's ability to learn. The question is ''When are we going to wake up and actually do something about it?''

Mr. President, I could go on but the time for talk is long past. The time for pondering our next move is over. The time to move and to move deftly is at hand. My colleagues' proposal urges a major transfer of funding that goes straight to the heart of where our priorities ought to be. It calls for a real investment in real people, people who truly deserve it. Smaller class sizes. Access to quality education at an early age. A fairer share for individuals with disabilities. Help for low and middle income students who deserve every opportunity to attend college.

These are some of the most fundamental elements in a strong education system that values all its children, leaving none of them behind. What is the Republican alternative? Denying our children access to the very things that would prepare them for healthy, happy, productive lives in the 21st century. I urge my colleagues to support this amendment.

Mr. KENNEDY. Mr. President, we should be doing all we can to help improve public schools to ensure a brighter future for children and the nation. We should help communities improve teacher training and teacher recruitment; reduce class sizes, especially in the early grades; expand after-school programs; build new schools, and modernize crumbling and overcrowded schools; provide up-to-date-technologies in every classroom; and make college more accessible and affordable to all families across the country.

But, the Republicans insist on an excessive tax cut at the expense of education and children. We should be making a strong investment in education—not undermining education.

The Republican budget denies 5.9 million children in high-poverty communities the extra support they need to meet basic academic standards through the Title I program, including 81,547 children in Massachusetts. It denies 480,000 children the assistance they need to learn to read well by the 4th grade through the Reading Excellence Act. It denies more than a million children the opportunity to learn in smaller classes where they will get the individual attention they need to succeed in school. It denies 430,000 children the Head Start services that help them come to school ready to learn. It denies 215,000 students the after-school and summer school programs they need to stay off the streets and out of trouble. It denies 500,000 disadvantaged students the extra guidance and support they need to prepare for college through the TRIO and GEAR-UP programs. It cuts

IDEA by $3.4 billion, resulting in a reduction in the federal share of the funding, rather than the increase requested by school boards and administrators across the country.

The Republican assault on education doesn't stop with young children—it affects college students, too. It makes college less affordable for nearly 4 million low- and middle-income students—by slashing the maximum Pell grant to $2,175, the lowest level since 1987. It denies 500,000 students the opportunity to work their way through college.

Education for the nation's children must be a higher priority than tax breaks for the rich. The American people tell us that improving public schools is one of their top priorities. They support reducing class sizes. They support after-school programs to help children learn, and to reduce juvenile crime. They agree that every classroom should have a well-qualified teacher. They believe technology should be part of the classroom. They believe that all children should have the opportunity to meet high standards of achievement. They want us to make college more accessible and affordable.

Instead of offering new tax breaks for the wealthy, Congress should be addressing the priority education needs of children and families across the country—and help all children get a good education.

Overcrowded classrooms undermine discipline and decrease student morale. Students in small classes in the early grades make more rapid progress than students in larger classes. The benefits are greatest for low-achieving, minority, and low-income children. Smaller classes also enable teachers to identify and work effectively with students who have learning disabilities, and reduce the need for special education in later grades.

The nation's students deserve modern schools with world-class teachers. But too many students in too many schools in too many communities across the country fail to achieve that standard. The latest international survey of math and science achievement confirms the urgent need to raise standards of performance for schools, teachers, and students alike. It is shameful that America's twelfth graders ranked among the lowest of the 22 nations participating in the international survey of math and science.

The teacher shortage has forced many school districts to hire uncertified teachers, or ask certified teachers to teach outside their area of expertise. Each year, more than 50,000 under-prepared teachers enter the classroom. One in four new teachers does not meet state certification requirements. Twelve percent of new teachers have had no teacher training at all. Students in inner-city schools have only a 50% chance of being taught by a qualified science or math teacher. In Massachusetts, 30% of teachers in high-poverty schools do not even have a minor degree in their field.

Another high priority is to meet the need for more after-school activities. Each day, 5 million children, many as young as 8 or 9 years old, are left home alone after school. Juvenile delinquency peaks in the hours between 3 p.m. and 8 p.m. Children left unsupervised are more likely to be involved in anti-social activities and destructive patterns of behavior.

We need to do more—not less—to meet workers' needs for additional job training opportunities, and to meet families' needs for affordable college education. The nation's workers require strong skills to compete in the new global economy. According to the Bureau of Labor Statistics, 42 percent of all jobs created between 1996–2006 will require education beyond high school.

Education is the key to future earning power. A college graduate earns almost twice as much as a high school graduate earns, and close to three times what a high school dropout earns.

Those who complete a post-secondary vocational degree or certificate are more likely to be employed than those who do not pursue post-secondary education. But the average student debt is skyrocketing. In 1995–96, the average debt for undergraduates who borrowed was almost $10,000, an increase of 24 percent just since 1992–93. For graduates of four-year schools, the average debt was $12,000. In the 1990s, students have borrowed more in student loans than in the three preceding decades combined.

The time is now to do all we can to improve education across the country.

The time is now to meet our commitment to help communities reduce class size, so that students get the individual attention they need.

The time is now to expand after-school opportunities, so that constructive alternatives are available to students.

The time is now to provide greater resources to modernize and expand schools to meet the urgent need for up-to-date facilities.

The time is now to expand support for IDEA, so that more children with disabilities receive a high-quality education.

The time is now to provide better training for current and new teachers, so that they are well-prepared to teach to high standards.

The time is now to increase funding for critical programs to raise academic standards for all children.

The time is now to make college and job training more accessible and affordable for all students.

I urge my colleagues to support Senator BINGAMAN's Sense of the Senate commitment to support increased funding for education. Now is the time to do what it takes to give every child a good education.

Mr. ROTH. I yield to the Senator from Arkansas.

Mr. HUTCHINSON. Mr. President, I rise in strong opposition to the Bingaman amendment. As I read the amendment, it suggests we shift $132 billion from tax breaks that disproportionately benefit upper-income taxpayers to sustain our investment in public education and prepare children for the 21st century, including our investment programs such as IDEA, special education, Pell grant, Head Start, and to fully fund the class size initiative.

I will comment on every aspect of that particular statement. This amendment presents a false choice. It suggests to my colleagues and to the American people Members either have to be for tax relief for the American people or to be for public education, but Members can't be for both. If Members really support public education, then they will want to shift $132 billion out of the suggested tax relief and put it into various aspects of public education. That is a false choice.

It proves one thing conclusively, the concern many Members have had as we hear the arguments on the other side as they repeatedly say: We shouldn't give tax relief to the American people because we need to pay down the national debt.

We have suggested it won't ever go to pay down the national debt but any left will immediately be used for more spending. Before the ink is even dry from the passage of this tax relief bill, the proposals are coming forth in a torrent as to how we should spend the $792 billion proposed tax relief package for the American people.

If we do not pass the $792 billion tax relief, that money will not go to paying down the national debt. It will, as already suggested in the speeches on the other side in the last few minutes, immediately go into more spending.

IDEA funding is an important issue for school districts across the Nation. It is important in Arkansas but not an issue to be addressed by reducing the amount of hard-earned dollars that are returned to American taxpayers.

In addition, the Class Size Reduction Program is only in its first year. It has not even been authorized. It was first included in last year's omnibus appropriations bill and is being considered during this year's reauthorization of the Elementary and Secondary Education Act. That is where it should be considered. We should not be setting aside funds for a program that has never been authorized and has, quite frankly, done very little right now in reducing class size across the country.

The Class Size Reduction Program already forces too many regulations on to school districts. Many States have already implemented class size reduction programs at a level of 19 or 20 students per year. The Federal class size program mandates a ratio of 18 students for every teacher. This forces States to slightly alter their State plan to receive any Federal funding. Many school districts in my home State have chosen not to participate in the Class Size Reduction Program because of the excessive regulations that govern the use of funds. Any school district that does not receive enough funds to hire a new teacher must form a consortium in order to do so.

Given the fact in my home State of Arkansas there are 311 school districts, 167 school districts, 54 percent will be forced to form a consortium even to hire a single teacher because their allocations are less than $20,000. Some school districts, such as Randolph County, report they cannot form a consortium and they share a teacher within the consortium because of geographic reasons.

Class size reduction has not proven to be effective unless class size is significantly reduced to 12 or 13 students, which is not even envisioned in the President's Class Size Reduction Program.

Class size has been reduced significantly over the past 30 years, from 27.4 students per classroom in 1955 to 17 students per classroom in 1997, but the interesting thing is, as we have seen this dramatic decrease in average class size across the country, we have not seen a corresponding increase in academic achievement and standardized tests across the country.

The State of Arkansas will receive about 1.15 new teachers per school district, or half a teacher per elementary school. This program has not been authorized, and to suggest we will take well-deserved tax relief from the American people and put it into a program not yet authorized I think fails to make a lot of sense.

Once again this year we are authorizing the Elementary and Secondary Education Act. We have spent months conducting hearings to learn about Federal elementary and secondary education policy. We will continue to work on ESEA throughout the year. I believe that is the appropriate place for class size reduction and many of these other education issues to be addressed properly.

Before we set aside Federal funds that should be rightly returned to the taxpayers, we should consider whether we even want this program authorized and appropriated in this year's legislation. This is the wrong way to do it.

As I think about the need for IDEA, I support increased funding for IDEA. We have done a terrible job in appropriately funding IDEA. But if we think about what is being suggested, taking it from tax relief for the American people, it is the wrong way to go. In the $3 trillion surplus, $13 to $14 billion can be found to fully fund IDEA without taking it away from tax relief for the American people. IDEA is currently funded at $4.3 billion, which is about 10 percent of the cost of educating special education students. Therefore, about $17 billion would be needed to meet the federally-authorized commitment of 40 percent. This works out to an appropriation of an additional $13 billion to fully fund IDEA. I suggest to my colleagues, that $13 billion can certainly be found in the projected $3 trillion surplus for this obligation over the next 10 years.

This is a wrongheaded amendment, and it is the wrong place to do this. But it certainly proves that this $792 billion will not go to debt reduction. It will go to extensive additional spending programs.

I could not vote for this proposed amendment of the distinguished Senator from New Mexico, apart from the $132 billion that it suggests we take away from tax relief, because it improperly characterizes the Republican tax relief package by saying it disproportionately benefits upper-income taxpayers. I suggest this is one of the great myths being perpetrated about Senator ROTH's tax relief package that has been produced by the Finance Committee.

This proposal will reduce the lowest personal income tax rate, the lowest rate, from 15 percent to 14 percent, beginning in 2001 and then would gradually expand the bracket so more people would pay that lowest rate. It would benefit 70 million Americans; 55 percent of Americans would benefit from that provision alone. That is not a tax break for the wealthy, and I wish my honest and true colleagues on the other side would quit characterizing it as such. This amendment should not be voted for because it says it ''disproportionately benefits the wealthy,'' and it does not.

In the State of Arkansas there will be 683,000 people, 61 percent of the taxpayers in Arkansas, who will receive tax relief from this single provision, apart from the marriage penalty, apart from the estate tax relief. The single provision of lowering that rate from 15 percent to 14 percent and expanding the bracket will benefit 61 percent of the poorest people in Arkansas.

So, in all honesty, let's tell the American people the truth. This is not a tax break for the wealthy. It is a tax break for hard-working Americans who are paying far more than they should be in taxes.

Under the Clinton administration, taxes have risen to the highest level in peacetime, a level of 21 percent of GDP—21 percent. In my home State of Arkansas, that amount translates into $7,352 in taxes per capita in 1998. I plead with my colleagues, let us not agree to this amendment. Let us not begin to dilute that which is already far too little relief for hard-working Americans who have a difficult enough time making ends meet each month.

Oh, we can talk about wonderful Federal programs to benefit people, and they do. But if we start down that road, there is no stopping point. Let's take more of the $800 billion tax cut and let's spend it on this program and this program and this program because, after all, don't we know best here in Washington? And we do not.

At the root and at the core of the debate going on in the Senate is more than just a debate over a tax package. It is more than a debate over how much relief we can provide the American people. It is a debate over philosophy. It is a debate whether your faith is in Government and your faith is in Washington and your faith is in more taxes and central control, or whether your faith is in the people of this country. We will do well to put our faith in the people and return that which belongs to them in passing the Roth tax cut bill.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HUTCHINSON. I thank the chairman for yielding me time.

Mr. BINGAMAN. Mr. President, I yield 10 minutes to the distinguished Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KERRY. Mr. President, I rise also in support of the amendment of the Senator from New Mexico. It is a smart amendment. It invests in the future of our country by making certain that, at a time when our schools all across the Nation do not have the resources necessary to prepare students for the future, we will do so as a matter of priority.

I must say I was struck by the Senator from Arkansas a moment ago. He said this benefits not the wealthy but, rather, it benefits 61 percent of the people in his State. He was only pointing to one component of the program; that is, the lowering of the tax bracket from I think 15 percent to 14 percent. That is about a $150 billion part of the $791 billion.

But when you add in the other parts of the $791 billion, here is exactly what happens. In the whole tax package the Republicans are giving, the lowest 20 percent of income earners in America will get $22, the second 20 percent will get $120, the middle 20 percent will get $276, and the top 1 percent gets $22,964. The next 4 percent gets $3,400, and the next 15 percent gets $1,500. You have to be in the upper-income brackets to get the larger amount.

The Republicans will always come to the floor and say, Gee, Democrat Senator, did you just wake up to the fact that that is how it works? If you earn more money, you get more money? If you are a bigger taxpayer, you get more money back?

I understand that. I understand basic mathematics. But basic fairness, basic decency, dictates if you are really trying to help the lower-income person, you set the figures of the tax break so the person with the smaller income gets the bigger amount.

Why is it that the lowest 20 percent doesn't get $100 and the top 1 percent gets maybe $1,000 back? It is because that is the way they rigged the bill. That is the difference in approach and philosophy. It is a difference that fundamentally divides us.

Let me speak for a moment, if I may, to an issue in one of the amendments that will be coming up very shortly, but we will not have time to do full measure on it, and that is the question of where we are with respect to Medicare. There is an amendment Senators ROCKEFELLER, MIKULSKI, I, and others have introduced to ask the Finance Committee to go back and set aside $20 billion, about 3 percent of the total size of the tax cut, in order to guarantee that we will undo the damage the Balanced Budget Act is currently doing to America's health care system. Today, despite the fact that we have a remarkable economy, there are 43 million individuals in our Nation who do not have health insurance—1 out of every 6 Americans. Experts anticipate that is going to increase by 1.5 million per year.

For the uninsured, academic health centers, the teaching hospitals of our country, have created an enormous safety net. Teaching hospitals have stood by to ensure there is care available to everyone in our country when it is absolutely needed. Today, at a time when teaching hospitals are more important than ever before, the combination of cost containment measures imposed by managed care and the effects of the Balanced Budget Act in reducing Medicare payments has literally made the future of our Nation's academic medical centers unclear.

I would like my colleagues to think about the impact of what is happening today because of the reduction of Medicare reimbursements. At the Medical College of Georgia in Augusta, the training facility for the State university system's medical school, officials are now raising room fees by an average of 28 percent and they are increasing the cost of lab tests and other services by 10 percent.

In Tennessee, Vanderbilt University recently decided it can no longer accept Medicare patients from outside the State.

In March, Massachusetts General Hospital eliminated 130 positions and raised prices.

In New York City, which has the Nation's largest concentration of teaching hospitals, city hospitals have cut their staffs by 10 percent since 1993.

In California, Medicare cuts are largely to blame for the loss of over 1,250 jobs at the USFF, Stanford Health Care Network.

In May, the University of Pennsylvania health system announced it was going to lay off 450 people, 9 percent of its total health care workforce. Detroit's hospitals have eliminated 4,500 jobs since January, but as my colleagues will tell you, the problems associated with the Balanced Budget Act are not unique to hospitals. In Massachusetts, as of mid-June, 20 home health care agencies have closed since late 1997.

The administration may be busy sort of brushing off some of this as the simple corrections of market inefficiencies, but I could not disagree more, and I think many of my colleagues would disagree with that.

I do not direct my colleagues' attention to statistics to debate the bottom line for health care providers. This has never been a debate about the interest of hospitals or nursing homes. It is a debate about the fact that if we do not act, we will further reduce the access to quality care so critical for our Nation's elderly, our Nation's poor, and our Nation's rural communities. It means something to real people. In Massachusetts alone, in South Shore, in the last 2 years the South Shore Hospital has had to lay off close to 50 of their visiting nurses. They have had to close their satellite offices, and their budget is more than 40 percent less than they require just to meet the needs of elderly and disabled patients. Who suffers as a result of that?

Let me share with you a real elderly couple, a man and a woman with heart disease, lung disease, asthma, and hypertension. The wife of this gentleman has heart disease. They are 89 and 90 years old, and one of their greatest hopes has been to live together in the home they saved for years to buy, living as independently as they can in old age. They have been able to do it with the help of a visiting nurse from the South Shore Hospital. But now that is gone. Now, because the services are being cut because the Medicare reimbursements are so low, the impact is that those people can no longer continue to do it.

I recently received a letter from another constituent named Harlan Smith. He says the following:

> Dear Senator KERRY: My 80-year-old father was discharged from my hospital to his home Friday afternoon, and we are meeting with home health care nurses and physical therapists today to plan a strategy for my 80-year-old mother and us to manage him at home. This is ironic since the cuts from the Balanced Budget Act have caused my hospital to cut services to the point where my mother and family now have to hire the required help privately.

They cannot afford it.

These days, that story is repeated in countless communities across the country. When the Balanced Budget Act of 1997 passed, the Congressional Budget Office projected the 335 provisions of the law were going to cut Medicare payments by $103 billion over 5 years. But today, CBO estimates that Medicare spending is going to drop $205 billion—a 100-percent increase above what the expectations were supposed to be.

The projected net on-budget surplus for fiscal years 1998 through 2002 is $100 billion. You are seeing the surplus we will have in the country is basically going to come out of the hides of elderly infirm patients, people who cannot afford it, hospitals that are being forced to close, and medical care that is being reduced.

When the Balanced Budget Act passed, total Medicare spending inflation was expected to drop from almost 10 percent in 1997 to approximately 5 percent in the outyears. But in April, the Treasury Department reported that total Medicare spending in the first half of the year had fallen by over 2 percent.

In 1999 alone, the BBA was projected to cut Medicare spending by less than $16 billion. Instead, we anticipate Medicare spending is going to fall by $38 billion in 1999—$22 billion more than was expected. Medicare hospital spending is plummeting, and the quality of care is plummeting with it.

When the Balanced Budget Act passed, CBO had projected a 2.5-percent increase in part A spending, hospital insurance, for 1999. But actually, spending fell almost 5 percent during the first half of the year, and the impact on hospitals is clear.

Total hospital Medicare margins are expected to decline from 4.3 percent in 1997 to only 0.1 percent this year. We have a fundamental crisis. I say to my colleagues on the other side of the aisle, as we are busy giving back this tax money, we need to consider the impact on our hospitals, on health care, on home health care, and rural communities. I beg my colleagues to try to find the money that is going to save us from the loss of the crown jewels of the American health care system—our teaching hospitals.

Mr. ROTH. Mr. President, I yield 15 minutes off the bill to the distinguished Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania.

FLAT TAX

Mr. SPECTER. I thank the Chairman.

Mr. President, I have sought recognition to talk about my flat tax amendment which will be voted on by the Senate either this evening or tomorrow.

The most dramatic way to show what the flat tax is, is to hold up a postcard which is an income tax return on the flat tax. This postcard will take 15 minutes to fill out. Here is an enlargement of the flat tax which lists the identity of the taxpayer, the total compensation, personal allowance, number of dependents, two deductions allowed, mortgage interest up to $100,000, charitable contributions up to $2,500, and then a flat 20-percent tax. It will take 15 minutes on tax simplification to fill out this return.

Contrast that, if you will, with the fact that we have a Tax Code with 7.5 million words; a Pledge of Allegiance which has 31 words; the Gettysburg Address which has 267 words; the Declaration of Independence, about 1,300 words; the Bible with 1,773,000 words; and the U.S. Tax Code with 7.5 million words with the pending legislation, which I have in my hand, which is another thick book of 443 pages to be added.

In offering an amendment on the flat tax, I have no illusion about its passing because the train is in operation to have a tax cut. The flat tax would be a total substitute on a comprehensive tax bill which would do great things for America.

First of all, the flat tax would eliminate double taxation so there would be no tax on estates. They have already been taxed; all the money is going into the estate. There would be no tax on dividends; that has all been taxed before it gets into earned surplus. There would be no tax on capital gains; that has already been taxed.

This is a win-win situation for America because it lowers the tax burden on the taxpayers in the lower brackets. For example in the 1998 tax year, the standard deduction is $4,250 for a single taxpayer, $6,250 for a head of household and $7,100 for a married couple filing jointly, while the personal exemption for individuals and dependents is $2,700. Thus, under the current tax code, a family of four which does not itemize deductions would pay taxes on all income over $17,900—that is personal exemptions of $10,800 and a standard deduction of $7,100. By contrast, under my flat tax bill, that same family would receive a personal exemption of $27,500, and would pay tax on only income over that amount.

A family of four with $35,000 in income would owe $2,569 in taxes under current law, but would only owe $1,500 under this flat tax—that is a savings of $1,065. A family of four with $50,000 would have a saving of $752.

Why is this possible? It is possible because the tax loopholes enable write-offs to save some $393 billion a year. What is eliminated under the flat tax are the loopholes, the deductions in this complicated code which can be deciphered, interpreted, and found really only by the $500-an-hour lawyers. That money is lost to the taxpayers. $120 billion would be saved by the elimination of fraud because of the simplicity of the Tax Code, the taxpayer being able to find out exactly what they owe.

This bill is modeled after legislation organized and written by two very distinguished professors of law from Stanford University, Professor Hall and Professor Rabushka. Their model was first introduced in the Congress in the fall of 1994 by Majority Leader Richard Armey. I introduced the flat tax bill—the first one in the Senate—on March 2, 1995, Senate bill 488. I reintroduced the bill in the 105th Congress, and re-reintroduced the bill in this Congress on April 15, 1999—income tax day—in a bill denominated S. 822.

So the bill has been well thought out, has been well documented, as being revenue neutral by Professors Hall and Rabushka at 19 percent.

My bill has added two deductions—one for interest on home mortgages for borrowing up to $100,000 for middle-income Americans and a deduction for charitable contributions for up to $2,500. These two deductions have been obtained because of the practical impossibility of having a Tax Code which eliminates those two deductions which is really the mainstay of America. But aside from those two modest deductions, it is a flat tax.

One percent has been added on my bill to the Hall-Rabushka formula to accommodate $35 billion in losses due to the home interest deduction and $13 billion in tax losses due to the deduction on interest on charitable contributions. So we have a system which is tax neutral.

Another major advantage of the flat tax is that it would vastly increase productivity because people would no longer be looking to what they could save on tax loopholes. Instead, Americans would be devising their affairs on what would be most productive, because it would not do one any good to construct a tax loophole, diverting a lot of energy to try to save taxes, but, instead, the energies of productive Americans would be devoted to what is productive and what can be accomplished.

This model, under Hall-Rabushka, projects that these savings —which would be tremendously increased—would far outweigh for the individual taxpayer any of the benefits that they would receive at the present time.

Professors Hall and Rabushka project there would be an increase in the gross national product of some $2 trillion within 7 years, which would be an enormous boon to America.

As I say, this tax bill is well on the road. The train has left the station; and it is not to be derailed by any substitute measure. But I do ask my colleagues to seriously consider the flat tax and, if nothing more, to cast a protest vote against the existing Tax Code which has 75 million pages, and the current bill which would add 443 pages to that mountainous monstrosity.

The flat tax is enormously popular with the American people. The polls show that 61 percent of Americans favor a flat tax.

I can personally attest to the fact that in my open house town meetings, the reference to the flat tax and the display of this postcard tax return is the only applause item in my speech. You might attribute that to the dull balance of the speech, but the flat tax is an applause producer.

When people think about the time they spend on their tax returns, and the regulatory system, and the complexity of the tax returns, the fact that Americans spend 5.4 billion hours filling out tax returns, this is an enormously attractive matter.

I do not believe that the Senate has voted on a flat tax proposal yet. We Senators always hear that this group or that group is going to be watching a specific vote, and it is going to be a recorded vote on the scorecard. I suggest that a vote on the flat tax is going to be a vote on the big scorecard for America.

People do know what the flat tax is. They do have an idea about it. It is overwhelmingly popular. 61 percent of the public favors it; leaving only 39 percent, most of whom probably do not know about it. Anybody who knows about the flat tax, that they could get their tax return done on a postcard in 15 minutes, would be very proud to have his or her Senator vote in favor of this flat tax.

In essence, the flat tax would vastly simplify the code. It would eliminate most of the 117,000 IRS Internal Revenue Service employees, would save most of the $7 billion now spent on the Internal Revenue Service, and would be a very strong signal to the Finance Committee in the Senate to take up the flat tax seriously. That has not been done.

It would be a strong signal to the Ways and Means Committee of the House of Representatives to take a good look at the flat tax.

Because Americans will see that they could fill out their tax return on a postcard, save the laborious hours and the complications and all those letters from the IRA saying, you owe $19.14 cents—which taxpayers like myself would rather pay but you can't do that; you have to go back through all of your records—the release in productivity, the elimination of the capital gains tax, the estate tax, the tax on dividends, all of which has been paid.

Mr. SPECTER. Mr. President, I have sought recognition to introduce my flat tax legislation as an amendment to S. 1429, the Tax Reconciliation bill. I had reintroduced this legislation on April 15th, 1999 to provide for a flat 20 percent tax on individuals and businesses. In the 104th Congress, I was the first Senator to introduce flat tax legislation and the first Member of Congress to set forth a deficit-neutral plan for dramatically reforming our nation's tax code and replacing it with a flatter, fairer plan designed to stimulate economic growth. My flat tax legislation was also the first plan to retain limited deductions for home mortgage interest and charitable contributions.

As I traveled around the country and held town hall meetings across Pennsylvania and other states, the public support for fundamental tax reform was overwhelming. I would point out in those speeches that I never leave home without two key documents: (1) my copy of the Constitution; and (2) a copy of my 10-line flat tax postcard. I soon realized that I needed more than just one copy of my flat tax postcard—many people wanted their own postcard so that they could see what life in a flat tax world would be like, where tax returns only take 15 minutes to fill out and individual taxpayers are no longer burdened with double taxation on their dividends, interest, capital gains and estates.

Support for the flat tax is growing as more and more Americans embrace the simplicity, fairness and growth potential of flat tax reform. An April 17, 1995, edition of Newsweek cited a poll showing that 61 percent of Americans favor a flat tax over the current tax code. Significantly, a majority of the respondents who favor the flat tax preferred my flat tax plan with limited deductions for home mortgage interest and charitable contributions. Well before he entered the 1996 Republican presidential primary, publisher Steve

Forbes opined in a March 27, 1995, Forbes editorial about the tremendous appeal and potency of my flat tax plan.

Congress was not immune to public demand for reform. Jack Kemp was appointed to head up the National Commission on Economic Growth and Tax Reform and the Commission soon came out with its report recognizing the value of a fairer, flatter tax code. Mr. Forbes soon introduced a flat tax plan of his own, and my fellow candidates in the 1996 Republican presidential primary began to embrace similar versions of either a flat tax or a consumption-based tax system.

Unfortunately, the politics of that Presidential campaign denied the flat tax a fair hearing and momentum stalled. On October 27, 1995, I introduced a Sense of the Senate Resolution calling on my colleagues to expedite Congressional adoption of a flat tax. The Resolution, which was introduced as an amendment to pending legislation, was not adopted.

I reintroduced this legislation in the 105th Congress with slight modifications to reflect inflation-adjusted increases in the personal allowances and dependent allowances. While my flat tax proposal was favorably received at town hall meetings in Pennsylvania, Congress failed to move forward on any tax reform during the 105th Congress. I tried repeatedly to raise the issue with leadership and the Finance Committee to no avail. I think the American people want this debate to move forward and I think the issue of tax reform is ripe for consideration.

In this period of opportunity as we commence the 106th Session of Congress, I am optimistic that public support for tax reform will enable us to move forward and adopt this critically important and necessary legislation.

My flat tax legislation will fundamentally revise the present tax code, with its myriad rates, deductions, and instructions. This legislation would institute a simple, flat 20% tax rate for all individuals and businesses. It will allow all taxpayers to file their April 15 tax returns on a simple 10-line postcard. This proposal is based on three key principles which are critical to an effective and equitable taxation system: simplicity, fairness and economic growth.

Over the years and prior to my legislative efforts on behalf of flat tax reform, I have devoted considerable time and attention to analyzing our nation's tax code and the policies which underlie it. I began the study of the complexities of the tax code 40 years ago as a law student at Yale University. I included some tax law as part of my practice in my early years as an attorney in Philadelphia. In the spring of 1962, I published a law review article in the Villanova Law Review, ''Pension and Profit Sharing Plans: Coverage and Operation for Closely Held Corporations and Professional Associations,'' 7 Villanova L. Rev. 335, which in part focused on the inequity in making tax-exempt retirement benefits available to some kinds of businesses but not others. It was apparent then, as it is now, that the very complexities of the Internal Revenue Code could be used to give unfair advantage to some.

Before I introduced my flat tax bill early in the 104th Congress, I had discussions with Congressman RICHARD ARMEY, the House Majority Leader, about his flat tax proposal. In fact, I testified with House Majority Leader RICHARD ARMEY before the Senate Finance and House Ways & Means Committees, as well as the Joint Economic Committee and the House Small Business Committee on the tremendous benefits of flat tax reform. Since then, and both before and after introducing my original flat tax bill, my staff and I have studied the flat tax at some length, and have engaged in a host of discussions with economists and tax experts, including the staff of the Joint Committee on Taxation, to evaluate the economic impact and viability of a flat tax. Based on those discussions, and on the revenue estimates supplied to us, I have concluded that a simple flat tax at a rate of 20 percent on all business and personal income can be enacted without reducing federal revenues.

A flat tax will help reduce the size of government and allow ordinary citizens to have more influence over how their money is spent because they will spend it—not the government. By creating strong incentives for savings and investment, the flat tax will have the beneficial result of making available larger pools of capital for expansion of the private sector of the economy—rather than more tax money for big government. This will mean more jobs and, just as important, more higher-paying jobs.

As a matter of federal tax policy, there has been considerable controversy over whether tax breaks should be used to stimulate particular kinds of economic activity, or whether tax policy should be neutral, leaving people to do what they consider best from a purely economic point of view. Our current tax code attempts to use tax policy to direct economic activity. Yet actions under that code have demonstrated that so-called tax breaks are inevitably used as the basis for tax shelters which have no real relation to solid economic purposes, or to the activities which the tax laws were meant to promote. Even when the government responds to particular tax shelters with new and often complex revisions of the regulations, clever tax experts are able to stay one or two steps ahead of the IRS bureaucrats by changing the structure of their business transactions and then claiming some legal distinctions between the taxpayer's new approach and the revised IRS regulations and precedents.

Under the massive complexity of the current IRS Code, the battle between $500-an-hour tax lawyers and IRS bureaucrats to open and close loopholes is a battle the government can never win. Under the flat tax bill I offer today, there are no loopholes, and tax avoidance through clever manipulations will become a thing of the past.

The basic model for this legislation comes from a plan created by Professors Robert Hall and Alvin Rabushka of the Hoover Institute at Stanford University. Their plan envisioned a flat tax with no deductions whatever. After considerable reflection, I decided to include in the legislation limited deductions for home mortgage interest for up to $100,000 in borrowing and charitable contributions up to $2,500. While these modifications undercut the pure principle of the flat tax by continuing the use of tax policy to promote home buying and charitable contributions, I believe that those two deductions are so deeply ingrained in the financial planning of American families that they should be retained as a matter of fairness and public policy—and also political practicality. With those two deductions maintained, passage of a modified flat tax will be difficult, but without them, probably impossible.

In my judgment, an indispensable prerequisite to enactment of a modified flat tax is revenue neutrality. Professor Hall advised that the revenue neutrality of the Hall-Rabushka proposal, which uses a 19% rate, is based on a well documented model founded on reliable governmental statistics. My legislation raises that rate from 19% to 20% to accommodate retaining limited home mortgage interest and charitable deductions. A preliminary estimate in the 104th Congress by the Committee on Joint Taxation places the annual cost of the home interest deduction at $35 billion, and the cost of the charitable deduction at $13 billion. While the revenue calculation is complicated because the Hall-Rabushka proposal encompasses significant revisions to business taxes as well as personal income taxes, there is a sound basis for concluding that the 1 percent increase in rate would pay for the two deductions. Revenue estimates for tax code revisions are difficult to obtain and are, at best, judgment calls based on projections from fact situations with a myriad of assumed variables. It is possible that some modification may be needed at a later date to guarantee revenue neutrality.

This legislation offered today is quite similar to the bill introduced in the House by Congressman ARMEY and in the Senate late in 1995 by Senator RICHARD SHELBY, which were both in turn modeled after the Hall-Rabushka proposal. The flat tax offers great potential for enormous economic growth, in keeping with principles articulated so well by Jack Kemp. This proposal taxes business revenues fully at their source, so that there is no personal taxation on interest, dividends, capital gains, gifts or estates. Restructured in this way, the tax code can become a powerful incentive for savings and investment—which translates into economic growth and expansion, more and better jobs, and raising the standard of living for all Americans.

In the 104th Congress, we took some important steps toward reducing the size and cost of government, and this work is ongoing and vitally important. But the work of downsizing government is only one side of the coin; what we must do at the same time, and with as much energy and care, is to grow the private sector. As we reform the welfare programs and government bureaucracies of past administrations, we must replace those programs with a prosperity that extends to all segments of American society through private investment and job creation—which can have the additional benefit of producing even lower taxes for Americans as economic expansion adds to federal revenues. Just as Americans need a tax code that is fair and simple, they also are entitled to tax laws designed to foster rather than retard economic growth. The bill I offer today embodies those principles.

My plan, like the Armey-Shelby proposal, is based on the Hall-Rabushka analysis. But my flat tax differs from the Armey-Shelby plan in four key respects: First, my bill contains a 20 percent flat tax rate. Second, this bill would retain modified deductions for mortgage interest and charitable contributions (which will require a 1 percent higher tax rate than otherwise). Third, my bill would maintain the automatic withholding of taxes from an individual's paycheck. Lastly, my bill is designed to be revenue neutral, and thus will not undermine our vital efforts to balance the nation's budget.

The key advantages of this flat tax plan are three-fold: First, it will dramatically simplify the payment of taxes. Second, it will remove much of the IRS regulatory morass now imposed on individual and corporate taxpayers, and allow those taxpayers to devote more of their energies to productive pursuits. Third, since it is a plan which rewards savings and investment, the flat tax will spur economic growth in all sectors of the economy as more money flows into investments and savings accounts, and as interest rates drop.

Under this tax plan, individuals would be taxed at a flat rate of 20 percent on all income they earn from wages, pensions and salaries. Individuals would not be taxed on any capital gains, interest on savings, or dividends—since those items will have already been taxed as part of the flat tax on business revenue. The flat tax will also eliminate all but two of the deductions and exemptions currently contained within the tax code. Instead, taxpayers will be entitled to ''personal allowances'' for themselves and their children. The personal allowances are: $10,000 for a single taxpayer; $15,000 for a single head of household; $17,500 for a married couple filing jointly; and $5,000 per child or dependent. These personal allowances would be adjusted annually for inflation after 1999.

In order to ensure that this flat tax does not unfairly impact low income families, the personal allowances contained in my proposal are much higher than the standard deduction and personal exemptions allowed under the current tax code. For example in the 1998 tax year, the standard deduction is $4,250 for a single taxpayer, $6,250 for a head of household and $7,100 for a married couple filing jointly, while the personal exemption for individuals and dependents is $2,700. Thus, under the current tax code, a family of four which does not itemize deductions would pay tax on all income over $17,900 (personal exemptions of $10,800 and a standard deduction of $7,100). By contrast, under my flat tax bill, that same family would receive a personal exemption of $27,500, and would pay tax only on income over that amount.

My legislation retains the provisions for the deductibility of charitable contributions up to a limit of $2,500 and home mortgage interest on up to $100,000 of borrowing. Retention of these key deductions will, I believe, enhance the political salability of this legislation and allow the debate on the flat tax to move forward. If a decision is made to eliminate these deductions, the revenue saved could be used to reduce the overall flat tax rate below 20 percent.

With respect to businesses, the flat tax would also be a flat rate of 20 percent. My legislation would eliminate the intricate scheme of complicated depreciation schedules, deductions, credits, and other complexities that go into business taxation in favor of a much-simplified system that taxes all business revenue less only wages, direct expenses and purchases—a system with much less potential for fraud, ''creative accounting'' and tax avoidance.

Businesses would be allowed to expense 100 percent of the cost of capital formation, including purchases of capital equipment, structures and land, and to do so in the year in which the investments are made. The business tax would apply to all money not reinvested in the company in the form of employment or capital formation—thus fully taxing revenue at the business level and making it inappropriate to re-tax the same monies when passed on to investors as dividends or capital gains.

Let me now turn to a more specific discussion of the advantages of the flat tax legislation I am reintroducing today.

The first major advantage to this flat tax is simplicity. According to the Tax Foundation, Americans spend approximately 5.3 billion hours each year filling out tax forms. Much of this time is spent burrowing through IRS laws and regulations which fill 17,000 pages and have grown from 744,000 words in 1955 to 5.6 million words in 1995.

Whenever the government gets involved in any aspect of our lives, it can convert the most simple goal or task into a tangled array of complexity, frustration and inefficiency. By way of example, most Americans have become familiar with the absurdities of the government's military procurement programs. If these programs have taught us anything, it is how a simple purchase order for a hammer or a toilet seat can mushroom into thousands of words of regulations and restrictions when the government gets involved. The Internal Revenue Service is certainly no exception. Indeed, it has become a distressingly common experience for taxpayers to receive computerized print-outs claiming that additional taxes are due, which require repeated exchanges of correspondence or personal visits before it is determined, as it so often is, that the taxpayer was right in the first place.

The plan offered today would eliminate these kinds of frustrations for millions of taxpayers. This flat tax would enable us to scrap the great majority of the IRS rules, regulations and instructions and delete most of the five million words in the Internal Revenue Code. Instead of tens of millions of hours of non-productive time spent in compliance with, or avoidance of, the tax code, taxpayers would spend only the small amount of time necessary to fill out a postcard-sized form. Both business and individual taxpayers would thus find valuable hours freed up to engage in productive business activity, or for more time with their families, instead of poring over tax tables, schedules and regulations.

The flat tax I have proposed can be calculated just by filling out a small postcard which would require a taxpayer only to answer a few easy questions. Filing a tax return would become a manageable chore, not a seemingly endless nightmare, for most taxpayers.

Along with the advantage of simplicity, enactment of this flat tax bill will help to remove the burden of costly and unnecessary government regulation, bureaucracy and red tape from our everyday lives. The heavy hand of government bureaucracy is particularly onerous in the case of the Internal Revenue Service, which has been able to extend its influence into so many aspects of our lives.

In 1995, the IRS employed 117,000 people, spread out over countless offices across the United States. Its budget was in excess of $7 billion, with over $4 billion spent merely on enforcement. By simplifying the tax code and eliminating most of the IRS' vast array of rules and regulations, the flat tax would enable us to cut a significant portion of the IRS budget, including the bulk of the funding now needed for enforcement and administration.

In addition, a flat tax would allow taxpayers to redirect their time, energies and money away from the yearly morass of tax compliance. According to the Tax Foundation, in 1996, the private sector spent over $150 billion complying with federal tax laws. According to a Tax Foundation study, adoption of flat tax reform would cut pre-filing compliance costs by over 90 percent.

Monies spent by businesses and investors in creating tax shelters and finding loopholes could be instead directed to productive and job-creating economic activity. With the adoption of a flat tax, the opportunities for fraud and cheating would also be vastly reduced, allowing the government to collect, according to some estimates, over $120 billion annually.

The third major advantage to a flat tax is that it will be a tremendous spur to economic growth. Harvard economist Dale Jorgenson estimates adoption of a flat tax like the one offered today would increase future national wealth by over $2 trillion, in present value terms, over a seven year period. This translates into over $7,500 in increased wealth for every man, woman and child in America. This growth also means that there will be more jobs—it is estimated that the $2 trillion increase in wealth would lead to the creation of 6 million new jobs.

The economic principles are fairly straightforward. Our current tax system is inefficient; it is biased toward too little savings and too much consumption. The flat tax creates substantial incentives for savings and investment by eliminating taxation on interest, dividends and capital gains—and tax policies which promote capital formation and investment are the best vehicle for creation of new and high paying jobs, and for a greater prosperity for all Americans.

It is well recognized that to promote future economic growth, we need not only to eliminate the federal government's reliance on deficits and borrowed money, but to restore and expand the base of private savings and investment that has been the real engine driving American prosperity throughout our history. These concepts are related—the federal budget deficit soaks up much of what we have saved, leaving less for businesses to borrow for investments.

It is the sum total of savings by all aspects of the U.S. economy that represents the pool of all capital available for investment—in training, education, research, machinery, physical plant, etc.—and that constitutes the real seed of future prosperity. The statistics here are daunting. In the 1960s, the net U.S. national savings rate was 8.2 percent, but it has fallen to a dismal 1.5 percent. Americans save at only one-tenth the rate of the Japanese, and only one-fifth the rate of the Germans. This is unacceptable and we must do something to reverse the trend.

An analysis of the components of U.S. savings patterns shows that although the federal budget deficit is the largest cause of ''dissavings,'' both personal and business savings rates have declined significantly over the past three decades. Thus, to recreate the pool of capital stock that is critical to future U.S. growth and prosperity, we have to do more than just get rid of the deficit. We have to very materially raise our levels of private savings and investment. And we have to do so in a way that will not cause additional deficits.

The less money people save, the less money is available for business investment and growth. The current tax system discourages savings and investment, because it taxes the interest we earn from our savings accounts, the dividends we make from investing in the stock market, and the capital gains we make from successful investments in our homes and the financial markets. Indeed, under the current law these rewards for saving and investment are not only taxed, they are overtaxed—since gains due solely to inflation, which represent no real increase in value, are taxed as if they were profits to the taxpayer.

With the limited exceptions of retirement plans and tax free municipal bonds, our current tax code does virtually nothing to encourage personal savings and investment, or to reward it over consumption. This bill will change this system, and address this problem. The proposed legislation reverses the current skewed incentives by promoting savings and investment by individuals and by businesses. Individuals would be able to invest and save their money tax-free and reap the benefits of the accumulated value of those investments without paying a capital gains tax upon the sale of these investments. Businesses would also invest more as the flat tax allowed them to expense fully all sums invested in new equipment and technology in the year the expense was incurred, rather than dragging out the tax benefits for these investments through complicated depreciation schedules. With greater investment and a larger pool of savings available, interest rates and the costs of investment would also drop, spurring even greater economic growth.

Critics of the flat tax have argued that we cannot afford the revenue losses associated with the tremendous savings and investment incentives the bill affords to businesses and individuals. Those critics are wrong. Not only is this bill carefully crafted to be revenue neutral, but historically we have seen that when taxes are cut, revenues actually increase, as more taxpayers work harder for a larger share of their take-home pay, and investors are more willing to take risks in pursuit of rewards that will not get eaten up in taxes.

As one example, under President Kennedy when individual tax rates were lowered, investment incentives including the investment tax credit were created and then expanded and depreciation rates were accelerated. Yet, between 1962 and 1967, gross annual federal tax receipts grew from $99.7 billion to $148 billion—an increase of nearly 50 percent. More recently after President Reagan's tax cuts in the early 1980's, government tax revenues rose from just under $600 billion in 1981 to nearly $1 trillion in 1989. In fact, the Reagan tax cut program helped to bring about one of the longest peacetime expansion of the U.S. economy in history. There is every reason to believe that the flat tax proposed here can do the same—and by maintaining revenue neutrality in this flat tax proposal, as we have, we can avoid any increases in annual deficits and the national debt.

In addition to increasing federal revenues by fostering economic growth, the flat tax can also add to federal revenues without increasing taxes by closing tax loopholes. The Congressional Research Service estimates that for fiscal year 1995, individuals sheltered more than $393 billion in tax revenue in legal loopholes, and corporations sheltered an additional $60 billion. There may well be additional monies hidden in quasi-legal or even illegal ''tax shelters.'' Under a flat tax system, all tax shelters will disappear and all income will be subject to taxation.

The growth case for a flat tax is compelling. It is even more compelling in the case of a tax revision that is simple and demonstrably fair.

By substantially increasing the personal allowances for taxpayers and their dependents, this flat tax proposal ensures that poorer taxpayers will pay no tax and that taxes will not be regressive for lower and middle income taxpayers. At the same time, by closing the hundreds of tax loopholes which are currently used by wealthier taxpayers to shelter their income and avoid taxes, this flat tax bill will also ensure that all Americans pay their fair share.

The flat tax legislation that I am offering will retain the element of progressivity that Americans view as essential to fairness in an income tax system. Because of the lower end income exclusions, and the capped deductions for home mortgage interest and charitable contributions, the effective tax rates under my bill will range from 0% for families with incomes under about $30,000 to roughly 20% for the highest income groups.

My proposed legislation demonstrably retains the fairness that must be an essential component of the American tax system.

The proposal that I make today is dramatic, but so are its advantages: a taxation system that is simple, fair and designed to maximize prosperity for all Americans. A summary of the key advantages are:

Simplicity: A 10-line postcard filing would replace the myriad forms and attachments currently required, thus saving Americans up to 5.3 billion hours they currently spend every year in tax compliance.

Cuts government: The flat tax would eliminate the lion's share of IRS rules, regulations and requirements, which have grown from 744,000 words in 1955 to 5.6 million words and 12,000 pages currently. It would also allow us to slash the mammoth IRS bureaucracy of 117,000 employees.

Promotes economic growth: Economists estimate a growth of over $2 trillion in national wealth over seven years, representing an increase of approximately $7,500 in personal wealth for every man, woman and child in America. This growth would also lead to the creation of 6 million new jobs.

Increases efficiency: Investment decisions would be made on the basis of productivity rather than simply for tax avoidance, thus leading to even greater economic expansion.

Reduces interest rates: Economic forecasts indicate that interest rates would fall substantially, by as much as two points, as the flat tax removes many of the current disincentives to savings.

Lowers compliance costs: Americans would be able to save up to $224 billion they currently spend every year in tax compliance.

Decreases fraud: as tax loopholes are eliminated and the tax code is simplified, there will be far less opportunity for tax avoidance and fraud, which now amounts to over $120 billion in uncollected revenue annually.

Reduces IRS costs: Simplification of the tax code will allow us to save significantly on the $7 billion annual budget currently allocated to the Internal Revenue Service.

Professors Hall and Rabushka have projected that within seven years of enactment, this type of a flat tax would produce a 6 percent increase in output from increased total work in the U.S. economy and increased capital formation. The economic growth would mean a $7,500 increase in the personal income of all Americans.

No one likes to pay taxes. But Americans will be much more willing to pay their taxes under a system that they believe is fair, a system that they can understand, and a system that they recognize promotes rather than prevents growth and prosperity. The legislation I introduce today will afford Americans such a tax system.

Mr. President, I ask unanimous consent that the charts and exhibits be printed in the RECORD.

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

1999 INDIVIDUAL TAX RETURN

FORM 1—INDIVIDUAL WAGE TAX—1999

Your first name and initial (if joint return, also give spouse's name and initial): __________________

Your social security number: ___________

Home address (number and street including apartment number or rural route): __________________

Spouse's social security number: ___________

City, town, or post office, state, and ZIP code: __________________

1. Wages, salary, pension and retirement benefits .... 1____
2. Personal allowance (enter only one):
   —$17,500 for married filing jointly
   —$10,000 for single
   —$15,000 for single head of household .... 2____
3. Number of dependents, not including spouse, multiplied by $5,000 ...... 3____
4. Mortgage interest on debt up to $100,000 for owner-occupied home ... 4____
5. Cash or equivalent charitable contributions (up to $2,500) .... 5____
6. Total allowances and dedications (lines 2, 3, 4 and 5) .... 6____
7. Taxable compensation (line 1 less line 6, if positive; otherwise zero) ... 7____
8. Tax (20% of line 7) .... 8____
9. Tax withheld by employer .... 9____
10. Tax or refund due (difference between lines 8 and 9) .... 10____

ANNUAL TAXES UNDER 20% FLAT TAX FOR MARRIED COUPLE WITH TWO CHILDREN FILING JOINTLY

Income	Income mortgage [1]	Deductible mtg interest	Charitable contributions [1]	Personal allowance (w/children)	Taxable income	Marginal tax rate (percent)	Taxes owed
<27,500						0	None
30,000	60,000	5,400	600	27,500	0	0	None
40,000	80,000	7,200	800	27,500	4,500	2.3	900
50,000	100,000	9,000	1,000	27,500	12,500	5.0	2,500
60,000	120,000	9,000	1,200	27,500	22,300	7.4	4,460
70,000	140,000	9,000	1,400	27,500	31,200	9.2	6,420
80,000	160,000	9,000	1,600	27,500	41,900	10.5	8,380
90,000	180,000	9,000	1,800	27,500	51,700	11.5	10,340
100,000	200,000	9,000	2,000	27,500	61,500	12.3	12,300
125,000	250,000	9,000	2,500	27,500	86,000	13.8	17,200
150,000	300,000	9,000	2,500	27,500	111,000	14.8	22,200
200,000	400,000	9,000	2,500	27,500	161,000	16.1	32,200
250,000	500,000	9,000	2,500	27,500	211,000	16.8	42,200
500,000	1,000,000	9,000	2,500	27,500	461,000	18.4	92,200
1,000,000	2,000,000	9,000	2,500	27,500	961,000	19.2	192,200

[1] Assumes home mortgage of twice annual income at a rate of 9% and charitable contributions up to 2% of annual income.

ADVANTAGES OF THE 20 PERCENT FLAT TAX

(By Senator Arlen Specter)

Simplicity: A 10-line postcard filing would replace the myriad forms and attachments currently required, thus saving Americans up to 5.3 billion hours they currently spend every year in tax compliance.

Cuts government: The flat tax would eliminate the lion's share of IRS rules, regulations and requirements, which have grown from 744,000 words in 1955 to 5.6 million words and 12,000 pages currently. It would also allow us to slash the mammoth IRS bureaucracy of 117,000 employees.

Promotes economic growth: Economists estimate a growth of over $2 trillion in national wealth over seven years, representing an increase of approximately $7,500 in personal wealth for every man, woman and child in America. This growth would also lead to the creation of 6 million new jobs.

Increases efficiency: Investment decisions would be made on the basis of productivity rather than simply for tax avoidance, thus leading to even greater economic expansion.

Reduces interest rates: Economic forecasts indicate that interest rates would fall substantially, by as much as two points, as the flat tax removes many of the current disincentives to savings.

Lowers compliance costs: Americans would be able to save up to $593 billion they currently spend every year in tax compliance.

Decreases fraud: As tax loopholes are eliminated and the tax code is simplified, there will be far less opportunity for tax avoidance and fraud, which now amounts to over $120 billion in uncollected revenue annually.

Reduces IRS costs: Simplification of the tax code will allow us to save significantly on the $7 billion annual budget currently allocated to the Internal Revenue Service.

INVESTMENT TAX CREDIT FOR THE BIOTECH INDUSTRY

Mr. SPECTER. In the balance of my allotted time, I will speak briefly about another amendment which will be voted on, probably tomorrow. That is an investment tax credit for the biotechnology equipment industry.

In my capacity as chairman of the Senate Subcommittee on Health and Human Services, my distinguished ranking member, Senator HARKIN, and I have the job of allocating funds for the National Institutes of Health. They are the crown jewel of the Federal Government—perhaps the only jewel of the Federal Government.

We are facing an extraordinarily difficult time in allocating funding because of the allocation for the subcommittee which is far under what is necessary to provide the $2 billion which we allocated in increase last year.

In consulting with the biotechnology industry, the one item which could bridge the gap would be a 10 percent investment tax credit which would stimulate Biotech and would do a tremendous amount for the health of Americans.

In the course of the past few months, stem cells have been discovered by Biotech which is a veritable fountain of youth, holding a promise for a cure for cancer, Alzheimer's, Parkinson's, and other maladies.

So I urge my colleagues to take a close look at the investment tax credit for the Biotech industry when it comes up.

I thank the Chair and thank the chairman for yielding me this time from the bill and yield the floor.

Mr. REID. Mr. President, if the manager of the bill will yield for a brief statement, as soon as the leaders arrive, I wonder if the next speaker would mind being interrupted. We have a unanimous consent request we would like to enter and not delay the leader any more than necessary. The leader should be coming here soon.

Mr. ROTH. That is satisfactory. I yield 12 minutes to Senator INHOFE.

Mr. INHOFE. I thank the Senator.

Mr. President, I, like many of my colleagues, have been listening intently to all of the debate. I certainly understand that the Senator from New Mexico is very sincere when he talks about many of these programs that need funding.

I do think that something has been completely lost in the debate that has been taking place on the floor. It is this assumption that if we are going to pass a tax reduction, it is going to automatically reduce revenues. I think this is one of the fallacies that defies all history, and it is one that needs to be talked about at this time.

I can remember when President Clinton was first elected in 1992. One of the first appointments he made was his chief financial adviser, Laura Tyson, who was quoted to have said—I believe this is an exact quote; certainly the intent is the same—that there is no relationship between the level of taxation the Nation pays and the amount of economic performance. I think this is ludicrous. I think it defies all logic. If you carried that to its logical conclusion, you would say let's raise all marginal rates to 100 percent, and everyone is going to work as hard as they would have otherwise. Certainly this is not what history has shown us.

One of the interesting things that is so overlooked by many liberals and others nowadays is that you can increase revenues by decreasing taxes. You have to realize that for every 1-percent increase in economic activity, that generates new revenues of $24 billion.

This was really discovered by accident back in the 1920s. Back in the 1920s, under two administrations, Warren Harding and Calvin Coolidge, there was a guy named Andrew Mellon, who was the Secretary of the Treasury under both administrations. It wasn't his understanding at that time that he would be able to increase revenues by reducing taxes, but this was right after World War I. In World War I, we had tax rates that were just unconscionably high—73 percent. So they said, all right, the war is over now. Let's reduce our tax rates, and they reduced them in three steps during a 9-year period from 73 percent to 25 percent.

This chart shows the income tax rate at the time right after the war and how they reduced it from 73 percent down to 25 percent. Look what happens as the income started rising. It came up from about $700,000 to over a billion dollars. It was almost doubled during that period of time. I think this speaks for itself. It shocked a lot of people. This wasn't some smart economist saying this is the way to increase revenue. They weren't even trying to increase revenue. But that is what happened.

Then again in the 1960s, of course, this was not a Republican administration. This was the administration of President Kennedy, and he made the statement, drawing upon the experience of the 1920s, that we have to have more revenues to take care of the obligations that we have incurred in Government. He said we need more revenues, and the best way to increase revenues is to reduce taxes.

I say to the Senator from New York, this was not a Republican saying this. This is someone whom he knew very well, President Kennedy, back in the 1960s.

So he came along with his tax rate. At that time the highest rate had been up at 91 percent, as you see on the chart represented by the green line. He reduced them over that period of time down to 70 percent.

Now, if you make that kind of a reduction in the tax rate and you see what has happened during that period of time, during the 1960s, it did exactly what the President said it was going to do in anticipating what was going to happen to the revenues. President Kennedy knew that, and I think many of the people at that time felt this was something that twice in history had been proven to be the case.

Then, of course, along came the 1980s. I can remember in the 1980s because I was around at that time. I remember when Ronald Reagan—keep in mind this was at a time when we had deficits, not surpluses as we have today. He was advocating a sweeping tax relief reduction of about $1.6 trillion. I happen to have known personally, as many of my colleagues did at that time, Speaker Tip O'Neill. Speaker O'Neill at that time was not considered to be one of the stalwarts of the conservative movement, but Tip O'Neill said: No, I think that is too much. I think to be fiscally responsible, we should reduce taxes only by $1.3 trillion.

Now, keep in mind, this is Tip O'Neill, a Democrat, advocating the reduction of taxes by $1.3 trillion. Now we are talking about merely reducing them by some $790 billion.

Mr. President, to repeat, we learned lessons quite by accident during the Harding and Coolidge administrations back in the twenties. The lessons were that you can actually increase revenues by decreasing taxes. We learned in the 1960s when President Kennedy did the same thing; we dramatically increased revenues by decreasing taxes. This is the most revealing one because there has never been a 10-year period in the history of this country where we have had more tax reductions in marginal rates than we did in the 1980s.

On this chart, the green line is the income tax revenues, starting in 1980, going up here and showing that they increase by two-thirds at a time when the reductions in the rates were actually cut by two-thirds.

I think it needs to be pointed out that there is not a direct relationship between the level of taxation and the amount of revenue. In fact, the relationship is just the opposite. I think those who are saying we don't want to reduce taxes are really saying we don't want to reduce revenues. I can understand that. Some people believe Government should have more spending power and more control of our everyday lives. That is what defines a liberal versus a conservative. I think we are trying to do something to really have dramatic cuts to enhance the economy. Perhaps one of the benefits of that would be, as history has shown, to increase revenues.

There is one thing you can do if you want to cut down the size of Government, and that is to cut some of these programs. It has been my experience—having worked at the local level, State level, and now in both Houses of Congress—that once a problem exists out there, you form a Government agency to deal with the problem. The problem goes away, but the agency goes on. In a great speech made in 1965 which was called ''A Rendezvous With Destiny,'' Ronald Reagan said:

> There is nothing closer to immortality on the face of this earth than a Government agency once formed.

I believe we need to look at this and realize what has been happening, where we are going from here, and what effect the tax cuts we are advocating are going to actually have on the economy.

Another way of looking at it is, in 1993, Bill Clinton actually passed, with the support of Congress, the largest single tax increase in contemporary history—in the whole history of this country. He raised taxes in that one increase by $241 billion over a 5-year period. In 1995, 2 years later, President Clinton said:

> People in this room are still mad at me about the budget because you think I raised taxes too much. It might surprise you to know that I think they raised them too much, too.

I think anybody at that time who was opposed to that largest tax increase in the history of this Nation should realize that a way to rectify that is to reverse and repeal some of the taxes that were increased at that time. We have looked at different taxes that should be reduced. I agree with the Senator from Texas that we should reduce the marriage penalty. It doesn't make any sense in our society to reward people who live together out of wedlock. It doesn't make any sense at all, and it creates some of the other problems that we are so concerned about.

I am very concerned about the marginal rate tax, and I think we can probably have the effect of increasing revenues by reducing marginal rates.

Thirdly—and this will be in one of the amendments that we vote on, I guess, tomorrow; I hoped it would be tonight, but it will be tomorrow—is the death tax. I suggest to you that I had occasion to be out in western Oklahoma talking about the farm crisis and about all the things that are happening, I know, in other States and in Oklahoma. I am sure they have the same problems out in New Mexico. When you talk about repealing the estate tax or the death tax, all of a sudden they quit worrying about crop insurance and these programs because that is the thing they believe is most critical to the small businessman and woman and farmer in America. If there is one thing we can do, in all fairness, it would be to vote favorably on that when the appropriate time comes.

I yield the floor.

Mr. LOTT. Mr. President, we have a unanimous consent agreement that I think will be constructive in getting our work completed. It has been discussed thoroughly with the Democratic leadership, and I know it is going to take some more time tonight and also an effort tomorrow, but I think that all things considered, it is the best way to proceed.

I ask unanimous consent that the vote with respect to the pending amendment No. 1462 occur tomorrow morning beginning at 9 a.m, with 15 minutes for concluding remarks to be equally divided beginning at 8:30 a.m. on Friday.

I further ask unanimous consent that the vote with respect to the Hutchison amendment on the marriage penalty occur immediately following the above-described vote and there also be 15 minutes for concluding remarks to be equally divided beginning at 8:45.

I also ask consent that following the conclusion of debate this evening, no further debate time be in order other than the concluding time as outlined above.

I further ask unanimous consent that following the two described votes above, the Senate begin the voting sequence with debate on any amendment or motion properly filed in the consent agreement of July 29 limited to 2 minutes equally divided.

The PRESIDING OFFICER. Is there objection?

Mr. ROTH. Mr. President, I object.

Mr. LOTT. Mr. President, may I inquire, what is the problem?

So we can clarify this, I think just a temporary misunderstanding, I suggest the absence of a quorum.

Mr. DOMENICI. Could I ask a question before you do that?

Mr. LOTT. I ask to withhold the suggestion of a quorum call.

Mr. DOMENICI. Might I ask a parliamentary inquiry? How much time remains on the 20 hours allowed by law?

The PRESIDING OFFICER. Two hours 42 minutes.

Mr. DOMENICI. I thank the Chair.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. SESSIONS). Without objection, it is so ordered.

Mr. LOTT. Mr. President, I renew my unanimous consent request as earlier stated.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. LOTT. Mr. President, in light of this agreement, there will be no further votes this evening. The first two votes of tomorrow will begin at 9 a.m. A number of votes will occur following those two votes. I hope Senators will work with the managers and work with the whips on both sides of the aisle. Senator NICKLES is here and prepared to work with Senators to discuss the seriousness of their amendments. The ''Tasmanian junior'' here, HARRY REID, is going to be working on the Democratic side. Talk with the whips. It is not a very seemly way to do business to have repeated votes in the so-called vote-arama. A reasonable number is understandable and can be explained sufficiently. Senators will be asked not to leave the Chamber in the morning because once we start on the series of votes, votes will occur every 10 to 15 minutes, so we can get at least four done in an hour.

Mr. REID. Will the Senator yield?

Mr. LOTT. Yes.

Mr. REID. I say to the leader and Members of the Senate, the staff will be working all night trying to clear all of these amendments. In addition, there is no rule that says if you call up your amendment, you have to have a recorded vote. We can have voice votes on some amendments. Also, on something such as this, people have to determine whether they want to offer the amendment that has been filed. Just because it was filed doesn't mean you have to offer it.

Mr. LOTT. You do have options: they can be accepted or taken by voice vote or some insist on a recorded vote.

As I see things, tomorrow we can finish up at 2 or 3 o'clock, or we can be here at 5 o'clock tomorrow afternoon. I hope Senators will weigh carefully the need for their particular amendment. As far as amendments that have not been thoroughly debated in committee, it is awfully hard to change the Tax Code in that way. We will try to accommodate Senators as best we can.

Mr. BINGAMAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. BINGAMAN. Mr. President, I yield 8 minutes to the Senator from New York.

Mr. SCHUMER. Mr. President, I thank the Senator from New Mexico. I rise in support of his amendment. First, I thank him for his leadership on educational issues before introducing this amendment. I would like to speak for a couple of minutes and talk about another educational amendment that will be before us tonight or tomorrow.

First, on the amendment of the Senator from New Mexico, I have generally considered myself a balanced budget type of person and Democrat. I backed up the President a few years ago when we had a split in our party in the House as to whether to enact a balanced budget, and I am glad I did. I am glad I did. That means that one has to be careful about spending.

But if there is one place as we move into the 21st century that we should be spending more—not just throwing money at the problem, being careful, setting standards, but spending more money—it is the area of education.

As we move into an ideas economy, an ideas-based economy, the most important resource our country has is the minds of our young people. It is more important than the wealth of the mine, or the fertility of the fields, or even the output of the factory, because more and more and more wealth is created, jobs are created, and happiness is created by how well educated we are by the ideas that our people have.

To enact the budget plan posed by the other side, as the chart of the Senator from New Mexico shows, and cut education funding or to even simply freeze education funding, in my judgment, would be a mistake. This resolution, which urges this Senate and this Congress and this country to spend somewhat more on education, again wisely—I would not spend much more on education without imposing standards on teachers and standards on promotion, which makes a great deal of sense—I support wholeheartedly.

There is another amendment in the area of education which I am introducing along with Senator SNOWE of Maine, Senator BAYH of Indiana, Senator SMITH of Oregon, Senator WYDEN of Oregon, and Senator KOHL of Wisconsin. It is a bipartisan amendment. We hope this amendment doesn't became a football in the various views of reconciliation that we have. But it is an amendment that is very simple. It is an amendment to make up to $12,000 of college tuition tax deductible and to provide tax credit to help those saddled with student loans.

We have introduced this amendment for two real purposes. The first purpose relates to individual families.

We are talking about tax cuts. But when I talk to my constituents in New York, and when I hear about constituents from around the country, what is the average person worried about? It is not the exact amount of taxes that they pay as much as it is the big financial nugget they have to deal with—buying a home in early family life, paying for the kids' college in middle life, and paying for health care in later life.

Tonight, as we all go to sleep, there will be millions of Americans worrying about how they are going to pay for their kids' college education. Tuition has gone up far more than the rate of inflation. In fact, if you look at the prices of everything since 1980, tuition has gone up more than anything else—even more than health care. I believe the number is 250 percent between 1980 and 1995 for middle-income families—families that do not really need much other help, families that might make $50,000, or $60,000, or $70,000 a year. It seems almost unfair, after they struggle to pay that tuition bill, for Uncle Sam to take his cut. This bill says that won't happen. This bill says that for anyone at the 28-percent bracket or lower. So the numbers will go up fairly high—$90,000—for a single head of household, and $105,000 for a two-family head of household. You can deduct your tuition.

We rarely give relief to those in the middle class. Too often many people in the middle class—the majority of Americans—think most of what we do helps the very poor or the very rich. But this proposal is aimed right at what bothers them, and with good reason. It is going to be tremendously helpful to millions and millions of Americans who right now think they are not getting much out of the tax proposal on either side of the aisle.

There is a second reason to do this; that is, for the good of the country. As we move into an ideas economy—as I mentioned in my remarks about the amendment of the Senator from New Mexico—education is the key. The better educated we are, the better we do as a country. In fact, I worry when you look at some of the rankings in terms of education when compared to other Western countries.

But every time a well-prepared, intelligent student isn't able to go to the college of his or her choice because of that tuition bill, not only does that individual lose, not only does their family lose but America loses. Every time we don't use and fulfill the potential of a young mind, not only does that person lose, not only does his or her family lose but America loses.

It seems to me, as we move into the 21st century in an ideas-based economy, it is almost imperative that we have as many students in as good a college as they can academically achieve. Right now that is not happening. But in this tax bill, if we were to make tuition deductible up to $12,000, it would have a tremendous impetus.

A couple of other points on the proposal, a bipartisan proposal, made by myself and Senators BAYH, KOHL, and WYDEN on this side of the aisle, and Senators SNOWE and SMITH on the other side of the aisle:

No. 1, it is completely offset. So we are not increasing the tax bill. We mainly do this by delaying certain things in the existing bill for a year.

No. 2, it does not cut off until, as I said, you move from the 28-percent bracket and above that. So 90, 95 percent, a huge percentage of America's families, would benefit—all but the extremely well-to-do.

No. 3, tuition is deductible up to $12,000 a year. That is full tuition for over 80 percent of all Americans. Even for those who are going to a more expensive school, it is a real help in terms of getting them there.

I urge my colleagues to please look at this amendment. It is bipartisan. It is not intended to be an amendment that scores political points. It is an amendment intended to better this country and help middle-class families struggling to send their children to college.

I urge its adoption by Members on both sides of the aisle.

I thank the Chair.

Mr. ROTH. Mr. President, I yield 5 minutes to the distinguished Senator from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Thank you, Mr. President. I thank the chairman.

I say to Senator BINGAMAN that I would not rise in opposition to his amendment if it was not, as I view it, an implication that what I propose is going to hurt education.

Since that is the case, I must tell the Senator that I think he is wrong. So I will proceed, as I must, to tell him what we did with education and what we can do with education based upon the money that is left over after the tax cut is effective.

I do not know where the chart comes from that the Senator has up there. But I would assume it comes from somebody who assumes there is no money left over after the tax cut and, therefore, everything will be reduced, and over the next 10 years there will be no inflation added to any function. If that is the case, it is wrong.

But if Senators want to look at the budget resolution we prepared, we expect they will stand up and say no, there is not enough money in this budget for education.

What we did in that budget resolution, which is not binding—just like his resolution here is not binding; it does nothing for education—it is a wish list and cuts taxes. It reduces the tax cuts substantially. It would be nice if the Senator would tell us which $120 billion and some he would take out of the tax cut.

But having said that, let me first start by saying if you want to look at a budget resolution that passed the Senate which had $181 billion in money over a baseline that was frozen for the next decade on the discretionary side, and ask what did it provide for education—an assumption just like the assumptions of the Senator from New Mexico—I would like to tell you what it does.

In 1999, that function on education had $47 billion in it. By the year 2009, it has $60 billion in it. It specifically provided that education initiatives receive an added amount of $37 billion over 5 years, $101 billion over 10 years.

The Senator from New Mexico, my colleague and my friend, could ask, how are you sure that will happen? I am not. Neither am I certain that the Senator's sense-of-the-Senate resolution is anything but a wish list. How do we know it would happen? If we reduce taxes by the amount suggested, there is absolutely nothing to indicate there would be more added to education in the appropriations process. It is what the Senator thinks they should add; therefore, it is called a sense of the Senate.

Over the decade under the budget resolution adopted, and I am not certain it will be implemented because it is not binding, we actually vote every year on the appropriated accounts. So all Members know, the education function in that budget resolution has $570 billion, an average of $57 billion a year, while we are spending $47 billion this year.

I don't know where the other graphs came from that are talking about what we are doing to education. Those numbers are from the budget resolution.

Nobody knows at what level education will be funded on the discretionary side of the budget of the United States of America budget. They will not know any more if Senator BINGAMAN's sense of the Senate passes. They will say we should not cut taxes by $120 billion, because if we don't, we might put it in education.

Having said that, I merely want to look at the budget of the United States and the surplus that is created and then start with a freeze on everything, including education. And it may be the Senator is starting with a freeze and assuming it continues. How much is the surplus? It is $3.371 trillion. What do you do with it? We put $1.9 trillion in the trust fund for Social Security because it is there. We then say: Let's cut taxes in a gradual way over a decade at $792 billion. Then we ask how much is left over to spend on discretionary programs and Medicare. It turns out to be $505 billion.

I could not believe under any circumstance that the Congress of the United States, be it Republican, Democrat, or whatever, would take that $505 billion and spend it on education. I cannot believe that. There may be a difference of opinion as to where it is to be spent, but there is a whopping lot of money for high-priority items.

I don't know where the Senator got his numbers. If the numbers were legitimate, I would be supporting him. I believe we ought to establish a priority for education. If I thought we would not have enough money for the education function to be appropriated by the appropriators, I might even be saying don't cut taxes that much, but I don't think that is the case. I don't think we need to do that. There will be money around for education. It will grow dramatically because it is a high-priority item, and there is $505 billion over a freeze to be allocated for discretionary programs, and somewhere around 70, 80, or 90 for a Medicare prescription drug reform fix.

I regret doing this, but I do not think I want New Mexicans to think what I propose will destroy education in the manner that this sense of the Senate implies. If it did not imply that, I would be for it and I would not be speaking.

Mr. BINGAMAN. Mr. President, I yield myself 4 minutes off of the amendment.

I want to respond to my colleague from New Mexico and indicate I do not in any way question his motives, and I certainly do not question his understanding of the budget. He is an expert in that. He has demonstrated that repeatedly since I have been in the Senate.

I do think there is a genuine misunderstanding or disagreement about what we are talking about in the size of this surplus. I hear my colleague say we have, over the next 10 years, $33.371 billion in surplus that we have to spend or we have to use for tax reductions. That is substantially more than the CBO indicated we had. They said we had $2.896 billion. There is a substantial difference there. Taking the figure I was given, $2.896 billion, I understand we are using by far the largest part of that for this proposed tax cut.

My colleague says that is not the case, that there is still $505 billion remaining for Medicare and discretionary programs. I am just not clear in my mind where that money comes from. The figures I have for the total of the surplus do not allow for that money to be available for discretionary programs and Medicare. The figures I have received lead me to conclude that there will be major cuts in discretionary programs if we are going to adopt a tax cut of this size. If there are cuts in discretionary programs, some of those, of course, will be defense.

I believe, based on the time I have spent in the Senate, we will not cut defense. I do not support the cuts in defense, and I do not believe my colleagues do either. I think we will fund defense and we will fund increases in defense in the next 10 years in many respects. That means the discretionary domestic spending such as education has to be cut even more. That is the concern that caused me to bring this amendment to the floor.

The point was made that I have just put together a sense of the Senate which is a wish list. That is in many ways true. I have said the Senate should go on record as not wanting to cut the current level of funding for education in this bill, and to the extent we need to reduce the tax cut in order to ensure we do not cut current levels of funding for education, then reduce the tax cut to that extent.

As I understand the figures, that means a $132 billion reduction in the tax cut. That is what I have urged Senators to support.

Mr. BINGAMAN. I yield 5 minutes to the Senator from Virginia.

Mr. ROBB. Mr. President, first of all let me thank my distinguished colleague from New Mexico for his continued leadership on virtually every aspect of education and our public responsibility in that particular area. I am pleased to join him on this amendment, and would say that I agree completely with my colleague from New Mexico about the need to make critical investments in our future. Not only does this tax bill fail to ensure the solvency of Social Security and Medicare, it provides an inadequate level of investment in education.

My own State of Virginia has long been proud of its history and support of education. You may recall it was a Virginian who is widely acknowledged as ''the father of free public schools in America.'' Thomas Jefferson's vision to provide a free public education to all citizens was designed to preserve a fledgling democracy. But at the dawn of a new millennium, a strong and vibrant system of public education has many other benefits as well.

Education breeds opportunity. And it is opportunity that knows no class, no gender, no race, no income level, no street address. Because when we invest in education, we invest in our people, we invest in the economic strength of our communities, and we invest in the international competitiveness of our Nation.

That is why I have always believed that all three levels of Government—local, state, and federal—should work together in the area of education. That is why I believe that the Federal Government can be a constructive partner in education. And that's why I believe this tax bill falls short of our responsibility to our nation's children and to our nation's future competitiveness. The stakes for our country, and all who live here, couldn't be greater.

Despite these stakes, the tax bill we debate today still falls short in its investment in education. In addition to the concerns expressed by my friend from New Mexico, I am particularly concerned about the inadequate level of school construction assistance provided in this bill.

Mr. President, we know that 14 million children attend schools in need of extensive repair or, in some cases, complete replacement. We know that 7 million attend schools with safety code violations. And we know there are thousands and thousands of trailers in use because of school overcrowding—over 3,000 in Virginia alone. Loudon County, Virginia, Mr. President will need to build 22 new schools to accommodate its enormous growth in student population. My home county of Fairfax, VA has capital needs of $1.2 billion over the next ten years.

But it isn't just a Virginia phenomenon; it's a national crisis.

And we have known about this crisis since 1995, when the GAO informed us that our national school repair needs total some $112 billion. We have known that we need to build and repair over 6,000 schools across the Nation. And yet we are considering a bill today which builds and renovates only 200 schools.

Mr. President, later in our debate, I will offer a motion to recommit the tax bill to the Finance Committee to force us to take another look at our priorities. I have recently introduced legislation which combines various bipartisan school construction proposals, and which I hope brings us one step closer to the compromise I know we can reach on this issue. I look forward to that debate, but for now I will simply say that Senator BINGAMAN is right: we need to pay more than lip service to our most critical societal investment—education. I thank the chair and I yield back any time remaining to the Senator from New Mexico.

Mr. BINGAMAN. Mr. President, how much time remains?

The PRESIDING OFFICER. There remains 5 minutes.

Mr. BINGAMAN. I yield the remainder of our time to the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I thank my colleague from the class of 1982. You are looking at the entire class here, Senator BINGAMAN and me. The Senator and I are the remainder of the class of 1982. We thought we were a small class then, but we have gotten smaller and we have hung on tenaciously.

One of the things we agree on is the need to provide the kinds of services to our country that we are pledged to, not only morally but by law, by laws established over a period of many years, including such services as our commitments to the veterans who fought to keep this country free, for the schoolchildren who need to get a start in life and get on with their own opportunities.

What we see today in the discussion we have just had, frankly, comes as a surprise to me, a surprise because I serve on the Budget Committee as the senior Democrat. I looked at the figures. We worked together to try to establish a plausible base, a parameter within which to work. But what I have heard is we just discovered gold. We found $500 billion just laying around. No one else knew it, but it was found.

Since arithmetic is a relatively pure science and everything has to add up, one scratches one's head and says: How did we find roughly $500 billion more? The distinguished chairman, a very wise Member of the Senate, an outstanding expert on the budget, found $500 billion that could be used to support the tax cut that is proposed at some $790 billion. Then there are interest costs on that.

What I come up with, what the numbers say, is that we wind up with a budget surplus of $32 billion—$32 billion. That is at the end of 10 years—$32 billion. The elderly, the baby boomers who are going to be retiring at that time, ought to rest easy because they have $32 billion that is going to go into helping Social Security stay a little more solvent—$32 billion that can be used for other purposes.

Mr. SARBANES. Will the Senator yield for a question?

Mr. LAUTENBERG. I will be happy to yield for a question.

Mr. SARBANES. I would like to ask the Senator about his chart about the GOP baseline, if I might.

Mr. LAUTENBERG. Please.

Mr. SARBANES. As I understand it, what the Republicans are now proposing represents a cut of over $1 trillion below—below what? Current spending levels?

Mr. LAUTENBERG. The baseline that was originally proposed by CBO was to have the caps in place until the year 2002, 3 years hence. Then it was assumed by the presentations that we have seen and that are here on the chart, that now the baseline will decline by virtue of no inflation allowable for those years after it—none, zero.

Mr. SARBANES. None whatever?

Mr. LAUTENBERG. That is right. If you do that, you take over $400 billion out of reality, out of the need to provide programs—$419 billion below CBO's capped baseline.

If you want to play with a figment of imagination, you can imagine maybe it will be less than that. Maybe we will be able to cut out the programs for veterans and the other programs that are necessary, just cut them and play pretend.

Mr. SARBANES. As I understand it, it would take a cut of about 40 to 50 percent in the program levels in order to reach that figure on the GOP baseline.

Mr. LAUTENBERG. The Senator is absolutely right. It would take a cut of 50 percent. So that is how we get there. It is a poor way to do business.

The PRESIDING OFFICER. The time of the Senator has expired. Who yields time?

Mr. THOMPSON. With the committee chairman's approval, I yield myself 10 minutes.

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

Mr. THOMPSON. Mr. President, on the amendment there are certain basic things we can all agree with about education. I think most of us realize the economic prosperity we have today has to do with our productivity. Our productivity, in turn, has to do in large part with the technological advances we have had, and that, in turn, is based upon a well-qualified workforce. The needs for that kind of workforce, that kind of background and training in the future, are going to be even greater because we are exploding with information in an information age for sure.

There is no question about that. Our economic stability and security in the long term in large part is going to depend on the education system we have. That, of course, does not necessarily equate to Federal spending on education. Unfortunately, for some years now we have seen that we have almost an inverse relationship between the amount of Federal money spent on education and the quality of education we seem to be getting. Nonetheless, we all agree there is a part of this effort that should fall on our shoulders. This amendment suggests our budget does not address this education problem sufficiently.

I think it has been a good discussion. I think it is one we ought to have. Every time I begin thinking we can have good discussion about this, I pick up something, such as the Daily Report for Executives of July 29 that is entitled, ''GOP Tax Plan Would Hurt Schools, President And Administration Aides Say.''

Clinton told representatives of Boys and Girls Nation at the White House that the Republican tax plan would eliminate funds to help 480,000 children learn to read.

On and on for other things. I know when I came to Washington, one of the main things I wanted to do was keep children from reading. We spend a lot of time, we stay up late at night, figuring out how we can keep kids from learning to read. The President is just verifying this with these young people.

I hope the President, as badly as he is misleading them, has more credibility with the young people of this Nation than I think he has.

Now we hear about cuts. We have been hearing about cuts of 30 percent, cuts of 40 percent, and now cuts of 50 percent. People must wonder what is going on. Senator DOMENICI says that is not accurate. He points out that although we have a baseline freeze after the spending caps are lifted, there is an additional $505 billion in our budget proposal that can be used for whatever discretionary spending this President and this Congress decide they want to spend it on.

How do we come up with these cuts? It is a Washington, DC, cut. A Washington, DC, cut is when you project out what you want spending to be, and then any spending that is less than that constitutes a cut. It is not a real cut. It is an increase, but it is less than what the projection would be.

If you are going by that kind of rationale, then the President is proposing cuts up to 26 percent, if you figure in his Social Security plan, because he does not really keep up with the projections that are being argued.

Go back to 1991 and project increases from 1991 up to today. Look and see what that is. It has been about 4.2 percent during that period of time. What the other side is doing is projecting that out ad infinitum. If we cut back any of those programs, even though the dollar is an increase, it is less than what they projected it ought to be, so that constitutes a cut.

The fact is, if we did what our colleagues on the other side suggest, we would lock in basically the projected increases we would have—inflation plus—we would lock those in, basically making them, I suppose, mandatory programs instead of discretionary programs. We would not do what Congress is supposed to do, and that is sit down and decide what our priorities are, what programs should be cut, and what programs should not be cut.

Obviously, many of us think some programs should be increased. We are hearing a lot now about our hospital programs, our children's hospitals, veterans, certainly military in some respects. Certainly, there are going to have to be some increases as we go along, but I think the primary point I want to make is that there are also going to have to be some decreases. There are going to have to be some cuts.

Those are the kinds of things we are going to have to decide. We cannot decide here in advance, because some projection is not reached, that we are going to cut a particular program to keep kids from reading—pick your own favorite program, the worst thing you can come up with, and say that particular program is going to be cut. That is not true. That is not accurate. That does not represent what the situation is.

Again, we have to decide what is going to be cut. We have to decide what is going to be increased, taking a baseline, taking a freeze, not including inflation, and adding $505 billion to it over 10 years.

Why do I say that some things ought to be cut? One of the things—I guess the primary thing—we are supposed to be doing in the Governmental Affairs Committee is seeing how our Government is operating. We spend an awful lot of time in oversight in that committee which I chair. We see agencies, Departments of Government, year after year come before us and they have been delineated by the GAO as prime objects of waste, fraud, and abuse. They are on the list year after year, but we keep funding these programs. We keep increasing the funding for these programs, whether they are working or not. There are billions of dollars of scarce resources diverted from their intended purposes many times in waste, fraud, and abuse.

The President in his budget does not find one agency, that I can determine, that he believes could be operated more efficiently or in which money could be spent better. All of these programs deserve an increase by definition. They are Federal Government programs. They deserve an increase. If you want to reduce funding for a Department or an agency, then you can pick the program on the other side they say you are cutting.

The honest truth is that no one knows really how much the Federal Government loses annually cumulatively to waste, fraud, abuse, and error. One reason is that most agencies do not keep track of such losses. We try to keep track for them, as best we can.

Here are a few things we have learned: The Health Care Financing Administration made erroneous Medicare payments that siphoned off between 7 and 14 percent of the overall Medicare budget, $12 billion to $24 billion, depending on which year you are talking about. In 1997, it was $24 billion. In 1998, they improved; it was only $12 billion.

The Supplemental Security Income Program—cumulative overpayments of $3.3 billion, including newly detected overpayments of $1.2 billion just last year.

The Department of Housing and Urban Development made overpayments in its rent subsidy program of almost $1 billion.

The Department of Agriculture made overpayments in its Food Stamp Program that amounted to about $1 billion, or 5 percent of the total program.

I have others here. The Federal tax debt. We have Federal tax debt and nontax debt delinquencies, money owed to the Government, not collected, of $150 billion. I have other items. I mentioned the Medicare payments.

The Department of Energy: Through 1980 to 1996, the Department of Energy terminated before completion 31 major systems acquisition projects after expenditures of over $10 billion. They spent $10 billion and then terminated the projects; $10 billion was essentially wasted.

Defense contract overpayments: No one knows how much the Government overpays each year in contracts for goods and services. However, during the recent 5-year period, defense contractors returned $4.6 billion in overpayments to the Department of Defense.

Earned income tax credit, $4.4 billion.

I mentioned SSI.

Student loan defaults, $3.3 billion.

Food stamp overpayments, rent subsidy.

A total of $196 billion.

I yield myself another 5 minutes.

Mr. President, $196 billion, and that is just on the waste, fraud, and abuse side. This is what is going on with regard to our Government now and these agencies across our Government.

Look at the cross-cutting and the duplication, the hundreds of programs that are all designed to do the same thing. The left hand of Government does not know what the right hand is doing. No one is taking action to sort through this morass to find out which programs are working and are not. They keep being refunded every year at the full amount or an increased amount.

According to the GAO, in program area after program area, unfocused and uncoordinated cross-cutting programs waste scarce funds, confuse and frustrate taxpayers and other program customers, and limit overall program effectiveness.

Last year Congress tried to address the number of education programs. We are all for education. We are all for spending education money wisely. We have $505 billion of discretionary spending set aside, some of which we can spend on education. But we found out there were 39 Federal agencies running more than 760 education programs at a cost of $100 billion a year. Is that effective use of taxpayers' money?

One example is homelessness where 50 Federal programs, run by eight agencies, seek to provide services to homeless people. We have eight agencies—the Departments of Agriculture, Health and Human Services, Housing, Urban Development, Education, Labor, Veterans Affairs—and two independent agencies—FEMA and the Social Security Administration—all running these programs, overlapping, duplicating with $1.2 billion in obligated funds addressing the homeless. GAO found these programs provide many of the same services, such as housing, health care, job training, and transportation, and more than 20 programs operated by four different agencies, offsetting housing, such as emergency shelters, transitional housing, and other housing assistance.

In another report, the GAO identified 26 Federal grants at a cost of approximately $28 million that exist to help evaluate the effectiveness of various school-based violence programs. I know that is something that the Presiding Officer and I have talked about many times, as to how we get our arms around this. But $28 million to evaluate these violence programs in schools, to see which of them are doing any good? At least three Federal Departments—Education, Health and Human Services, and Justice —support school-based violence prevention research and programs.

However, GAO found that these individual Departments have not mounted a comprehensive strategy for addressing school violence. They are just all kind of out there doing their own thing—getting some money, coming to Congress, saying: My goodness, you can't cut back on this. You have to give us some money. We fund these various programs that are all out there doing their own things—uncoordinated—obviously, wasting a good deal of money.

It is not that you do not want the effort made; it is that you want to have the effort made with a little common sense and not take people's hard-earned money and throw it down a rat hole.

We have a fragmented Federal approach to ensure the safety and quality of the Nation's food. As many as 12 different agencies administer over 35 inefficient programs, putting the American public at greater danger of foodborne illnesses. But there have been virtually no decreases for nonmilitary discretionary programs in the President's budget.

This is supposed to be part of our job. That is why we passed the Performance and Results Act. These agencies are now supposed to come to us in Congress and tell us of the effectiveness of their programs. I assume that because we want that information, we want to do something with it, and what we want to do with that information is not use it to continue to fund these Departments that are wasting money and permitting fraud to be perpetrated upon us to the tune of billions and billions of dollars.

Some of these programs are mandatory spending programs. Some of them are discretionary spending programs. But it is all money that would have been in those Departments had it not been siphoned off, had it not been stolen, had it not been wasted. It would have been reflected in the budgetary requests when they came before us. The requests would be less, and we would be giving them less money if they were operating halfway the way they are supposed to.

My point is, again, this idea that our friends on the other side of the aisle have, that they want to have this projected rate of increase that we can't deviate from at all, is a notion that would go against every basic precept of efficiency and the proper functioning of Government.

I yield myself another 3 minutes.

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

Mr. THOMPSON. We need to, as we go along, take that $505 billion that our budget sets aside for these programs and have every one of them come up here and justify themselves. Some of them need increases. Some of them need cuts. In my opinion, some of them need total elimination, and I make no apologies for that.

But the idea that we are cutting this, and we are cutting that, and we are going to keep people from reading, the President of the United States telling these young boys and girls that we are going to cut 480,000 children from learning to read, that is kind of a new low. We do not know really what to do any more with this stuff. The first thing you do is get kind of angry, and then you are just kind of sad, shaking your head, that that sort of stuff is coming out of the White House.

So let's get back to the facts. Let's get back to reality. We can have a good debate as to how much money we ought to spend on these programs. That is what we ought to do. But let's not try to convince the American people that we have made a determination that somewhere in our budget we are cutting kids off from learning to read or that we are doing any of these other things—any of these other scare tactics that are always used by people who think that the American people are not quite as smart as they really are.

I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Several Senators addressed the Chair.

Mr. ROTH. I yield 10 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. I thank the Chair and thank the chairman for yielding me time.

I rise to talk about two amendments—not the Bingaman amendment—two amendments that I have added to the list of 100-some amendments. I hope that we can accept one of them. We are working very hard to get that done. I have agreed to enter into a colloquy with the chairman on another one. I would hope that we will work in conference.

THE AMERICAN COMMUNITY RENEWAL ACT

The amendment that I have agreed to enter into a colloquy with the Senator from Delaware on is the American Community Renewal Act. The American Community Renewal Act is part of the House bill. It was one of the centerpieces of the House bill and one that I very strongly support as chairman of the Renewal Alliance, which is a group of Senators and Congressmen who have been advocating nongovernmental solutions to the problems that face our inner cities and impoverished rural areas.

It is important for us, when we pass a tax bill that provides tax relief to taxpayers, as we should, that we look to those who do not pay taxes and see what we can do to help lift them into the sometimes beleaguered status of taxpayers.

It is important for us to be able to reach down into those communities that are struggling. I have many of them in my State. We work very hard in communities, from Philadelphia to smaller towns like Chester and McKeesport, and work with community groups, nonprofits that are out there trying to make a difference, working with the local officials in trying to provide economic opportunity, as well as cultural renewal for the communities that are in blight.

The American Community Renewal Act, I believe, is the right message for those communities, is the right direction, and that is through empowerment and through working with the local faith-based and local community development organizations, helping them pull themselves out of the difficult situations they find themselves in.

The American Community Renewal Act has two parts. No. 1, it provides for a charitable tax credit. This is a State-based tax credit. It allows for Federal block grant funds to be used by States to provide a tax credit to individual taxpayers who give money to nonprofits that spend over 75 percent of their money helping low-income individuals. So this is a way for the Government, instead of spending more money on Federal or State programs, to take the money that the Federal Government gives to run Federal programs and say: Let's give it directly, unaltered, untainted, directly to those organizations—many of them faith-based—that really are out there on the front line, compassionate organizations that are out there across the table from people who are in need, people who have problems.

They are not behind a bulletproof glass at a welfare office passing out checks if you have the right number on your card. These are people who are in the trenches who are making a difference, who are transforming lives every single day, and doing it not because they get paid to do it or because there is a Federal law they have to do it; they do it because they love their neighbor.

Those organizations have been lifted up recently by the Vice President, by Governor George Bush, and many others running for President. They are lifted up because they found that—you know what?—faith works. There is a very utilitarian reason to do this—it works best; it is cheapest—but that is not the best reason. The best reason to do this is because it transforms lives. It does not just give people a better job or get them off drugs. It transforms their spirit, which is the best thing needed in America's poorest communities.

What we do with the charitable tax credit is, I believe, the most transformational thing we can do in this tax bill.

The second part of the American Community Renewal Act targets not the soul but the economy. How do we create jobs so when we transform people they can get into productive work, not taking a bus out to the suburbs to work in a mall, but transform their own communities with home ownership and economic opportunity and entrepreneurial investment.

We provide for 100 renewal communities, targeted with progrowth incentives, tax benefits, regulatory relief, savings accounts, brownfield cleanups, a comprehensive approach to inner cities. And at least 20 percent of these communities have to be in rural areas. This is in the House bill. This is where the House stepped up and said, yes, we are for tax relief. We have overpaid, but we will not leave any American behind. We are going to reach down and make sure every American has the opportunity to be a taxpayer, to contribute to the economic future of this country.

A renewal community must do some things. It is not just a handout to the community. They have to commit to reduce local tax rates and reduce fees within the zones. So yes, we are going to provide some incentives, but they have to do the same. They have to partner with us. The States have to eliminate State and local sales taxes, waive local and State occupational licensing regulations and other barriers to entry for entrepreneurs in these poor communities where it is so hard.

It is a lot harder to put up a store front in an area where crime is high, where the services are not as good, than it to set up one in the suburbs. It is a lot more expensive. It is harder to get employees, harder to maintain security, harder to get people to come into your establishment. So they need some help. This is the kind of help we want to partner with. We will provide some incentives, the locals, the State. It is a partnership. Let's really work together to make this happen.

I fervently hope when we bring this bill out of conference that the American Community Renewal Act will be a part of that so we show, as I believe this bill does, show that we care about all Americans in providing relief, yes, tax relief, but relief from the difficult times that many Americans are going through in our inner cities and poor rural areas.

The second bill I am going to be talking about, which we have introduced and I hope we can get adopted, is a very simple provision.

Before I start, in this bill—I congratulate the chairman—is a raising of the low-income housing tax credit allocation. The current cap, $1.25 per capita per State, was established in 1986 and has never been raised. Due to inflation, credits under the current allocation have lost about 50 percent of their value. The chairman's bill raises the allocation to $1.75 per capita over a 5-year period. The low-income housing tax credit is the largest and, I think, most efficient housing program because it marries public and private resources of production in rehab of affordable housing, rental housing that we have in America. It is a tremendous success.

My amendment to the chairman's bill is based on legislation which raises the cap and indexes it for inflation. This legislation already has 70 cosponsors in the Senate. The only piece left out of the chaiman's bill is an indexing of that per capita allocation from the year 2006 on. That costs a whopping $43 million, not a big ticket item. And frankly, we pay for it. In fact, as the chairman will be delighted, we more than pay for it in the amendment that we have. So there is extra money around for other things that may be done. We think this is a high priority.

We think, again, we have to provide affordable housing. This is a program that works. This is a program that has bipartisan support and something that can say to people, as we have in this bill already, say to people who may not be big taxpayers and get big tax relief that we are going to provide some relief in the form of better affordable housing, more affordable housing for those who may not be taxpayers now but hopefully, through the efforts here in reducing taxes, getting this economy—not getting it but continuing this economy to grow in the future, we will participate in that.

This is one of those step-ups, by providing quality, affordable private housing, rental housing, which has, again, been an incredibly successful program.

I hope, again, that we can include the amendment on the low-income housing tax credit in this bill and go to conference with that here in the Senate bill. Secondly, I implore the chairman that when we get to conference to include the American Community Renewal Act to make sure that every American has the opportunity to rise.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Mr. President, I yield 10 minutes off the bill to the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. I thank my friend and colleague from Montana.

Mr. President, tomorrow I will be offering an amendment on behalf of myself and Senator FEINGOLD. This amendment is very simple. It directs the Finance Committee to change the bill so that it does not raid Social Security surpluses in any year to pay for tax breaks.

The motion stands for a very simple proposition. Social Security surpluses should be used for Social Security, not for broad-scale tax breaks that primarily benefit special interests and wealthy individuals, not for tax breaks that disproportionately benefit the wealthy, not for anything that would make it more difficult for baby boomers and other Americans to enjoy a secure retirement.

This ought not to be a controversial proposition. After all, both parties have been arguing along the same lines for most of this year. Democrats created a lockbox to prevent Social Security surpluses from being used for other purposes and to protect Medicare, and the Republicans vowed to support that concept. But actually, the lockbox proposal that was introduced by the Republicans has a huge loophole and does nothing for Medicare.

Medicare is perhaps the most important program that exists in this country. Medicare is for the elderly. Medicare is the one program that people have to have standing by in case an illness strikes, which is an occurrence that is not infrequent when one reaches 65 or retirement age. Medicare can prevent a catastrophic illness, but also can prevent a catastrophic financial problem. So we support extending Medicare for as long as we possibly can, and the projection now is that though Medicare would be insolvent in 2015, we see an opportunity to extend it to 2027.

There did seem to be broad agreement from both parties that Social Security surpluses should not be touched for any other purpose, that they should be used only to reduce publicly held debt. I was surprised, to put it mildly, to discover that the Republican tax bill before us actually spends Social Security surpluses. Deny it they might— and one need not be a mathematician; the arithmetic is pretty simple to see— but, in fact, the bill before us spends Social Security surpluses in each of the second 5 years after the bill's enactment. It starts in 2005.

This chart explains the problems. Consider, for example, what happens beginning in 2005 under this legislation. The non-Social Security surplus that year will be $88.6 billion. But this bill, the way it is laid out, would cost $89.9 billion. In other words, this bill would use $1.3 billion in Social Security surpluses that very year, 2005, not a long way away. But the damage doesn't stop there.

This legislation would increase debt, and that would lead to higher interest costs. In 2005 alone, these additional interest costs would eat up another $10.9 billion of Social Security surpluses. So the raid on Social Security that year would equal $12.3 billion. This is after the promise that Social Security is sacred: Touch not a hair on that Social Security reserve that we are saving for the elderly, which we promised them would be theirs. When we finally have a chance to guarantee its solvency, that promise, frankly, was an empty promise.

Look at the numbers. If you consider both the direct revenue losses and the additional interest costs, this bill would raid Social Security surpluses in each of the second 5 years after enactment. We are talking about 10 years from now. The raid in 2006 would take $5.7 billion. That would increase to $10.2 billion in 2007, to $24 billion in 2008, and $23.4 billion in the year 2009.

This is inconsistent with the Republicans' own lockbox. It would violate a principle that is meant to protect all Americans who are depending on Social Security for their retirement. These are people who spend their lives working hard, playing by the rules, contributing their FICA taxes to the Social Security trust fund. In fact, millions of seniors depend on Social Security just to make ends meet, no luxury included there. Many of these people have high medical expenses. It is a natural phenomenon. Thank goodness we are living longer, but in that living illnesses do occur. Some have trouble getting around; they are physically impaired. Many are really struggling. It is Social Security that keeps them out of poverty. For these people, saving Social Security is not just an abstract principle, a slogan; it is critical to their very existence.

That is important to remember. It is important to remember that the number of Social Security beneficiaries will grow by 37 percent between now and 2015. By 2014, Social Security taxes will no longer be sufficient to cover monthly expenses. So we need to prepare. At a minimum, that means not using Social Security surpluses for anything else.

I know how my friends on the Republican side will react to this. When confronted with these numbers, they will have to admit that this bill spends Social Security surpluses. But that is not really a problem, they will say, because years and years down the road Congress will somehow or other cut programs such as education and the environment to make up the difference.

That is an empty promise, an empty lockbox, it is completely unenforceable, and it has zero credibility. Consider how deep these cuts would have to be. Let's assume the Republican Congress funds defense programs only at the levels proposed by President Clinton. After 10 years, domestic needs—everything from education, to environmental protection, to the FBI— would have to be cut by roughly 40 percent. Is that credible? A 40-percent cut in student aid? A 40-percent cut in health research? A 40-percent cut in veterans' programs? That always gets to me because the promises made when they are recruiting, when people sign up, are that we will make sure you have medical care through the rest of your life—except they cut the funding.

There may be a few Republicans who would support cuts such as that. But there is no way cuts that size would ever win a majority. It would be foolish to assume otherwise.

My motion is simple. It tells the Finance Committee to go back and fix this bill so that it doesn't use Social Security surpluses in any year, bring it back to the Senate within 3 days, and then let's consider it. I don't think it is asking much. It is not going to hurt anybody if the Senate waits another 3 days before resuming work on this bill. But lots of people will be hurt if the Senate abandons its principles and uses Social Security surpluses for tax breaks that disproportionately benefit the wealthy and special interests. That would be a serious mistake.

I urge my colleagues to support this motion when it is in front of you. Let's fix this bill and protect Social Security surpluses. Let's keep the promise we made to the baby boomers, those who will be retiring, that Social Security will be extended as far as we are physically able to do so.

I yield the floor.

Mr. ROTH. Mr. President, I yield the remaining 6 minutes we have on the amendment to the Senator from New Mexico.

Mr. DOMENICI. Mr. President, there won't be time tomorrow to say what I am saying tonight. That is why I came down. I congratulate the Senator from Delaware, Senator ROTH, and the Finance Committee for a fine job.

First of all, I am kind of infuriated, but I will keep my emotions down. The President of the United States has gone beyond what anybody would believe when today, in front of a bunch of young people, he as much as said the Republican plan will make sure you don't even learn how to read. That is disgraceful because the truth of the matter is, if the Congress wants to spend more money on education after this tax cut, there is plenty of money to do it. If the President is persuasive enough next year, he can get more money for education because there is more money to spend.

The second thing is not at that level for me, but Senator LAUTENBERG is just flat wrong. Do you know who was spending the Social Security surplus? The President was. In fact, he even sent to us his first proposal and said, only save 62 percent of it, spend the rest of it. He said, we will save it over 15 years, so don't worry year by year about putting it in the trust fund. We challenged him on that. He came back in his midsession review and said: Republicans, you are right: Let's put 100 percent in. So we put 100 percent in the lockbox, into security. So I don't understand what Senator LAUTENBERG is talking about.

Having said that, let me talk about this bill because it is a very masterful bill, considering where we are. First, there is no question that marriage, saving for retirement, and dying should not be taxable events as we enter the new century. If there is anything we have learned, it is that we need to enhance and praise marriage, not punish it. We need to encourage saving for retirement, and we should not tax the event of dying. Isn't it wonderful that we have fixed all of those to a great extent in this bill? What is the matter with that?

Mr. President, that is what you are going to be vetoing when you veto this bill.

Alternative minimum tax. That is, the alternative minimum tax should not turn the child care credit, education credit, HOPE education tax credit, and foster care credits into phantom tax relief, not worth the paper they were written on because an old alternative minimum tax, adopted during the oil boom, would make these credits unusable, so when you hear these funny words, ''Let's fix the alternative minimum tax,'' it is hundreds and hundreds of thousands of middle-income Americans who thought we gave them an education credit, who thought we gave them a child care credit, only to find that now the alternative minimum tax takes it away. That has been fixed.

Taxes are too high if measured by what is needed to fund the Government. They are too high if measured historically. The average family is paying twice what they paid in 1985. The tax burden is 54 percent heavier when measured from President Bill Clinton's first day in office to the end of 1999. He may take a lot of credit for other things, but that is a fact. Despite these record increases, the administration's 2000 budget proposes another $170 billion in new taxes. Unbelievable.

Broad-based tax relief. The Senate bill starts off with broad-based relief, lowering the bottom brackets for everyone in our families across America, and then in the bill, after lowering the rate to 14, they raise the brackets by $10,000. That means that millions more Americans will be paying the lowest possible rate.

This bill provides significant family relief, although not as much as my good friend from Texas would like on the marriage penalty.

I ask our seniors across America, as the President tries to frighten them into thinking we are harming them on Medicare and Social Security when that is not the truth, wouldn't you like it if your sons and daughters who are paying a marriage penalty because they are married are treated like other citizens instead of punished? I believe senior citizens would be very grateful for that for their children—the millions across America.

Child care: I think the seniors who they are trying to frighten to death because they want an issue and not a solution would be thrilled to know that Chairman BILL ROTH and his Finance Committee made it easier for their grandchildren to be taken care of under child care and the enormous costs that it imposes on a family. We have made it more accessible, and we have made more advantageous tax laws.

Their Tax Code is notorious for giving a tax break on the one hand and then taking it away on the other. That is the alternative minimum tax, and it works in that fashion. This bill that has been put before the Senate protects the child credit, and it protects education credits.

Mr. President, and fellow Senators, there is much more that can be said about it. I suggest that this bill will do more for millions of Americans.

Taxes are too high if measured by what is needed to fund government.

Taxes are too high if measured by historical benchmarks. The average family is paying twice what they paid in 1985.

The tax burden is 54 percent heavier when measured from President Clinton's first day in office to the end of 1999. Despite these record increases, the Administration's 2000 budget proposes another $170 billion in new taxes.

The Senate bill starts out with broad-based tax relief. Lowering the bottom bracket gives a tax cut to every taxpaying family. The bill lowers the rate to 14 percent. I would have liked to see it go even lower.

The bill also widens the lowest bracket so that more people can earn more money without being forced into the 28 percent bracket. This change will return 4 million Americans to the lowest bracket. It will return 151,000 New Mexicans to the lowest bracket and at the same time another 83,000 New Mexicans will see their taxes cut.

This bill also provides significant family tax relief.

Saying ''I do'' at the altar has meant paying on average $1,400 more on April 15. Marriage shouldn't be a taxable event. This bill corrects this inequity for 19 million American families.

As more and more women have entered the work force, one of the fastest growing family expenses is child care. In New Mexico, the annual cost can run from $3,133 to $5,200 per child. This bill increases the child care credit from 30 to 50 percent for families earning less than $30,000, and expands the eligibility for the credit to all families. With the credit increase and the eligibility expansion, as many as 68,000 New Mexico families will be eligible for either a bigger credit or first-time eligibility.

The tax code is notorious for giving a tax break with one hand and taking it way in the other. The Alternative Minimum Tax, AMT, works in this fashion. This bill protects the child care credit, education credits, day care and other norefundable tax credits from being rendered unusable by the AMT. When the AMT was created in 1986, 140,000 people had to pay it. But by 2008:

There will be 40.6 million Families eligible for dependent child credits but 24.8 million of those families would receive zero or less than the full credit as a result of the AMT.

There will be 49 million familes with nonrefundable credits—all credits except EITC—and 33.9 million of them will receive zero or less than the full credits as a result of the AMT.

There will be 16 million families eligible for HOPE and lifetime learning credits, but 11.3 million would receive zero or less than the full credits as a result of the AMT.

The bill recognizes that all family expenditures are not equal. This tax bill recognizes that education is important and provides $12 billion over ten years in tax relief. The bill includes education savings accounts to help 14.3 million families. Seventy percent of these education tax benefits goes to families with incomes less than $75,000. It makes employer provided education assistance permanent. In this ever changing technology-driven world, it is essential that workers pursue life long learning and complete graduate degrees. The bill also makes it easier and cheaper for school construction. There are more than 1,700 schools in New Mexico that I hope will be helped by this initiative.

In New Mexico there are 331,815 public school students. It would be wonderful if New Mexican—parents and grandparents started as soon as this bill is signed into law to open an account for each of these 331,815 children. There would be no better investment in America's future and these education accounts should help families meet that goal.

When it comes to health care, the Tax Code doesn't discriminate based upon who you are, but rather upon who you work for. Families shouldn't receive disparate tax treatment determined by who you work for. It isn't fair that one worker has health care purchased with pre-tax dollars; while the sole proprietor or the employee of a small business has to pay for health care with after-tax dollars.

This bill provides 100 percent deductibility for health insurance for the self-employed. It also provides an above-the-line deduction that will phase in from 25 percent to 100 percent for every taxpaying American family. There are 43.3 million uninsured people in America, plus 10.2 million who have access to health insurance but decline to participate because of the high cost. This is a big problem in New Mexico. There are 340,000 uninsured New Mexicans where someone in the family works.

The bill provides generational equity by providing a child care and a long term care credit. One in four families care for an elderly relative. This bill provides a tax credit and an extra exemption for the in home care giver.

Expensing is the most efficient way of reducing the cost of capital for new investment. The bill provides $5,000 worth of new efficiency for every small business by increasing the amount that can be written off in the year the investment is made. A tax policy that allows capital investments to be deductible in the year they are made maximizes productivity, economic growth and job creation. When a company doesn't have to calculate depreciation it saves 43 hours a year in tax preparation. If we adopted a system of expensing we could save 106 million hours a year in tax and recordkeeping. We would also lower the cost of capital by about one-third.

This bill takes significant steps to reduce the estate and gift tax . The bill would lower the top rate to 50 percent, double the gift tax exclusion and get rid of the generation skipping transfer tax which can impose taxes as high as 80 percent when a gift is left to a grandchild.

Milton Friedman said and I agree, ''The estate tax sends a bad message to savers, to wit: that it is o.k. to spend your money on wine, women and song, but don't try to save it for your kids. The moral absurdity of the tax is surpassed only by its economic irrationality.''

The death tax is also one of the most unpopular taxes. While most Americans will never pay it, 70 percent believe it is one of the most unfair taxes.

Its damage to the economy is worse than its unpopular reputation. The Tax Foundation found that today's estate tax rates (ranging from 18 to 55 percent) have the same disincentive effect on entrepreneurs as doubling the current income tax rates. NFIB called it the ''greatest burden on our nation's most successful small businesses.''

This bill makes a major stride. It makes the R&E credit permanent.

With a $3.2 trillion surplus, the only responsible, legitimate course of action is a tax cut.

Foolish are they who argue against tax cuts. They say to working families, ''I know what to do with your money better than you do. Give it to me so I can spend it for you.''

The tax burden is high. People work until May 11, of each year to pay their taxes. It is the highest tax burden since WWII. People pay more in taxes than they spend on food, shelter and education.

The Senate tax plan is an excellent plan that moves us toward lower, flatter, simplier taxes. It moves our tax system toward taxing income that is consumed and not income that is earned, saved and invested.

It's the same old debate: one party wants to give the money to programs; we want to give the money to people.

A government big enough to give you everything is a government that takes everything away with a big tax bite. I can't imagine anything more frightening to the average taxpayer than the sight of grand government schemer rushing towards a trillion dollar pile of extra tax payer dollars.

Republicans say it is the best of times for a tax cut; the Democrats say it is the worst. Everyone quotes Chairman Greenspan. When Greenspan is deciphered the oracle is that a tax cut is better than spending all the money.

If the surplus were a dollar 2 quarters would go for Social Security reform; one quarter for high priority spending —education, research, and defense.

With the first three quarters we can save social security, reform medicare, provide adequate funding for domestic and defense spending and pay down the national the debt.

The remaining quarter is for tax cuts.

The Taxpayer Refund Act before the Senate is the best of plans. It lowers rates. It encourages savings. It eliminates the worst of a bad tax code by eliminating the marriage penalty; killing the death tax and ending the Alternative Minimum tax to rescue the full benefit of the child care, foster care, education, and other needed tax credits for families who otherwise unavoidably would end up in the AMT.

If not tax cuts now, then when? The Democrats say—not ever.

I say, If not tax cuts now, then what? The President's plan answers: Spend it all. Grow government!

The Senate plan is synchronized to our business cycle and the condition of the economy. Congress' budget allocates 75 percent of the projected surpluses over the next 10 years for paying down the debt. This ensures our long-term fiscal virility.

Even with our tax cut, our surpluses will climb steadily as a share of GDP and our national debt will be paid off—falling dramatically from 40 percent of GDP this year to only 12 percent by 2009. our plan lowers the level of debt more than the President's plan, keeps government from growing out of control and gives the American people some of their hard earned money back in the form or a well-thought out tax cut.

The PRESIDING OFFICER. All time has expired.

Mr. DOMENICI. I yield the floor.

Mr. ROTH. Mr. President, I ask that we temporarily set aside the amendment before us.

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

Mr. ROTH. Mr. President, we are now opening up to the next amendment.

The PRESIDING OFFICER. The Senator from Texas.

AMENDMENT NO. 1472

(Purpose: To provide for the relief of the marriage tax penalty beginning in the year 2001 and for other purposes)

Mrs. HUTCHISON. Mr. President, I call up amendment No. 1472.

The PRESIDING OFFICER. The clerk will report.

The legislative assistant read as follows:

The Senator from Texas (Mrs. HUTCHISON), for herself, Mr. ASHCROFT, and Mr. BROWNBACK, proposes an amendment numbered 1472.

Mrs. HUTCHISON. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(1) On page 15, line 14, insert the following to paragraph (c):

(A) Twice the dollar amount in effect under subparagraph (C) in the case of—

(I) a joint return for married individuals not filing a combined return under 6013A, or

(ii) a surviving spouse (as defined in section 2(a)),

On page 15, line 14, insert the following new paragraph (d) and reorder the remaining paragraphs accordingly:

(d) PHASE-IN.—In the case of taxable years before January 1, 2004—

(A) paragraph (2)(A) shall be applied by substituting for ''twice''—

(I) ''1.778 times'' in the case of taxable years beginning during 2001 and 2002

(ii) ''1.889 times'' in the case of the taxable year 2003.

(2) Alternative Minimum Tax: Modifications to Section 206:

On page 32, line 3—

Strike ''1998'' and insert ''2000.''

On page 32, line 14—

Strike ''2004'' and insert ''2006.''

(3) AGI Limitations on Contributions to the Roth IRA: Modification to Sections 302:

On page 38, line 18, strike ''2000'' and insert ''2002''

(4) Gift Tax Exclusion: Modification to Section 721:

On page 236, line 11, strike all of Section 721 and insert the following new section:

''SECTION 721. INCREASE IN ANNUAL GIFT EXCLUSION.

(a) IN GENERAL.—Section 2503 (b) (relating to exclusions from gifts) is amended—

(1) by striking ''$10,000'' and inserting ''$20,000.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to gifts made after December 31, 2004.''

(5) *Charitable Contributions for Individuals Who Do Not Itemize: Modifications to Section 808*

On page 262, strike lines 15 through 17 and insert the following new paragraph:

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001 and ending before January 1, 2004.

(6) International Tax Provisions: Modifications to Sections 901 and 902:

On page 275, line 12, strike ''2003'' and insert ''2004''.

On page 278, line 13, strike ''2002'' and insert ''2004''.

Mrs. HUTCHISON. Mr. President, this amendment is cosponsored by Senator ASHCROFT of Missouri and Senator BROWNBACK of Kansas.

This is an amendment that, very simply, moves the marriage penalty provisions from taking effect in 2005 to giving an early effect starting in 2001. By beginning to phase in the doubling of the standard deduction, we give married couples relief from the marriage tax penalty that I have to say I think is the most unfair part of the Tax Code in the Internal Revenue Code that we have in our country.

It isn't that anybody ever meant to have a marriage tax penalty. Congress didn't enact one. But it was a consequence that was unintended and unexpected when there were changes in the brackets in the Tax Code. We are going to correct it with this amendment. We are going to do it earlier than is in the bill.

I think Senator ROTH and Senator MOYNIHAN did a terrific job. They had a very difficult time, particularly because they were quite responsible in saying we were not going to have tax cuts except as we have a surplus that comes from income tax deductions.

The first decision the Finance Committee made was to say: We are setting aside Social Security. We are not going to touch it.

If we were to spend the Social Security surplus, we could have a lot more tax cuts a lot faster. But they were right. They said: No, we are not going to do that. Social Security was off the table.

We have smaller tax cuts in the early years because we are dealing with income tax deductions that should go back to the people who earned it. They sent too much to Washington and we want to return it to them.

The question is, What is the most important of the tax cuts and the least we can give? Senator ASHCROFT, Senator BROWNBACK, and I believe the marriage tax penalty is the highest priority for relief.

We are offering this amendment by delaying a few of the other tax cuts until later. We don't change any of the tax cuts in this bill. We do not eliminate any of them. I support all of them. But we say the highest priority is the marriage tax penalty relief and everything else can be delayed a little bit to give hard-working American families that relief.

We are talking about a schoolteacher who makes $33,000 a year and a football coach who makes $41,000 a year. They are paying taxes, when they are single, in the 15-percent tax bracket. They get married. Guess what. They go into the 28-percent tax bracket at a time when they need their money the most.

We have almost doubled their tax bracket just because they have gotten married. Not only that, we don't even give them double the standard deduction. Instead of $4,300, and $4,300 when they were both single, they now together get $7,200. All we are going to do is phase in $8,600 in the standard deduction right up front. We are going to delay a few other things to let that happen.

In 2005, the real marriage tax penalty kicks in because that is the first time we have the money to let people file as singles when they are married. That is the best marriage tax penalty reduction of all because it eliminates it. That is simply what the amendment does.

I commend Senator ROTH for all of the effort he took to be responsible with this tax cut bill. This tax cut bill has across-the-board rate reductions that help every taxpayer in America, expands the tax brackets for middle-income taxpayers, and a number of positive pension provisions that are particularly helpful for women.

I spoke to Senator ROTH about the inequity for women in the workplace, because women have children and they have to lay off a few months. Some choose to lay off for six years until their children go to school. Some choose to lay off 18 years.

Women live longer. They are in and out of the workplace more—that is a fact—and they get penalized not only in their working years, but they get penalized in their retirement years. That is not fair.

This bill attempts to give them catchup provisions for their pensions. It is a great part of this bill. I support it totally.

We also have increases in charitable giving. This is a provision of mine that was put in this bill by Senator ROTH. It allows a person to roll over IRA contributions to charities without tax consequences. If a person has saved and done the right thing and sees that they are not going to need their IRA money, they can give it to charity without tax consequences. That is in this bill.

We are helping farmers with risk accounts in this bill, so that farmers will be able to plan and put aside money tax free until they need it in bad times. Heaven knows, the farmers of this country have seen bad times. We have $12 billion in education tax relief.

Mr. President, this is a good bill. It is a balanced bill. It has marriage tax penalty relief, but it is in 2005. That is my only real concern about the fairness of this bill.

Senator ASHCROFT, Senator BROWNBACK, and I want to phase in some of the other tax cuts a little bit further down the road and say to the 40 million American married couples who are being penalized because they are married, we believe it is the highest priority to give relief. That is what we are saying in our amendment.

How much time remains?

The PRESIDING OFFICER (Mr. ENZI). Thirty-four and a half minutes.

Mrs. HUTCHISON. Senator BROWNBACK has been a leader in this effort. We have been fighting for this for a long time. I am very pleased he is with us on this amendment. We made some tough choices, but we think it is the right priority to send.

I yield 12 minutes to Senator BROWNBACK.

Mr. BROWNBACK. I thank the Senator from Texas. She has been the leader on this issue. I am delighted to be working with her on such an important issue. I also thank the chairman of the committee for recognizing the importance of eliminating the marriage penalty. We moved this up; this is the highest priority.

I want to tell Members why I think it is the highest priority in the words of people who have been interviewed and who have paid the marriage penalties. In the Wichita Eagle on Sunday, Kyle and Lynn Schudy stated they rediscovered the cost of true love this April, April 15. Their total cost of true love came to $1,823. That is how much the extra income tax was for this Prairie Village couple in their early thirties. That is what they paid last year because they are married and filed jointly instead of single and living together. They found that was the cost of true love.

I don't know that we can make a much better case for eliminating the marriage penalty than the voices across America who have stated what they are paying in this marriage penalty.

Listen to this from Tennessee:

> My wife and I got married on January 1, 1997. We were going to have a Christmas wedding last year but after talking to my accountant, who saw that instead of both of us getting money back on our taxes we would have to pay in. So we postponed it. Now after getting married we have to have more taken out of our checks just to break even and not get a refund. We got penalized for getting married and that is not right.

I don't know that it can be any clearer than what some of these families have said.

From Maryland, Mark Patterson:

> My wife and I decided to have a family and get married. All we were concerned about was the love we had for each other.

That sounds like a pretty good start.

> After 8 years of marriage and two children we found all we worry about now is how to come up with enough money to put a roof over our head, eat and have good day care for our children. I am sick about the huge chunks of money taken out of every pay check by Uncle Sam just because we are married.

Mr. SESSIONS. Will the Senator yield for a question?

Mr. BROWNBACK. If he will state his marriage penalty, I yield.

Mr. SESSIONS. I received a communication from an individual who was divorced in January and found out, had they divorced in December, they would have saved almost $2,000 in taxes.

My question to the Senator: Does that mean the Federal Government is subsidizing divorce?

Mr. BROWNBACK. Some would draw that conclusion.

Clearly, we are taxing marriage. We are taxing the fundamental institution around which we build values. That is not right, as the people in the letters from across America state.

Here is another letter from Ohio:

> No person who legitimately supports family values could be against this bill of eliminating the marriage penalty. The marriage penalty is but another example of how in the past 40 years the Federal Government has enacted policies that have broken down the fundamental institutions that were the strength of this country from the start.

A woman writes:

> My boy friend, Darryl and I have been living together for quite some time. We would very much like to get married. We both work at Ford Electronics in Crothersville, IN, and make less than $10 an hour, but work over time when available and Darryl does farming on the side. I cannot tell you how disgusted we both are over this tax issue. If we get married not only would I forfeit my $900 refund check, we would be writing a check for $2,800.
>
> This was figured by an accountant at H&R Block at New Castle. There is nothing right about this after we continually hear the government preach to us about family values. Nothing new about the hypocrites in Washington. Why not do away with the current tax system?

These are voices from across America.

This is from Houston, TX:

> If we are really interested in putting children first, why would this country penalize

the very situation [marriage] where kids do best? When parents are truly committed to each other through their marriage vows, their children's outcomes are enhanced.

Yet we tax it and penalize it to the average of $1,400 per married couple of the 21 million American married couples who pay this tax.

I am sure this evolved and nobody maliciously said we will tax married couples. The fact remains, we tax marriage, and it must stop. We have the chance now to actually do that.

Another point I want to make about this: The institution of marriage in America is in serious trouble.

I ask unanimous consent to have printed in the RECORD the Washington Post article of July 2 of this year titled ''For Better or Worse, Marriage Hits a Low.''

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

[From the Washington Post, July 2, 1999]

FOR BETTER OR WORSE, MARRIAGE HITS A LOW

(By Michael A. Fletcher)

Americans are less likely to marry than ever before, according to a new study, and fewer people who do marry report being ''very happy'' in their marriages.

The report, released yesterday by Rutgers University's National Marriage Project and touted as a benchmark compilation of statistics and surveys, found that the nation's marriage rate has dipped by 43 percent in the past four decades—from 87.5 marriages per 1,000 unmarried women in 1960 to 49.7 marriages in 1996—leaving it at its lowest point in recorded history.

The percentage of married people who reported being ''very happy'' in their marriages fell from 53.5 in 1973–76 to 37.8 in 1996.

The historically low marriage rate, coupled with a soaring divorce rate, has dramatically altered attitudes toward one of society's most fundamental institutions. Although Americans still cherish the ideal of marriage, increasing numbers of young adults, particularly young women, are pessimistic about finding a lasting marriage partner and are far more accepting than in the past of alternatives to marriage, including single parenthood and living together with a partner outside of marriage, according to the report.

''Young people today want successful marriages, but they are increasingly anxious and pessimistic about their chances for achieving that goal,'' said Barbara Dafoe Whitehead, co-director of the National Marriage Project.

Funded by Rutgers in conjunction with several private foundations, the project is a research institute that tracks social indicators related to marriage—an area of study its directors contend is frequently overlooked.

''Nobody is focusing on marriage,'' said David Popenoe, the project's other co-director. ''It is not in the national debate.''

Rather than directly examining Americans' attitudes toward marriage, researchers have tended to focus on the flip side of the coin, tracking social trends such as the increases in divorce, out-of-wedlock births and single-parent households over the past two decades. In the immediate post-World War II generation, 80 percent of children grew up in a family with two biological parents. That number has dipped to 60 percent.

Before declining slightly in recent years, the divorce rate had soared more than 30 percent since 1970. Today, nearly half of U.S. marriages are projected to end in divorce or permanent separation.

These changes have ignited a national grass-roots movement to discourage divorce and promote marriage. Many states are reexamining their no-fault divorce laws, and at least two states, Louisiana and Arizona, have instituted ''covenant marriages,'' which require marriage counseling if a relationship falters and narrowly restrict grounds for divorce. ''Marriage education,'' a term that entered the national lexicon less than a decade ago, has become a growing concern.

Last year in Florida, legislators passed a law requiring marriage education skills to be taught in high schools. In addition, adults preparing for marriage in Florida receive a substantial discount on their marriage licenses if they choose to take a marriage education course.

''People are so distressed about the state of marriage in America,'' said Diane Sollee, founder of the Coalition for Marriage, Family and Couples Education. Her District-based group is hosting a conference in Arlington this week that is being attended by 1,000 people seeking marriage education training.

''We think about marriage counseling in terms of therapy,'' she added, ''But we realize that we can teach skills to people to make their marriages strong. What distinguishes marriages that go the distance from those that end in divorce isn't whether couples disagree, but certain behaviors between them.''

The National Marriage Project report blames the declining marriage rate on people postponing marriage until later in life and on more couples deciding to live together outside of marriage. According to the report, nearly half of people ages 25 to 40 have at some point set up a joint household with a member of the opposite sex outside of marriage.

As a result, the report's authors argued, marriage is no longer the presumed route from adolescence to adulthood and has lost much of its significance as a rite of passage. Moreover, marriage is far less likely to be associated with first sexual experiences, particularly for women, the report said. Whereas 90 percent of women born between 1933 and 1942 were either virgins when they married or had premarital sex only with their eventual husbands, now more than half of girls have sexual intercourse by age 17, and on average they are sexually active for about eight years before getting married.

These changes in marriage patterns have contributed to new attitudes toward the institution. Although the percentage of teenagers who said that having a good marriage and family life was ''extremely important'' to them has increased modestly in the past two decades, the percentage who said they expected to stay married to the same person for life has decreased slightly. More dramatically, the percentage of teenage girls who said having a child out of wedlock is a ''worthwhile lifestyle'' increased from 33 percent to 53 percent in the past two decades.

Whereas the report's findings led its authors to conclude that ''the institution of marriage is in serious trouble,'' other researchers who track marriage trends said there also was reason for optimism. For one, they note that demographers predict that 85 percent of young people will marry at some point in their lives, a substantial figure, even though it is smaller than the 94 percent that pertained in 1960.

''There is some evidence that marriage is in trouble,'' said Kristin Moore, senior scholar for Child Trends, a nonprofit research organization that tracks trends in family and child well-being. ''But there is also much evidence that marriage remains highly valued.''

Mr. BROWNBACK. It says:

Americans are less likely to marry than ever before, according to a new study, and fewer people who do marry report being ''very happy'' in their marriages.

This report, released yesterday by Rutger University's National Marriage Project and touted as a benchmark compilation of statistics and surveys, found that the nation's marriage rate has dipped by 43 percent in the past four decades. . . .

We have a chart of the result from the Rutger study. In 1960, per 1,000 women age 15 and over, between 85 and 90 percent per year were getting married, and now it is below 50 percent, a 43-percent fall-off in people getting married.

The writers of the study stated this about the institution of marriage, the foundational unit upon which we build family values and pass them on to the next generation:

Key social indicators suggest a substantial weakening of the institution of marriage.

This is serious. I daresay that probably in this next Presidential campaign, ''family values'' may be the two words said most often as we worry, fret, and are concerned about what is happening to our children and our society and in this culture.

Can anybody in this room, in this august body, therefore say it is OK to tax the fundamental institution that helps most in building family values, that we tax the U.S. institution of marriage, that we make 21 million American couples annually pay on average to the tune of $1,400 just for the privilege of being married when we are so worried about the values in the country? How can we vote against this?

I am delighted the chairman has put this in the bill. I am happy we are trying, and I hope we will be successful, in moving this up earlier, so once and for all we can stop taxing the institution of marriage. We have to stop doing that.

When marriage as an institution breaks down, children suffer. The past few decades have seen a huge increase in out-of-wedlock births and divorce, a combination which has substantially undermined the well-being of children in virtually all areas, all places of life.

Some people can struggle heroically and help build up the families, and certainly nobody is here to castigate others. We are saying this is a tax that is wrong. It is wrong for virtually every reason. It taxes a fundamental family-value-building institution. It penalizes people whom we should be rewarding. Study after study has shown children do best when they grow up in a stable home, raised by two parents who are committed to each other.

Newlyweds face enough challenges without paying punitive damages in the form of the marriage tax. The last thing the Federal Government should do is penalize the institution that is the foundational unit of passing on to the next generation morals and family values, and yet we do it. We have done it for a number of years.

We must give the people back a tax cut. I will support the overall effort to give back in tax cuts the nearly $800 billion. I think we should do that. But clearly our top priority in this effort must be eliminating this bad—this worst tax that we have, worst for its effect on the institution of marriage. We must give the American people the growth rebate they deserve and return this overpayment. The first tax we must cut is this marriage penalty tax. It is going to be expensive. It is important. It is expensive to couples who pay this tax all the time, on average $1,400 per year per couple.

With that, I have a number of other things to share, but I think it is simply time we do away with this tax. I am delighted to join the Senator from Texas and the Senator from Missouri in their efforts, in our efforts to do this. I applaud the chairman for building this into the tax cut. I am hopeful we can do this earlier. I would like us to even do income splitting. We are not going to be able to do it today. With that, I yield back to the Senator from Texas.

Mrs. HUTCHISON. Mr. President, I say to the Senator from Kansas that we can do income splitting down the road as well because, in fact, it is very important that we give every married couple the best shake we can give them; that treats them totally fair. Whether they are a two-income-earner couple or a one-income-earner couple, we want them to have the same treatment that they would have under any other circumstance.

So I do support income splitting. I think after we get the money accumulated in the surplus we will be able to give them much more relief, real relief, in fact elimination of the penalty. That is the goal of all of us.

I yield 12 minutes also to Senator ASHCROFT. Senator ASHCROFT has been fighting along with Senator BROWNBACK and myself, side by side, on this issue. Ever since he came to the Senate it has been one of his highest priorities. I am so appreciative that he has been the stalwart soldier on the marriage tax penalty that he has because I think we are going to win this victory in the end.

I yield 12 minutes to Senator ASHCROFT.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. ASHCROFT. Mr. President, I thank the Senator from Texas for her leadership in this respect. She has understood the challenge, the special challenge that comes to families as a result of this pernicious discrimination in our Tax Code. She has fought long and hard for its removal. I am honored to be a participant as a cosponsor of this amendment with her and Senator BROWNBACK.

I also thank the chairman of the Finance Committee, Senator ROTH, who understood the fundamental value that is expressed in neutralizing the tax policy toward families. I say ''neutralizing.'' I really mean that, in the sense that we have been at war with families in our Tax Code. Mr. President, 21 million American couples, 42 million Americans, are spending an average of $1,400 per year more, each couple, because of the marriage penalty. It makes it tough for that couple to make choices that they ought to be able to make to benefit their families. So I thank the chairman of the Finance Committee, Senator ROTH, for placing this in the bill, for seeing to it that this category of remediation, this effort to repair an injury to the very fabric of America's culture, is included in this tax measure.

We would not be here this evening with the capacity to say we want to accelerate that remedy, that we want to provide this antidote to a malady which has been afflicting the American culture, we could not move it up in the bill had it not been there in the first place. I commend him.

I would like to just take us, for a minute, back to some very substantial fundamentals about America. I think the first of those fundamentals is that this is a culture where the most important things are not in Government. The most important things are not in the institutions of Government, not in the corporate responsibility of Government. The most important things are with individuals. This is a society that honors great freedom and expects great responsibility.

America has prospered. America is distinguished from, different from, differentiated from, we are different from other countries, other cultures. We have gone farther, we have soared farther, for that reason. We expect individuals to do things for themselves; not to be reliant, always, on Government, but, where possible, to build the sense of independence, responsibility, judgment, self-reliance that makes Americans unique in the community we call the world.

When you believe the future of America is dependent upon that spirit, you have to ask yourself what are we going to fund in America? Are we going to fund the bureaucracy and the institution or are we going to fund the family and individuals? Are we going to give families the opportunity to take care of themselves or are we going to give all the resources to the sort of second best alternative?

I do not think there is a Member of this Chamber who would say it is ever better to have a vast Government program than it is to have a good family. I just do not think we have anyone who believes that because we know the family is the best Department of Education, it is the best Department of Health, it is the best teacher of responsibility and character, which is as important as anything else. It is where it really must happen.

Yet our Tax Code has been sweeping the resources away from this essential institution of the culture, the family, into the coffers of the Government, and plan B, the second priority, the sort of safety net, has gotten all the resources. We have left in an anemic place the family, which ought to be doing the front-line defense. It would be similar to giving all the guns and weapons to the rear guard and not having the guys on the front line with any bullets. It is time to load the resources into the families, at least to give them a fair shake. It is just a fundamental part of America. We believe families are important. If we really get our job done in the families of America, Government will not really have much responsibility and much problem.

If we destroy the families of America, there is no amount of Government that will solve our problems.

So here we have a choice. Are we going to endow families with the resources they create, they earn? Are we going to let them keep some of those resources or, when they form these durable, lasting, persistent bonds and a relationship that teaches people how to rely on each other, to live with each other, how to be individually responsible and self-reliant, are we going to take that institution and continue to punish it? Or are we going to wake up and say: Hello, it is time for us to say about families we are going to let the families have some of the resources which they earn and they should keep.

I do not think it is a hard question. It is pretty simple. The proverbial rocket scientist is not needed here. It is an anomaly of our tax law. It is unfair to say the Congress at some point went forward to try to hurt families. But in this topsy-turvy tax environment that has grown by just a snippet here and a little piece there and a few hundred thousand words there—this Tax Code was, what, 750,000 words in 1955 and it is 5 million words now. You would have a hard time reading it if you started at birth and read as fast as Evelyn Woods to get through the thing before the end of your life.

So we have a situation where this code has grown up and it discriminates against families. It hurts families, and we have a great opportunity now, thanks to the chairman of the committee who placed this concept of remediating this pathology right here in this bill.

I predict Members on both sides of the aisle are going to say: We want to vote in favor of marriages; it is time to correct this inadvertent, but very damaging, prejudice against marriage in the Tax Code.

That is where we ought to be. No one in this Chamber believes that Government is more important than families. No one believes that our front line, in terms of developing this culture, is so unimportant that we ought to load all the resources to the guys at the back of the operation. We ought to put some of our ammunition in the hands of the front line.

Let's let families, let's let parents, who make these kinds of lasting commitments to each other and to their children, build an America tomorrow which has all the promise of the America you and I inherited.

I will add that it is not a great tradition in America to discriminate against marriage. This has happened in the Tax Code as our tax bite on the American family has accelerated with the growth of social programs. It was not until the sixties that we had anything of a marriage penalty, and it began to get worse and worse until now, as I have indicated, $29 billion a year is what Government takes from families as it robs 21 million families of about $1,400 per couple, and it sweeps that money away from the families into the Government, into the bureaucracy, into the plan B, the second best, yes, important safety net. Yes, we need it, but let's not deprive the first line of this culture's conditions for greatness—the families—let's not deprive them of the resources they ought to have.

I thank Senator ROTH, chairman of the Finance Committee, for placing this concept in the bill. I thank Senator HUTCHISON from Texas for having been alert to this since before I came to the Senate. She was working hard in this respect. I am always delighted to be a part of any measure with Senator BROWNBACK whose sensitivity to the values and the need for character in this culture is unsurpassed.

I do not think Government should be dictating our culture and pounding in values, but, on the other hand, our Government should not be at war with our values, and it is time for us to call a peace conference around the kitchen table of America and say to husbands and wives: You have a very important job to do, and we want you to have the resources to do that job. We must eliminate the marriage penalty, and this bill, with the Hutchison-Brownback-Ashcroft amendment, can get that down.

I reserve the remainder of the time and yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I am happy to yield 5 minutes to the Senator from Montana.

Mr. BAUCUS. Mr. President, I congratulate the Senator from Texas for her amendment. It is a good amendment. It does deal with an inequity in the code clearly, simply. I congratulate her, too, because she is taking the course that we in the Democratic alternative took in trying to address this problem when we proposed to raise the standard deduction as well to address essentially the marriage tax penalty.

It is interesting; there is a marriage tax penalty today, but there is also a marriage tax bonus. Basically, the rule of thumb is 70–30. That is, if there is more than a 70–30 percent differential between the income of each spouse, then there is a marriage bonus; that is, you get a tax bonus for marriages as opposed to a penalty.

The penalty situation arises roughly when the 70–30 starts to narrow down, is less of a differential, and when both spouses are earning a similar income. That is what we are addressing here, the penalty side, because more couples have both spouses working. It is interesting to note, there is a bonus for getting married today if the differential is roughly between 70–30.

The amendment the Senator from Texas is offering goes part way to eliminate the marriage tax penalty. Our Democratic alternative actually went a lot further. She raises the standard deduction by about $1,400, and the Democratic alternative raised the standard deduction for married couples by about $4,300.

In addition, in our proposal we began to eliminate the marriage tax penalty for itemizers; that is, for couples who itemize. The amendment before us deals only with couples who use the standard deduction. There are some couples who still itemize in the Tax Code, and it is our hope that we could address, eliminate, as you would, the marriage tax penalty not only for couples who use the standard deduction but also for couples who itemize.

Also, we in the Democratic alternative raised the standard deduction not only for married couples but also for singles. We thought the standard deduction should go up quite a bit higher than it now is for singles.

The long and short of it is, this amendment goes part way in raising the standard deduction. We proposed to go a lot further in raising the standard deduction, but the net effect is to help begin to eliminate the marriage tax penalty by raising the standard deduction for married couples. It is our hope that maybe a little bit later the Senator from Texas would, since she sees the wisdom in our proposal, go a little further and agree to other provisions that we in the Democratic alternative have suggested.

I do not think this really is a matter that requires a lot of debate. I believe most Senators agree this is a good amendment. It begins to eliminate the penalty married couples pay. It is our suggestion we also address the marriage tax penalty for couples who itemize because that would begin to complete the elimination of the marriage tax penalty. Again, I hope that occurs at some reasonable future date.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

The Senator from Delaware.

Mr. ROTH. Mr. President, I yield myself such time as I may use.

First of all, I congratulate the distinguished Senator from Texas for her leadership in this most important matter. I know that as I return to my State of Delaware and talk to people there, it is a matter of real unhappiness and dissatisfaction that there is this marriage penalty. Obviously, for that reason, it is very desirable that we correct it as quickly as possible.

Mrs. HUTCHISON. Will the Senator yield?

Mr. ROTH. I will be happy to yield.

Mrs. HUTCHISON. I appreciate the fact that the committee made a priority of the marriage tax penalty. The real marriage tax relief is in the bill in the year 2005 in the responsible timeframe. That was actually the first year you could do it because you cannot phase that in. I appreciate the effort that was made.

My amendment just doubles the standard deduction earlier. The Senator from Delaware has been working with me on the floor, as has Senator BAUCUS. I very much appreciate their helping me work through this so that we are going to have the early relief on the standard deduction now in the year 2001, starting the phase-in to 2005 when we are going to give the real relief, which the chairman had in the bill originally. I give him the credit for that, and I appreciate his remarks very much.

Mr. ROTH. I appreciate the remarks of the Senator from Texas.

One of the frustrating things of putting a bill together, although I have to admit it is a very interesting challenge that I much enjoy, is the fact that there are so many things I believe should be done for the American family. It is frustrating that there are limitations as to what we can do. I agree with the distinguished Senator that nothing is more important than eliminating this marriage penalty. Obviously, the sooner we can do it, the better off we are. I thank her for her leadership.

For the information of all Senators, I do want to make clear that my concern with the pending amendment had been that it would put us out of compliance with our reconciliation instructions. I was also concerned that the earlier version of the amendment would have relied heavily on delaying the AMT relief. And this delay would hit middle-income Americans very hard.

But now we understand, of course, that the Senator from Texas will offer a modification to the filed amendment which will alleviate this offset problem. For that I am very grateful. With these changes, I just say, I look forward to working with the Senator from Texas on having this amendment enacted.

Mr. President, I yield the floor.

Would the Senator like some more time?

Mrs. HUTCHISON. Mr. President, I would just like to reserve the remainder of my time for the modification when it is ready, which I understand will be in the next 15 to 30 minutes.

So I yield now and will reclaim that time when we have the corrected amendment.

Mr. ROTH. 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. BAUCUS. 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. ROTH. Mr. President, I yield 5 minutes to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I think there is another dimension to this tax bill which I think is important for us to address. It is not only tax reduction in the amount of the reduction and not only the composition of the reduction, it is also whether we are making this Tax Code even more complex.

If there is anything we hear from our people at home, it is that this Tax Code is much too complex; it is just a mess. I see the Presiding Officer, who has deep experience in this, is nodding his head in agreement. We all know that he is right.

Regrettably, when Congress passes tax legislation, we tend not to pay much attention to whether this adds further complexity to the code. We rarely pay any attention to that.

Frankly, I take some pride in that I pushed for the provision of the law last year that directs the IRS, in conjunction with the Joint Tax Committee, to come up with a complexity analysis of new provisions that the Congress enacts. We did not get this analysis until after the Finance Committee reported out its bill, but we did get it, finally.

I have with me a letter from Charles Rossotti, the Commissioner of the IRS, to Ms. Lindy Paull, who is the Chief of Staff of the Joint Committee on Taxation, which is a brief analysis of the additional complexity that the bill before us would cost.

Just by way of example, we are here today trying to correct a problem by providing relief for the marriage tax penalty. This marriage tax penalty is where a couple pays a higher net tax when both couples earn about the same amount of money. The underlying bill before us today attempts to address that problem, but in a way which is very complex.

The amendment offered by the Senator from Texas is a much more crude way to deal with alleviating the marriage tax penalty by raising the standard deduction by a significant amount, an approach that we took in our Democratic alternative bill, too, where we would raise the standard deduction even more. But to give you an example of the additional complexity that this bill would cause in trying to resolve the marriage tax penalty, let me just state the following items which I hope we will get worked out as this bill progresses.

Essentially, taxpayers would have to fill out two forms or the 1040 would have to have more columns and many more items, because essentially couples would have to fill out their 1040 in many ways twice—one as if married, and then separate, as if joint filers, attempting to determine which is less in that tax, and so forth.

Then there is the question of allocation of personal exemptions: When you file separately, who gets the personal exemptions, the additional personal exemption for children, and so forth, and who doesn't.

Then there is the question of large medical payments, the medical deduction, which, as the Presiding Officer knows better than anybody else in the Chamber, is about 700 percent of adjusted gross income. And then the question is, How is that allocated—one spouse or do both spouses get it or whatnot?

There is a lot of additional complexity that couples would face under the underlying bill. All of this is not glamorous stuff. It doesn't get headlines. It is not in the evening news. It is my hope that as we undertake the work in this body, as well as in the other body, to reduce taxes, and we try to do it in a fair way, we also do it in a way that is less complex, not more complex.

As this bill stands tonight, with respect to the marriage tax penalty relief, it is going to be much more complex for taxpayers, for individual taxpayers, whether they file separately, particularly for married taxpayers trying to determine how to deal with the solution we have so far drafted with respect to the marriage tax penalty.

I ask unanimous consent to have printed in the RECORD a letter and a short document from Commissioner Rossotti to the Joint Tax Committee which begins to outline some of the additional complexities this bill will cause.

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

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, DC, July 22, 1999.

Ms. LINDY L. PAULL,
Chief of Staff, Joint Committee on Taxation, Washington, DC.

DEAR MS. PAULL: Attached are the Internal Revenue Service's (IRS) comments on the eight provisions from the Senate Committee on Finance markup of the ''Taxpayer Refund Act of 1999'' that you identified for complexity analysis in your letter of July 20, 1999. The comments are based on the Joint Committee on Taxation staff description (JCX–46–99) of the provisions and, in the case of marriage penalty relief, the statutory language for a similar item provided in H.R. 2656, introduced by Mr. Weller in the 105th Congress.

Due to the short turnaround time, our comments are provisional and subject to change upon a more complete and in-depth analysis of the provisions.

Sincerely,

CHARLES O. ROSSOTTI.

Attachment

IRS COMMENTS ON EIGHT TAX PROVISIONS OF THE TAX REFUND ACT OF 1999 IDENTIFIED FOR COMPLEXITY ANALYSIS

REDUCE 15 PERCENT INCOME TAX RATE TO 14 PERCENT BEGINNING IN 2001

The tax rate change mandated by this provision would be incorporated in the tax tables and tax rate schedules during IRS' annual update of these items. The provision would require changes to the tax rates shown in the 2001 instructions for Forms 1040, 1040A, 1040EZ, 1040NR, 1040NR–EZ, and 1041, and on Forms 1040–ES, W–4V, and 8814 for 2001. No new forms would be required. Programming changes would be required to reflect the 14 percent rate.

INCREASE WIDTH OF 14 PERCENT BRACKET BY $2,000 BEGINNING IN 2005.

The increase in the width of the 14 percent bracket would be incorporated in the tax tables and tax rate scheduling during IRS' annual update of these items. The provision would require changes to the rates shown in the 2005 instructions for Forms 1040, 1040A, 1040EZ, 1040NR, 1040NR–EZ, and 1041, and on the Forms 1040–ES for 2005. No new forms would be required. Programming changes would be required to reflect the expanded 14 percent bracket.

MARRIAGE PENALTY RELIEF FOR JOINT FILERS BEGINNING IN 2005

FORMS

The following form changes would be necessary to implement this provision. The changes noted for Form 1040EZ could affect the scannability of the form.

1. A new line and check box would be added to the 2005 Forms 1040, 1040A, and 1040EZ for married taxpayers to indicate they are filing single returns on a combined form.

2. Three new schedules would be developed (for 1040 filers, 1040 filers, and 1040EZ filers) with columns for each spouse to separately report the information required to determine his or her total income, adjusted gross income (AGI), taxable income, and tax before nonrefundable credits. This information is shown on the following lines of the 1999 forms: Form 1040, lines 7 through 40; Form 1040A, lines 7 through 25; and Form 1040EZ, lines 1 through 6, and line 10. The new schedules would also show the couple's combined AGI and combined tax before nonrefundable credits. The combined tax would also be entered on the appropriate line of the couple's 1040 return and the rest of that return would be completed as if a joint return has been filed.

Based on the 1999 forms, the new schedule for Form 1040 filers would have a total of 82 entry spaces. The schedule for Form 1040A filers would have a total of 46 entry spaces, and the one for 1040EZ filers would have a total of 16 entry spaces. The new schedules would contain calculations involving multiplication. The instructions for the new schedules would be between 2 and 5 pages.

If credits are to be determined as if the spouses had filed a joint return (as indicated in JCX–46–99), a third computation of AGI and tax before nonrefundable credits would be necessary. The AGI and tax would be computed as if a joint return had been filed. The reason for this additional computation is because some credits are affected by AGI and may also be limited by the regular tax liability. These items would not necessarily be the same as the two spouse's combined AGIs and tax. To eliminate this third computation, the provision relating to credits should be changed to specify that the couples' combined AGI and tax are to be used in figuring the amount of any credit.

3. A new four-line, two-column worksheet would be developed for each spouse to compute his or her applicable percentage for purposes of determining the deductions, such as the deduction for exemptions, that are required to be allocated based on each spouse's share of the combined AGIs. This worksheet would be included in the instructions for the new schedules.

4. The 2005 TeleFile Record would be revised to permit its use by married taxpayers choosing the combined filing status. Based on the 1999 TeleFile Tax Record, this would require the addition of 10 entry spaces.

5. The provision would require many electing taxpayers to complete two separate

Schedules A, B, D, and E, or Forms 4797 (and possibly other schedules/forms) to determine the amounts to enter on the new schedule. In general, two separate schedules/forms will be required where both spouses have items that affect the schedule/forms.

IRS understands that rules clarifying the application of the election for AMT purposes will be forthcoming. The above does not reflect the additional form changes that would be needed to integrate the election with the alternative minimum tax.

PROCESSING, PROGRAMMING, COMPLIANCE

The marriage penalty election would impact most aspects of IRS operations.

The form changes needed to implement the provision would increase the time it takes the IRS to process a 1040 on which the election is made and issue a refund, as well as increase the cost of processing the return. Devoting additional time and resources to the processing of electing returns could delay the processing of other returns and the issuance of other refunds.

The complexity of this provision would likely cause an increase in the number of taxpayers who use a paid preparer and discourage the use by taxpayers of e-file programs such as Telefile and On-Line Filing. The error rate among those who do prepare their own returns would also increase. During processing, these returns would have to be sent to Error Resolution for correction. This could result in additional taxpayer contacts, delays in the issuing of refunds, and additional costs to the IRS. The provision would also increase the number of amended returns which would have to be examined and processed.

The IRS would have to make substantial changes to its IRM procedures for processing marriage penalty election returns and train the service center in those procedures.

The added complexity would also increase the number of taxpayers who would seek assistance either over the toll-free lines or at the walk-in sites. The number of taxpayers seeking assistance about the marriage penalty election could reduce the opportunity for other taxpayers to get assistance. The IRS would have to make substantial changes to the customer service IRM and would have to train the Customer Service Representatives to enable them to assist taxpayers in these complex provisions.

The rules for allocating income and deductions between spouses, which are in part based on state property law, would cause confusion and errors by taxpayers. In many instances, mis-allocations could only be detected on examination. The IRS would have to develop new examination procedures and train its examiners in the law and the new procedures. The marriage penalty election could also affect the resolution of examination cases involving the innocent spouse provisions.

This provision would require major systemic programming changes to IRS' computation process. This provision would affect many of our tax systems including Integrated Submission and Remittance Processing (ISRP), Error Resolution System (ERS), Generalized Unpostable Framework (GUF), Generalized Mainline Framework (GMF), Federal Tax Deposits (FTDs), SCRIPS, MasterFile, Electronic Filing, and TeleFile. It is estimated that at least 50 staff years and approximately $5,000,000 in contractor costs would be needed to make the necessary programming changes.

ALTERNATIVE MINIMUM TAX

Since the provision regarding personal credits and the AMT is the same as that applicable to 1998 tax years, and reflected in the 1988 tax forms, no form or programming changes would be needed to implement the provision provided it is enacted in the near future. If enactment is delayed, the IRS will have to begin taking steps to re-institute the pre-1998 rules for 1999 tax years. It is critical that this provision be enacted as soon as possible to avoid costly and unnecessary programming changes and to minimize the impact on timely distribution of the 1999 tax packages. In addition, a return to pre-1998 law would significantly increase the complexity of these credits.

The provision relating to the deduction for personal exemptions would eliminate the nine line AMT worksheet in the Form 1040A instructions for 2005. This provision would not affect the number of lines on the 2005 Form 6251 or the AMT worksheet in the 2005 Form 1040 instructions.

INDIVIDUAL RETIREMENT ARRANGEMENTS

This provision would require a change to the dollar limit specified in the Form 1040, Form 1040A, Form 8606, and Form 5329 instructions for 2001 through 2005 and possibly in future years. The change would also be reflected in the Form 1040–ES for all applicable years. No new forms or additional lines would be required. Programming changes would be needed to reflect the increased contribution limits.

IRS would need to provide guidance to financial institutions that sponsor IRAs on how to take into account the higher contribution limits (currently all sponsors utilize IRS approved documents). In addition, the following model IRA and Roth IRA documents that are issued by the Assistant Commissioner (EPEO) would need to be modified to take into account the increased contribution limits:

Form 5305, Individual Retirement Trust Account.

Form 5305–A, Individual Retirement Custodial Account.

Form 5305–R, Roth Individual Retirement Account.

Form 5305–RA, Roth Individual Retirement Custodial Account.

Form 5305–RB, Roth Individual Retirement Annuity Endorsement.

INCREASE DEDUCTION FOR SELF-EMPLOYED TO 100 PERCENT

This provision would eliminate one line from the self-employed health insurance deduction worksheet contained in the 2000 instructions for Forms 1040 and 1040NR. This worksheet is currently four lines. The Form 1040–ES for 2000 would also reflect the provision. No new forms would be required.

REPEAL FUTA SURTAX AFTER DECEMBER 31, 2004

The provision would require a change to the FUTA tax rate on Forms 940, 940–EZ, 940–PR and Schedule H of Form 1040 for 2005. The rate would be reduced from 6.2 percent to 6.0 percent. No new forms would be required. Programming changes would be necessary to reflect the reduced FUTA rate.

ALLOW NON-ITEMIZERS TO DEDUCT UP TO $50 ($100 FOR JOINT RETURNS) OF CHARITABLE CONTRIBUTIONS FOR 2000 AND 2001

Assuming the deduction is allowed in determining adjusted gross income (unlike the 1982–86 deduction for non-itemizers), the following changes would be necessary to implement this provision:

1. One line would be added to the adjustments section of Forms 1040, 1040A, 1040NR, and 1040NR–EZ for 2000 and 2001.

2. Two new lines would be added to Form 1040EZ for 2000 and 2001 (one for the deduction and one to subtract the deduction from total income to arrive at adjusted gross income). This change could affect the scanability of the form.

Ensuring compliance with the above-the-line charitable deduction would be difficult. The only means of verifying amounts deducted would be through examination, which is not practical because of the small amounts involved.

No new forms would be required.

Mr. President, I yield 10 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 10 minutes.

Mr. HARKIN. I thank the Senator from Montana for yielding.

Mr. President, I will talk about the bill itself, but I also want to talk about an amendment that I intend to offer tomorrow, sponsored by myself, Senator LEAHY, Senator REID of Nevada, Senator KENNEDY, and Senator WELLSTONE. It has to do with pensions.

Current law prevents companies from reducing pension benefits which a worker has already earned. However, there is a new phenomenon going on. Companies are now changing to so-called cash balance plans which can save the companies millions of dollars in pension costs each year by allowing them to take a substantial cut out of their employees' pensions.

Employees generally receive three kinds of benefits from working. They get direct wages, health benefits, and pensions. So reducing an employee's pension years after it is earned should be no more legal than denying a worker wages after the work has been performed.

Under traditional defined benefit plans, the worker gets a pension based on the length of employment and the average pay of the last few years of service. The pension is based on a preset formula using those key factors rather than on the amount in an employee's pension account.

Under some cash balance plans, payments to workers do not start until the value of their pension has reduced to the lower level of the cash balance plan. This is a term of art that they call wearaway. In fact, under a number of cash balance plans, some older workers receive no pension benefit contributions for as long as 5 or more years, while younger workers, workmates working right alongside them who started under the cash balance plan, receive regular contributions during those years.

So what does this really mean to real people in the real world? Well, two Chase Manhattan banking employees hired an actuary to calculate their future pensions after Chase Manhattan's predecessor, Chemical Bank, converted to a cash balance plan. The actuary estimated that their future pensions had been cut by 45 percent. John Healy, one of the workers, said, ''I would have had to work about 10 more years before I broke even.''

In another case, Ispat Inland, Inc., a Chicago steel company, converted to a cash balance plan on January 1. Paul Schroeder, a 44-year-old engineer who has worked for Ispat for 19 years, calculated it would take him as long as 13 years of additional work to acquire additional pension benefits. So this practice stands to hurt millions of older workers.

Frankly, I consider it age discrimination. After all, a new employee, usually younger, effectively receives greater pay for the same work in the form of money put into the pension plan. In other words, you have two people working side by side. As I said, they get their wages. They also get their pensions. But if one is not getting any pensions, he is basically getting less pay.

The amendment we are offering tomorrow would prevent the wearaway. It would require a company to add to the pension benefits of older workers in the same way that they add to the benefits of younger workers.

I will make it clear that my amendment does not stop companies from modifying their plans. It does not stop them from converting to cash balance plans, and it doesn't stop them from improving the portability. It simply prevents employers from cutting the benefits of older workers by thousands of dollars a year, compared to what happens to a younger worker.

My amendment just says that a company cannot discriminate against longtime workers by not putting money into their pension account just because they earn pension benefits under a prior plan. Workers would get whatever they are entitled to receive under the terms of their old pension plan as well as all they are entitled to under the new plan for the period that their pension fell under that plan. The total benefit would be the sum of the two.

In closing, my amendment is supported by the National Council of Senior Citizens, the National Committee to Preserve Social Security, the AARP, the AFL–CIO, the Pension Rights Center, Business and Professional Women USA, the Older Women's League, and the Women's Pension Project.

Older workers across America have been paying into pension plans throughout their working years anticipating the secure retirement which is their due. Now, as more Americans than ever before in history approach retirement, we are seeing a disturbing trend by employers to cut their pension benefits.

I urge the Senate to support our amendment.

Let me shift for just a second, in whatever time I have remaining, to say that I am going to vote against this tax bill for three reasons: It is fiscally irresponsible, it widens the gap between the rich and the poor, and it really robs our children.

My friends on the Republican side make it sound so simple. They say: Look, we have this enormous surplus. It means people are paying too much in taxes. Let's give it all back in a tax cut.

Well, if only it were that easy. First of all, we don't have those surpluses yet. They are anticipated, but they are not here. Again, I remember back in 1981 when we were told by some that we could cut taxes and increase military spending and we wouldn't have a deficit. Well, the deficit almost quadrupled during the 1980s. The public debt more than quadrupled. We simply put the American people on a credit card.

Finally, in 1993, Congress got serious. We took the lead in stopping the hemorrhaging. So now we have turned it around. We have gone from an annual deficit of $290 billion to a surplus of about $120 billion, created 18.9 million new jobs. Unemployment is at 29-year lows. The rate of inflation is the lowest it has been since the Kennedy administration. Our GNP is growing at a great rate. We are beginning to pay down the $5.6 trillion debt saddled on our kids.

My friends on the Republican side rejected that deficit reduction bill in 1993. Not one single Republican voted for it.

I remember when Senator GRAMM of Texas said:

> . . . if we adopt this bill, the American economy is going to get weaker, not stronger. The deficit, 4 years from today, will be higher than it is today and not lower. . .. 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.

That was in 1993. Obviously, my friend from Texas could not have been more wrong in his assessment.

But now we have this big tax cut before us based on paper projections. But we also find the gap between the rich and poor is growing even wider. At a time when we need to ensure the future for our children, we are going to take it away from them.

This is the way I look at it. We built up this huge debt in the 1980s. Who made out from that? Look at all the statistics. Upper-income people made a lot of money in the 1980s and secured more wealth. More assets went to fewer and fewer people in this country and, thus, the gap between the rich and poor widened. We have slain the dragon of deficits and we are now going to have some surpluses. It seems to me it is our responsibility to take that money and lift the heavy debt burden off of our kids and grandkids—$5.5 trillion of debt. We owe it to our children and grandchildren.

I keep hearing a lot of my friends on the Republican side say: Well, this isn't our money; it is your money; we should give it back to you, the people today that are paying taxes; give it back. Of course, most of it goes back to the upper 5 percent of income earners in America. But I look upon it in a different way. The huge debt we ran up in the 1980s is going to be a burden on our kids and grandkids. The very wealthy people who made out in the 1980s are now going to get a big tax cut. It seems to me that what we need to do is take that money and say, no, you know who this money belongs to? It belongs to our kids and grandkids. We better be paying off our debts so they are not saddled with it when they grow up.

Let's secure Social Security. We keep hearing the hue and cry all the time that young people don't think Social Security is going to be there for them. Well, this is our chance to make sure they know it is going to be there for them, and also that we secure Medicare. We then can take and reduce the debt on our kids, invest in education, so that our kids will have a growing economy and be more productive in the future. That is what we ought to be doing with this—not giving it back to people who already have too much.

I must tell you, I have a lot of friends and I know a lot of people who have a lot of money. We all have rich friends, people who have made a lot of money. I have yet to have any one of them ever tell me that they desperately need a tax break. Mostly, what they tell me is: Pay down the debt, invest in education, save Social Security for our kids.

That is what we ought to be doing. The top 1 percent of the taxpayers are the ones that make out the most in the tax cut by the Republicans.

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

Mr. HARKIN. I ask unanimous consent for 2 more minutes.

Mr. BAUCUS. I yield 2 more minutes to the Senator.

Mr. HARKIN. Since 1980, the average after-tax income of the top 1 percent of American families has increased by 72 percent. The income of the poorest fifth of American families has declined by 16 percent. If the Republican tax bill becomes law, corporate limousines will line up in front of the Capitol with their trunks open. The top 1 percent will haul the money away in the trunks of their limousines.

I have always said there is nothing wrong with making money in America. There is nothing wrong with being rich. There is nothing wrong with having a nicer house, a bigger car, and all the better amenities of life. That is a big part of the American dream. But I believe when you make it to the top, and others make it to the top, and I make it to the top, it is the responsibility of Government to make sure we leave the ladder down there for others to climb, too. The Republican tax bill, basically, says to the wealthy in this country: You have it made. Don't worry about anybody else. You made it to the top. Now you can pull up the ladder behind you and we are going to help you. The Government will help you pull the ladder up behind you.

President Clinton has talked often about the bridge to the 21st century, and we have a good construct of it: Unemployment is low, GNP is going up, debt is going down. But if only a few people cross that bridge, it will become a dividing line. That is why we don't need this tax bill. We need to bring people together, not divide us even more, as this tax bill would do.

The PRESIDING OFFICER. The time of the Senator has expired.

Who yields time?

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAUCUS. 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. BAUCUS. Mr. President, I yield 10 minutes to the Senator from Iowa.

The PRESIDING OFFICER. Only 7 minutes 20 seconds remain.

Mr. BAUCUS. I yield 7 minutes 20 seconds to the Senator from Iowa.

Mr. HARKIN. I will not talk that long. I thank the manager.

Mr. President, I will talk about another motion I will have to recommit the bill with instructions tomorrow when it comes up. This has to do with funding for the National Institutes of Health.

Just 2½ years ago, the Senate went on record, 98–0, committing to double the budget of the National Institutes of Health over 5 years. But this tax bill shortchanges America's health and reneges on the Senate's promise, by forcing cuts of up to 38 percent in discretionary health programs.

Earlier this evening, my friend and colleague from Pennsylvania, Senator SPECTER, talked about NIH being the ''crown jewel'' of our Government. Indeed, I agree with him. It is. But we said we were going to double the budget. Yet now, because of this tax bill, we are going to be faced with huge cuts. We can't even get our appropriations bill on the floor because we are $8 billion to $10 billion below what we had last year, and yet we are going to give a big tax break to the wealthiest in our society.

We have to invest in this medical research—Alzheimer's and arthritis to cancer, diabetes, and spinal cord injury. We are on the verge of breakthroughs in all of these areas. Now is not the time to back off; now is the time to invest in biomedical research.

If we were able to just simply delay the onset of Alzheimer's in individuals by 5 years, the savings would be $50 billion a year. We would have no problems in Medicare if we just delayed the onset of Alzheimer's by 5 years.

My amendment is going to be very simple. It makes good on the promise the Senator made, 89–0, to double the NIH budget over 5 years. The amendment returns the tax bill to the Committee on Finance, with instructions that the committee report back to the full Senate within 3 days with an amendment to provide an additional $13 billion for the NIH over 5 years. Funding for this would be provided by reducing or delaying specific tax cuts in the bill, so long as those tax cuts that benefit moderate- or middle-income taxpayers are not reduced.

Again, I commend this amendment. It is sponsored, again, by myself, Senator KENNEDY, Senator MIKULSKI, and Senator MURRAY to again make good on our promise to make sure we put the necessary funding in biomedical research at the NIH.

I yield to the manager, if the manager would like to have the time back. I will be glad to yield back whatever time I have remaining.

Mr. BAUCUS. Mr. President, how much time remains on our side?

The PRESIDING OFFICER. Four minutes.

Mr. BAUCUS. Thank you, Mr. President.

I would like to emphasize a point that I made earlier about complexity. The tax bill passed by the other body reduces capital gains. Without getting into whether they should or should not be reduced, the effective date is July 1, 1999, which adds tremendous additional complexities to the code—to accountants, who have to add in more lines, and for programmers in their computers to adjust to the IRS.

The preliminary analysis is that there are many more pages for the capital gains increase schedule than currently is required. It is immense. Add to that Y2K. This provision goes into law on July 1. I am just addressing the complexity. I am not talking about the merits.

Then the IRS—who knows? It may well have to go back and retest their Y2K program to see if it works again with these additional items that are plugged in.

I very much hope the conferees on their tax bill, in working with the President when this bill is finally put together, pay much more attention to the complexity than they have in the past. Just bear down on that because if we hear anything from the taxpayers, it is the additional complexity of the code. We have an obligation not to add additional complexity.

In my experience in all of the debate on all of the tax bills, we have to cut a little bit here and raise some more revenue. We are going to add a little bit over here, with not one second of attention to whether or not this adds additional complexity to the taxpayers.

We have had IRS hearings on the problems the IRS has caused the taxpayers. There is some truth to that. The IRS has been a little bit too draconian in some ways in some of the proceedings that it has brought against taxpayers. They have been a bit rough.

But mark my words. Most of the complexity is caused by Congress. Most of it is caused by Congress. We are a little two-faced around here. We like to say: Oh boy, we are helping taxpayers reducing taxes—and at the same time we are increasing complexity. We don't talk about that. But we have an obligation to address both tax reduction as well as complexity.

I very much hope we live up to our responsibility and address that because it is a huge problem. No wonder Americans want a flat tax. It is the complexity.

On the other hand, I might ask myself and each of you, how do you address the marriage tax penalty with a national tax? Americans want both simplicity and equity. We all want both simplicity and equity. Of course, those are enemies of each other. The more something is simple, the more someone else claims it is inequitable and applies to them. The more we try to deal with them to make it more equitable, the less simple the code becomes. But nevertheless we have an obligation. I very much hope we address it and solve it.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. FRIST. 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. FRIST. I ask unanimous consent to speak for 10 minutes as in morning business.

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

Mr. BAUCUS. Mr. President, I will not object. But there comes a point when we have to wrap things up tonight. In the earlier conversation with the Senator it was a different amount of time we agreed to.

Mr. FRIST. Mr. President, I thought we were waiting for legislative language. I will be happy to speak for however many minutes I can. I was under the understanding it would be about 10 minutes before we had legislative language to close, but I will be happy to be more brief.

Mr. BAUCUS. I will not object.

Mr. FRIST. Mr. President, I will speak for 5 minutes by unanimous consent?

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

THE MEDICARE PROGRAM

Mr. FRIST. Mr. President, we have not discussed an amendment which we will be voting on tomorrow. It has not been discussed yet at all. It has to do with the very important issue that we voted on today, in terms of another amendment. That is what we are going to do in this body to address a fundamental problem. It has to do with Medicare, the fact that we have a Medicare system which is not going to be solvent long-term. It is a very costly system where, if you are a senior, and you have health care expenses, only about 48 percent of those are paid by the Medicare Program. It is a very costly system for seniors and individuals with disabilities. It is a very rigid system. It is a system that is not comprehensive. Much preventive care is not covered, prescription drugs are not covered at all—outpatient prescription drugs. It needs to be modernized. We talked a bit about that today.

The real question is why we cannot take a new benefit and just add it to the overall Medicare system. The gist of the amendment tomorrow is that, yes, we need prescription drug coverage, but we must incorporate that new benefit, which needs to be there, in an overall modernization plan for Medicare.

The question is, why? Let me focus on this one chart. On the right half of this chart, the red bar takes an average over the last 5 or 6 years, an average annual increase in all health care. The red bar is in drug expenditures. They have gone up 11 percent every year. The green bar is the annual growth in all health care expenditures in our health care system.

The real point of this graph is that every year overall drug expenditures, in the aggregate, go up about twice as fast as other health care costs. Thus if we are going to add a new benefit onto overall health care costs, something that is growing at 5 percent, we need to be very sure we do not run into the same problem we have in certain fields such as home health care. Home health care was a benefit in Medicare that was growing 17 percent a year. It could not be tolerated in the overall Medicare system because of cost.

Then we, with the heavy hand of Government, came in and slashed home health care 2 years ago. In many ways that was devastating to patients, to the quality of health care, to people who were depending on venipuncture to have blood drawn on a regular basis. Therefore, I think it is very important we recognize, because drugs are a different entity, if we are going to add that benefit, we need to do it in the realm of overall reform of Medicare and modernization.

This shows prescription drug expenditures in the aggregate since 1965 have increased—not quite exponentially, but you can see in 1993, 1995, 1996, from about $55 billion up to about $80 billion. So before we take this entity and put it in Medicare, because Medicare is already going bankrupt, we need to look at the overall picture. It includes hospitals, includes doctors, prescription drugs, chronic care and acute care.

There is a proposal that has been put forth by the National Bipartisan Medicare Commission appointed by the President of the United States, appointed by our leadership in the Senate and in the House. We came up with the proposal that is essentially this: The premium support model, the Breaux-Thomas bill. This proposal did look at overall Medicare, hospitals, physician reimbursement, and prescription drugs, and came up with this model. The details of the model do not matter, but I do want to stress that 10 of the 17 Members, in a bipartisan way, did put this forward as a proposal—again, to show Medicare can be modernized.

The point with prescription drugs in Medicare—remember, as an outpatient, prescription drugs are not covered in Medicare at all. You have to go outside the system. But of the about 36 million people enrolled in Medicare, two-thirds do have some coverage, one-third do not have coverage. Therefore, in that Bipartisan Commission, which we put forward and worked out over the course of the year, we said let's first focus right now as we modernize and strengthen Medicare, improve its solvency, make it less costly, less rigid, let's at least address this 35 percent as a first step. The 65 percent who are covered are covered in lots of different ways.

Since my time is up, I will yield the floor and simply close with this point. We will be offering an amendment tomorrow which says: Yes, prescription drugs, but let's do it in the context of overall Medicare reform.

I yield the floor.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

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

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

AMENDMENT NO. 1472, AS MODIFIED

Mrs. HUTCHISON. Mr. President, I ask unanimous consent that amendment No. 1472 be modified with the changes that are now at the desk.

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

The amendment (No. 1472), as modified, is as follows:

On page 10, line 6, strike ''2004'' and insert ''2005''.

On page 10, strike the matter between lines 19 and 20, and insert:

''Calendar year:	**Applicable dollar amount:**
2006 or 2007	$4,000
2008 and thereafter	$5,000.

On page 11, strike the matter before line 1, and insert:

''Calendar year:	**Applicable dollar amount:**
2006 or 2007	$2,000
2008 and thereafter	$2,500.

On page 11, line 3, strike ''2007'' and insert ''2008''.

On page 11, line 11, strike ''2006'' and insert ''2007''.

On page 32, between lines 14 and 15, insert:

SEC. ___. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(1) by striking ''$5,000'' in subparagraph (A) and inserting ''twice the dollar amount in effect under subparagraph (C) for the taxable year'',

(2) by adding ''or'' at the end of subparagraph (B),

(3) by striking ''in the case of'' and all that follows in subparagraph (C) and inserting ''in any other case.'', and

(4) by striking subparagraph (D).

(b) PHASE-IN.—Subsection (c) of section 63 is amended by adding at the end the following new paragraph:

''(7) PHASE-IN OF INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning before January 1, 2008—

''(A) paragraph (2)(A) shall be applied by substituting for 'twice'—

''(i) '1.702 times' in the case of taxable years beginning during 2001,

''(ii) '1.75 times' in the case of taxable years beginning during 2002,

''(iii) '1.796 times' in the case of taxable years beginning during 2003,

''(iv) '1.837 times' in the case of taxable years beginning during 2004,

''(v) '1.88 times' in the case of taxable years beginning during 2005,

''(vi) '1.917 times' in the case of taxable years beginning during 2006, and

''(vii) '1.959 times' in the case of taxable years beginning during 2007, and

''(B) the basic standard deduction for a married individual filing a separate return shall be one-half of the amount applicable under paragraph (2)(A).

If any amount determined under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''.

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6) is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

On page 38, line 18, strike ''2000'' and insert ''2002''.

On page 236, strike line 12 through the matter following line 21, and insert:

(a) IN GENERAL.—Section 2503(b) (relating to exclusions from gifts) is amended—

(1) by striking the following:

''(b) EXCLUSIONS FROM GIFTS.—

''(1) IN GENERAL.—In the case of gifts'',

(2) by inserting the following:

''(b) EXCLUSIONS FROM GIFTS.—In the case of gifts'',

(3) by striking paragraph (2), and

(4) by striking ''$10,000'' and inserting ''$20,000''.

On page 237, line 3, strike ''2000'' and insert ''2004''.

On page 270, line 18, strike ''2003'' and insert ''2004''.

On page 273, line 21, strike ''2003'' and insert ''2004''.

On page 275, line 12, strike ''2003'' and insert ''2004''.

On page 277, line 13, strike ''2003'' and insert ''2005''.

On page 278, line 13, strike ''2002'' and insert ''2004''.

Mrs. HUTCHISON. I thank the Chair.

Mr. President, I will not delay because I believe we are about to wrap up, and I will have 15 minutes equally divided tomorrow. This is a significant victory. I appreciate so much Chairman ROTH and Senator BAUCUS, who is here on behalf of Senator MOYNIHAN, working with me on this amendment.

The bottom line is, by delaying a few other very important tax cuts, we have been able to put at the top of our priority list $6 billion more in marriage tax penalty relief for the 43 million people in this country who are suffering just because they are married. That is not right. We have been needing to correct this for years. You should not have to choose between love or money in America, and yet 22 million American couples are doing just that.

This amendment will take part of the marriage tax relief and put it up, starting in 2001, so there will be immediate relief phased in to give couples that opportunity to save more of the money they earn to spend as they choose because, in fact, if they were not married, they would be paying that much less in taxes. But they are married. We want to encourage them to do that, if that is what they want to do, and we certainly should not be penalizing them.

Tomorrow I will talk about what is in the amendment, what it does, but tonight I want to say thank you to Senator ROTH and to Senator BAUCUS for working with us. This is a significant improvement in the bill because it will give married couples throughout our country the relief they deserve.

I thank the Chair. I yield the floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Mr. ROTH. 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. ROTH. Mr. President, I ask unanimous consent that prior to the vote on or in relation to amendment No. 1472 it be in order for Senator HUTCHISON to further modify her amendment.

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

AMENDMENT NOS. 1388, 1411, 1412, 1446 AND 1455, EN BLOC

Mr. ROTH. Mr. President, I have a series of five amendments which have been cleared on both sides. I ask unanimous consent that these amendments be agreed to, en bloc, the motion to reconsider be laid upon the table, and that any statements relating to these amendments be printed in the RECORD.

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

The amendments (Nos. 1388, 1411, 1412, 1446 and 1455) were agreed to, en bloc, as follows:

AMENDMENT NO. 1388

(Purpose: Making technical corrections to the Saver Act)

At the end of title XIV, insert:

SEC. ____. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (B) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (D) and inserting the following:

''(D) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and''; and

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(B), by striking ''January 31, 1998'' in subparagraph (B) and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions received in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

AMENDMENT NO. 1411

(Purpose: To provide that no Federal income tax shall be imposed on amounts received, and lands recovered, by Holocaust victims or their heirs)

At the end of title XI, insert the following:

SEC. ____. NO FEDERAL INCOME TAX ON AMOUNTS AND LANDS RECEIVED BY HOLOCAUST VICTIMS OR THEIR HEIRS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, gross income shall not include—

(1) any amount received by an individual (or any heir of the individual)—

(A) from the Swiss Humanitarian Fund established by the Government of Switzerland or from any similar fund established by any foreign country, or

(B) as a result of the settlement of the action entitled ''In re Holocaust Victims' Asset Litigation'', (E.D. NY), C.A. No. 96–4849, or as a result of any similar action; and

(2) the value of any land (including structures thereon) recovered by an individual (or any heir of the individual) from a government of a foreign country as a result of a settlement of a claim arising out of the confiscation of such land in connection with the Holocaust.

(b) EFFECTIVE DATE.—This section shall apply to any amount received before, on, or after the date of the enactment of this Act.

AMENDMENT NO. 1412

(Purpose: To add a short title)

On page 193, after line 23, add:

(h) SHORT TITLE.—This section may be cited as the ''Collegiate Learning and Student Savings (CLASS) Act''.

AMENDMENT NO. 1466, AS MODIFIED

(Purpose: To eliminate the 2-percent floor on miscellaneous itemized deductions for qualified professional development expenses and incidental expenses of elementary and secondary school teachers, and for other purposes)

On page 371, between lines 16 and 17, insert the following:

SEC. ____. 2-PERCENT FLOOR ON MISCELLANEOUS ITEMIZED DEDUCTIONS NOT TO APPLY TO QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES AND QUALIFIED INCIDENTAL EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES DEDUCTION.—

(1) IN GENERAL.—Section 67(b) (defining miscellaneous itemized deductions) is amended by striking ''and'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', and'', and by adding at the end the following new paragraph:

''(13) any deduction allowable for the qualified professional development expenses of an eligible teacher.''

(2) DEFINITIONS.—Section 67 (relating to 2-percent floor on miscellaneous itemized deductions) is amended by adding at the end the following new subsection:

''(g) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELIGIBLE TEACHERS.—For purposes of subsection (b)(13)—

''(1) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—

''(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses—

''(i) for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction, and

''(ii) with respect to which a deduction is allowable under section 162 (determined without regard to this section).

''(B) QUALIFIED COURSE OF INSTRUCTION.—The term 'qualified course of instruction' means a course of instruction which—

''(i) is—

''(I) at an institution of higher education (as defined in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this subsection), or

''(II) a professional conference, and

''(ii) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the individual's teaching skills.

''(C) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given such term by section 14101 of the Elementary and Secondary Education Act of 1965, as so in effect.

''(2) ELIGIBLE TEACHER.—

''(A) IN GENERAL.—The term 'eligible teacher' means an individual who is a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school.

''(B) ELEMENTARY OR SECONDARY SCHOOL.—The terms 'elementary school' and 'secondary school' have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as so in effect.''

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000, and ending before December 31, 2004.

(b) QUALIFIED INCIDENTAL EXPENSES.—

(1) IN GENERAL.—Section 67(g)(1)(A), as added by subsection (a)(2), is amended by striking ''and'' at the end of clause (i), by redesignating clause (ii) as clause (iii), and by inserting after clause (i) the following new clause:

''(ii) for qualified incidental expenses, and''.

(2) DEFINITION.—Section 67(g), as added by subsection (a)(2), is amended by adding at the end the following new paragraph:

''(3) QUALIFIED INCIDENTAL EXPENSES.—

''(A) IN GENERAL.—The term 'qualified incidental expenses' means expenses paid or incurred by an eligible teacher in an amount not to exceed $125 for any taxable year for books, supplies, and equipment related to instruction, teaching, or other educational job-related activities of such eligible teacher.

''(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education.''

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000, and ending before December 31, 2004.

AMENDMENT NO. 1455

(Purpose: To amend the Internal Revenue Code of 1986 to expand the deduction for computer donations to schools and to allow a tax credit for donated computers, and for other purposes)

On page 371, between lines 16 and 17, insert:

SEC. ___. EXPANSION OF DEDUCTION FOR COMPUTER DONATIONS TO SCHOOLS.

(a) EXTENSION OF AGE OF ELIGIBLE COMPUTERS.—Section 170(e)(6)(B)(ii) (defining qualified elementary or secondary educational contribution) is amended—

(1) by striking ''2 years'' and inserting ''3 years'', and

(2) by inserting ''for the taxpayer's own use'' after ''constructed by the taxpayer''.

(b) REACQUIRED COMPUTERS ELIGIBLE FOR DONATION.—

(1) IN GENERAL.—Section 170(e)(6)(B)(iii) (defining qualified elementary or secondary educational contribution) is amended by inserting '', the person from whom the donor reacquires the property,'' after ''the donor''.

(2) CONFORMING AMENDMENT.—Section 170(e)(6)(B)(ii) is amended by inserting ''or reaquired'' after ''acquired''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years ending after the date of the enactment of this Act.

SEC. ___. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by this Act, is amended by adding at the end the following:

''SEC. 45E. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.

''(a) GENERAL RULE.—For purposes of section 38, the computer donation credit determined under this section is an amount equal to 30 percent of the qualified computer contributions made by the taxpayer during the taxable year.

''(b) QUALIFIED COMPUTER CONTRIBUTION.—For purposes of this section, the term 'qualified computer contribution' has the meaning given the term 'qualified elementary or secondary educational contribution' by section 170(e)(6)(B), except that—

''(1) such term shall include the contribution of a computer (as defined in section 168(i)(2)(B)(ii)) only if computer software (as defined in section 197(e)(3)(B)) that serves as a computer operating system has been lawfully installed in such computer, and

''(2) for purposes of clauses (i) and (iv) of section 170(e)(6)(B), such term shall include the contribution of computer technology or equipment to multipurpose senior centers (as defined in section 102(35) of the Older Americans Act of 1965 (42 U.S.C. 3002(35)) to be used by individuals who have attained 60 years of age to improve job skills in computers.

''(c) INCREASED PERCENTAGE FOR CONTRIBUTIONS TO ENTITIES IN EMPOWERMENT ZONES, ENTERPRISE COMMUNITIES, AND INDIAN RESERVATIONS.—In the case of a qualified computer contribution to an entity located in an empowerment zone or enterprise community designated under section 1391 or an Indian reservation (as defined in section 168(j)(6)), subsection (a) shall be applied by substituting '50 percent' for '30 percent'.

''(d) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 41(f) and of section 170(e)(6)(A) shall apply.

''(e) TERMINATION.—This section shall not apply to taxable years beginning on or after the date which is 3 years after the date of the enactment of the New Millennium Classrooms Act.''

(b) CURRENT YEAR BUSINESS CREDIT CALCULATION.—Section 38(b) (relating to current year business credit), as amended by this Act, is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following:

''(14) the computer donation credit determined under section 45E(a).''

(c) DISALLOWANCE OF DEDUCTION BY AMOUNT OF CREDIT.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following:

''(d) CREDIT FOR COMPUTER DONATIONS.—No deduction shall be allowed for that portion of the qualified computer contributions (as defined in section 45E(b)) made during the taxable year that is equal to the amount of credit determined for the taxable year under section 45E(a). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.''

(d) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

''(9) NO CARRYBACK OF COMPUTER DONATION CREDIT BEFORE EFFECTIVE DATE.—No amount of unused business credit available under section 45E may be carried back to a taxable year beginning on or before the date of the enactment of this paragraph.''

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 45D the following:

''Sec. 45E. Credit for computer donations to schools and senior centers.''

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions made in taxable years beginning after the date of the enactment of this Act.

(2) CERTAIN CONTRIBUTIONS.—The amendments made by this section shall apply to contributions made to an organization or entity not described in section 45E(c) of the Internal Revenue Code of 1986, as added by subsection (a), in taxable years beginning after the date that is one year after the date of the enactment of this Act.

Mr. COVERDELL. Mr. President, I would like to discuss an amendment that Senators TORRICELLI, MCCAIN, CRAIG, and I would like to offer—expansion of education savings accounts. Under our provision, parents, relatives, friends—anyone—would be allowed to contribute up to $2,000 per year, after tax, into an account where the proceeds could be withdrawn tax-free to pay for a child's K–12 education expenses.

Right now, the law allows parents to contribute up to $500 per year for a child's college education. We increase that amount to $2,000 per year and allow for tax-free withdrawals for K–12 educational expenses, as well.

Last Congress, this legislation passed the Senate with bipartisan majorities on two separate occasions. The bill passed with a vote of 56 to 43; while the conference report passed with a vote of 59 to 36.

On each occasion, the chairman of the Finance Committee supported the measure, and was in large part responsible for its successful passage.

Unfortunately, despite the bipartisan support for the bill, the opponents of this legislation ultimately prevailed and it was vetoed by President Clinton.

Because the House-passed tax-relief measure contains this provision, I would like to withdraw our amendment and ask the chairman of the Finance Committee, Senator ROTH, to support the House position on this issue during the upcoming House-Senate conference negotiations.

Mr. ROTH. Thank you, Senator COVERDELL. As you are aware, I have been a supporter of this legislation in the past, and I will continue to support this legislation in the future.

This bipartisan proposal is an outstanding example of our ability to use the tax code, to help millions of middle class American families across the country. By using the tax code to encourage families to save for their children's education needs and expenses, we all benefit. The expansion of the education IRA will result in greater opportunities for every American child and their families. With education savings accounts, 14 million families—over 20 million kids—will take advantage of the expanded education IRAs, generating billions of dollars in education savings that might otherwise not exist. It is an outstanding way to provide families new and innovative options in education.

Because this legislation has the support of a bipartisan majority of the Senate and is contained in the House-passed bill, I believe it should be given every consideration by the conferees during the negotiations of the conference report.

Mr. SARBANES. Mr. President, I rise in opposition to the Budget Reconciliation bill that is before us today. This bill would spend nearly all of the on-budget surplus projected by the Congressional Budget Office over the next ten years and would use none of this projected surplus to protect the Social Security system, shore up Medicare, or give senior citizens the prescription drug benefits they so desperately need. Instead of taking this opportunity to invest in the future of America at the threshold of the 21st century, Republicans want to enact deep and unreasonable tax cuts that largely benefit the wealthy.

One major problem with basing a decade's worth of budgetary decisions on a projected surplus is that we have no way of knowing what will happen in the next ten years to affect these projections. Consider that just three years ago, when we enacted the Balanced Budget Act of 1997, there were forecasts of large deficits stretching into the future. This year, both the Congressional Budget Office and the Office of Management and Budget are projecting large surpluses over the same period. This turnabout should illustrate clearly that there is a large element of uncertainty in any economic projection, and that large scale shifts in tax policy that would tie our hands in the event of an economic downturn are, at the very least, unwise.

Furthermore, the surplus estimates are based on the assumption that the Federal government will adhere to the spending caps enacted in the Balanced Budget Act of 1997. The Leadership in both Houses has admitted that this is not a realistic assumption: a number of appropriations bills will not be able to pass unless their funding is restored to pre-cap levels. Already this year, appropriators are eyeing the projected budget surpluses to help fund large appropriations bills. And, as difficult as these spending caps have been for appropriators this year, the spending caps in future years call for even more drastic cuts.

We are in the midst of the longest peacetime economic expansion in history. This remarkable turnaround has come about in large part because of deficit reduction efforts which began with legislation proposed by the Administration and enacted by the Congress in 1993 - without a single Republican vote. Thanks to these efforts, we have been able to achieve record low levels of unemployment while at the same time maintaining dramatically low levels of inflation. Tax cuts of the magnitude put forward by the Majority would be unwise and potentially destabilizing in an economy that has strong growth, low unemployment and dramatically low levels of inflation.

The real question before us today is whether we are going to take advantage of this opportunity to exercise responsible fiscal policy. If we begin to stimulate the economy with a tax cut at the very time that unemployment is at unprecedented low levels, we run the risk of reigniting inflation. If we start over-stimulating the economy, the Federal Reserve will surely raise interest rates to keep inflation in check and we will be right back in the box we faced prior to this recovery.

It is my strongly held view that any surplus realized over the next ten years should be seen as an opportunity to pay down the Nation's debt, invest in our Nation's future, and shore up vital programs. The Republican tax plan would squander this unprecedented opportunity to ensure that the Federal government will meet its obligations after the baby boomers retire and beyond.

The Republican plan does nothing to preserve the integrity of the Social Security trust fund. The Social Security program is one of this Nation's greatest achievements. For more than 60 years, we have ensured that our senior citizens have a means of support in retirement after a lifetime of hard work. We must honor this commitment and ensure that seniors who count on Social Security receive their benefits.

The Republican tax plan would set aside no new resources for the Medicare program—the plan does nothing to extend the solvency of the Medicare trust fund or provide prescription drug benefits. The President's proposal to enact a modest prescription drug benefit for Medicare would cost $46 billion over the next ten years—less than 6 percent of the total cost of the Republican tax proposal.

Beyond Social Security and Medicare, this projected budget surplus could allow us to invest in the country's infrastructure. We should invest in schools to provide our children with the best possible education; we should improve our Nation's highways and infrastructure; we should invest in America's workers to train them for the 21st century; we should continue to put more police officers on the streets and give them the resources they need to bring crime rates down; and we should protect our environment and natural resources.

While I am not opposed to passing legislation that uses a portion of the projected surplus to cut taxes, such cuts must be responsible, and we should ensure that America's hard-working families who are struggling to take part in the Nation's prosperity benefit first.

Mr. President, we are embarking on an extremely important decision in terms of the future course of the Nation. If we make it responsibly, we can continue on the path of prosperity. We can continue to invest in the future strength of our country through education, research and development, and infrastructure. We can shore up Social Security, address the problems in the Medicare program, and bring down the Federal debt. We can also implement targeted tax cuts that help strengthen our families.

All of these things are possible, but we cannot, for the sake of our future economic prosperity, go to extremes. The Republican proposal is an extreme proposal. Subjected to analysis, it does not stand up. I strongly oppose this proposal and I urge my colleagues to reject it.

Mr. KENNEDY. Mr. President, I am in strong support of Senator ROBB's amendment to recommit the tax bill to instruct the Finance Committee to make a $5.7 billion investment in rebuilding and modernizing the nation's schools. I commend Senator ROBB for his leadership on this issue and I urge my colleagues to support this sensible legislation that is necessary to help the nation meet the critical need to modernize and rebuild crumbling and overcrowded schools.

Schools, communities, and governments at every level have to do more to improve student achievement. Schools need smaller classes, particularly in the early grades. They need stronger parent involvement. They need well-trained teachers in the classroom who keep up with current developments in their field and the best teaching practices. They need after-school instruction for students who need extra help, and after-school programs to engage students in construction activities. They need safe, modern facilities with up-to-date technology.

But, this investment can't succeed when roofs are crumbling and children are in overcrowded classrooms. Sending children to dilapidated, overcrowded facilities sends a message to these children. It tells them they don't matter. No CEO would tolerate a leaky ceiling in the board room, and no teacher should have to tolerate it in the classroom. We need to do all we can to ensure that children are learning in safe, modern school buildings.

Renovation, rehabilitation, and modernization will allow schools to correct problems that prevent them from offering an environment conducive to learning. Researchers have documented a clear link between school building conditions and student learning. A study by Virginia Polytechnic Institute and State University in 1996 compared test scores of students in substandard and above-standard buildings, and found that students in better buildings with access to modern technology do better in their academic work then those without these problems.

Nearly one third of all public schools are more than 50 years old. 14 million children in a third of the nation's schools are learning in substandard buildings, and half of the schools have at least one unsatisfactory environmental condition. The problems with ailing school buildings aren't the problems of the inner city alone. They exist in almost every community, whether urban, rural, or suburban.

In addition to modernizing and renovating dilapidated schools, communities need to build new schools in order to keep pace with rising enrollments and to reduce class sizes. Elementary and secondary school enrollment has reached an all-time high again this year of 53 million students, and will continue to grow.

The Department of Education estimates that 2,400 new public schools will be needed by 2003, to accommodate rising enrollments. The General Accounting Office estimates that it will cost communities $112 billion to repair and modernize the nation's schools. Congress should lend a helping hand and do all we can to help schools and communities across the country meet this challenge.

In Massachusetts, 41 percent of schools report that at least one building needs extensive repairs or should be replaced. 80 percent of schools report at least one unsatisfactory environmental factor. 48 percent have inadequate heating, ventilation, or air conditioning. And 36 percent report inadequate plumbing systems.

This past year, I visited Everett Elementary School in Dorchester, Massachusetts. The school is experiencing serious overcrowding. The average class size is 28 students. The principal of the school gave up her office and moved into a closet in the hall in order to accommodate the rising enrollment. When the school needs the multi-purpose auditorium/library, the rolling bookcases are moved to the basement, and the library has to close for the rest of the day.

In Fitchburg, Massachusetts, enrollments are rising by 200 students a year. Educators there would like to reduce class size, extend special education and bilingual education programs, and hire new teachers, but the school system does not have the facilities or resources to accomplish these important goals. Instead, Fitchburg has been forced to construct four portable facilities—and a fifth is under construction—to deal with overcrowding.

Forrest Grove Middle School in Worcester, Massachusetts, is at full capacity with 750 students. As enrollments rise, they expect an additional 150 students, forcing them to rent rooms at a local church to alleviate overcrowding. The schools in Olathe, Kansas are growing at a rate of 500–1,000 students a year, which is equivalent to about one new school per year.

Two cafeterias at Bladensburg High School in Prince Georges County, Virginia were recently closed because they were infested with mice and roaches. A teacher commented, ''It's disgusting. It causes chaos when the mice run around the room.'' At an elementary school in Montgomery, Alabama, a ceiling which had been damaged by leaking water collapsed only 40 minutes after the children had left for the day.

In Ramona, California, where overcrowding is a serious problem, one elementary school is composed entirely of portable buildings. It has neither a cafeteria nor an auditorium, and a single relocatable room is used as a library, computer lab, music room, and art room.

In Silver Spring, Maryland, a second-grade reading class has to squeeze through a narrow corridor with a sink on one side into a space about 14 feet wide by 15 feet long.

Schools are trying to meet their needs, but they can't do it alone. The federal government should join with state and local governments and community organizations to ensure that all children have the opportunity to get a good education in a safe and up-to-date school building.

Children need and deserve a good education in order to succeed in life. But they cannot obtain that education if school roofs are falling down around them, sewage is backing up through faulty plumbing, asbestos is flaking off the walls and ceilings, schools lack computers and modern technology, and classrooms are overcrowded. We need to invest more to help states and communities rebuild crumbling schools, modernize old buildings, and expand facilities to accommodate reduced class sizes.

Senator ROBB's bill offers school districts the necessary flexibility and assistance to get the job done. Under this proposal, states will be able to put together a school financing package which best meets their needs. It offers states and school districts five choices from a menu of school construction financing components. It gives states and communities the authority to offer zero-interest school modernization bonds. It also offers other tax incentives to enhance the ability of communities to rebuild their schools, including private activity bonds, advance refunding, elimination of arbitrage rebates for small issuers, and Federal Home Loan Bank guarantees on school construction bonds.

I urge my colleagues to support Senator ROBB's amendment. The time is now to do all we can to help rebuild and modernize public schools, so that all children can succeed in safe, technologically-equipped schools.

Mr. ROCKEFELLER. Mr. President, I rise today to discuss the Balanced Budget Act of 1997 and its impact on providers and beneficiaries' access to health care services. Congress has a responsibility to address problems with the BBA for providers, especially those in rural areas. I believe it is important that we keep one thought in mind during the course of this debate—we debated all these changes to help our seniors. They are, and should remain, at the forefront of these discussions.

The BBA made the most significant modifications to Medicare in the history of the program. It signified a change in policy designed to pay more reasonable prices and increase overall efficiency. There is no doubt that these were needed reforms enacted to protect and preserve the program for future generations. However, in light of the magnitude of the changes, we need to make some adjustments to compensate for unforeseen consequences.

It is clear that in rural areas like West Virginia, the impact of the BBA on beneficiaries and providers is much more dramatic than in many other parts of the country. Medicare payments make up a larger proportion of rural hospitals' revenues and rural hospitals have lower hospital margins in general. Thus, West Virginia hospitals, like many other rural hospitals, have little to fall back on when federal Medicare payments are cut.

Since rural hospitals are often local safety net providers with low, and sometimes negative, margins, payment reductions may mean financial jeopardy for rural hospitals and consequently, reduced access to care for rural beneficiaries.

It is not yet clear whether Medicare payment rates will take into account the severity or complexity of patients' illnesses. Under the current law, caring for the chronically ill or those with complex medical conditions can push these health care facilities closer to the brink of bankruptcy. Rural facilities are especially concerned because they do not treat a large enough volume of patents to counterbalance the costs of a few very sick ones.

We cannot afford to lose providers without endangering the well-being of our citizens. Therefore, it is imperative that we take action to make sure that the problems we're facing today do not become a crisis that we'll have to face in the near future.

I would like to note that this body has voted on one facet of this issue earlier this year. The Senate budget resolution included an amendment, which was passed by voice-vote, that directed attention to the impact of the BBA on hospital care. Specifically, the amendment expressed the sense of the Senate that we should consider the extent to which the BBA has had adverse effects on access to hospital care and provided additional budget authority to address the unintended consequences.

Today, I am offering an amendment with my colleagues from Massachusetts and Maryland, Senators KERRY and MIKULSKI, that takes the next step in providing for the additional needs of our health care delivery system, especially in rural areas. The ''Medicare Quality Assurance and Continued Access'' amendment would amend a small portion of the tax cut for a comprehensive package of assistance to Medicare providers.

Mr. President, I am not advocating that we undo the BBA. However, we must address the inequities that resulted from its enactment, particularly when it comes to making certain our seniors get the care they need.

We have commitment to those who came before us and sacrificed so much to make this nation what it is today. Today, we have the opportunity to honor that commitment, and I urge my colleagues to do so by supporting changes to the Balanced Budget Act.

Mrs. FEINSTEIN. Mr. President, I rise to address the amendment on low-income housing tax credit to be offered by my colleague from Pennsylvania, of which I am a cosponsor.

This issue—affordable housing—is of great importance in my state of California, as it is for much of the nation. Low income families in San Francisco, San Diego, and cities across the country are finding it harder and harder to find affordable housing for rent.

The low-income housing tax credit is a great help. Since 1987, state agencies have allocated over $3 billion in housing credits to help finance nearly one million apartments for low income families.

The current housing credit cap—$1.25 for each resident of a state—has not been adjusted since the program's inception. Annual cap growth is limited to the increase in state population, which has been less than five percent nationwide over the past decade. During the same time period, inflation has eroded the housing credit's purchasing power by nearly 50 percent, as measured by the Consumer Price Index.

The budget reconciliation bill increase the credit cap to $1.75 over five years. This is an important step, but it's not enough. Senator SANTORUM and I have proposed this amendment to index the low-income housing tax credit cap for inflation.

The estimated cost to index the cap for inflation is $43 million over ten years. It is my understanding the cost has been fully offset. It is important to see that the housing tax credit will not depreciate over time.

By not indexing the credit for inflation over the past 13 years, it has eroded by between 40 and 45 percent. Costs to build and rehabilitate affordable housing developments have continued to climb, requiring more credit per project in order to achieve economic feasibility. As a result, less and less affordable housing is made available under the credit.

Assuming an inflation factor of just three percent, California would have an additional $1.23 million in the first year of indexing. This would produce approximately 150 more affordable apartments in California annually.

Nationwide, demand for housing credits outstrips supply by more than three to one. In California, it's four to one. According to the Center on Budget and Policy Priorities, 90 percent of renters in Los Angeles pay more than 30 percent of their monthly income on rent. Seventy-three percent spend more than 50 percent of their income on rent.

In the city of San Diego, the affordable housing situation is not much better. There, 106,000 families spend more than 30 percent of their income on rent, and 57,000 families spend more than 50 percent on rental housing.

In the San Francisco Bay Area, the situation is even worse. The average family pays roughly 58 percent of its monthly income on rent. We need to aggressively work to fix this shortage. We need to ensure the tax credit will remain a workable incentive for home builders nationwide. I urge my colleagues to join me in support of this amendment.

Mr. BURNS. Mr. President, I will offer an amendment that will help to keep our Nation's air clean and healthy. This amendment will provide a tax credit for our Nation's energy producers to produce an environmentally-friendly and energy-efficient alternative fuel using otherwise unusable waste products and natural resources.

This proposal would provide for a biomass coal tax credit and offer an incentive for the Nation's energy producers to construct facilities that would process low-grade, high-moisture, coal. We have large supplies of this type of coal in our nation.

This proposal provides half of the credit that is being allowed to produce electricity using biomass and wind power. This is a production tax credit you can only claim the credit if you produce the qualified product.

However, it has been determined that in order for companies to use this credit, they need to have an idea that the credit is going to be available for an extended number of years. Otherwise the costs of building the facilities to provide this environmentally-friendly and energy-efficient fuels would be cost prohibitive.

The marketplace demands a premium, low pollutant coal, to meet the nations needs and in response to the Clean Air Act and the Kyoto Protocol. We cannot jeopardize America's competitiveness by complying with Kyoto's costs on our consumers and markets.

Providing this tax credit marks the beginning of a new industry. Based on current market pressures resulting from deregulation and environmental regulations, numerous companies are interested in constructing these facilities. This is a tax credit that will help to clean our Nation's air and keep our skies blue.

I yield the floor.

Mr. KENNEDY. Mr. President, members on both sides of the aisle have spent a great deal of time over the past two years talking about child care. We've introduced dozens of bills. We've held extensive hearings. We know the difficulties facing countless families across the nation in obtaining affordable, quality care for their children.

We've emphasized the scientific research that confirms again and again that quality early childhood support is necessary for proper brain development of infants and toddlers. We've called for significant additional investments in the nation's children when they are very young, so that all children can benefit from healthy growth and development. The alternative is unacceptable because it means far higher costs in the long run, and because it denies many thousands of children the opportunity to enter school ready to learn.

For all the talk, there has been far too little action. We have severely underfunded the Child Care and Development Block Grants to the states. Only one in ten children who qualify for federal assistance actually receives it. When states run out of funds, they place many of the remaining children on waiting lists. Today, over two hundred thousands children who need a safe and stimulating environment while their parents work are on waiting lists instead. At a hearing held this week, Senators from both parties called this a national disgrace, and I could not agree more.

Many of those who have taken jobs under welfare reform are parents who can only find minimum wage employment. At today's low minimum wage, full time work pays only $10,712 in wages a year. Yet child care for one child costs thousands of dollars a year. Without adequate child care assistance, it is irresponsible to demand that parents leave their infants and toddlers without adequate care. Yet that is the consequence of our refusal to fully fund the Child Care and Development Block Grant.

With the amendment of Senator DODD and Senator JEFFORDS, we can begin to deal more effectively with this serious problem. The amendment represents concrete progress in fulfilling the nation's commitment to children. It would give states the additional resources they need to support quality child care in their communities. In this time of enormous prosperity, it is not only the right thing to do—it is a wise investment for this nation's future.

Mrs. MURRAY. Mr. President, I join with the Senator from Florida in urging my colleagues to do the right thing. Our priorities are out of order. We must remember that we have all committed to saving Social Security and Medicare. These should be our priorities. We should be debating reforms that save these essential income security programs instead of deciding how to squander a protected surplus that may never materialize.

This tax bill is a serious threat to women. By ignoring the looming crisis facing both Social Security and Medicare, we are jeopardizing the financial security of older women. If we fail to reform both Social Security and Medicare, we will force more older women into poverty. The progressive structure of both programs guarantees that for millions of older women, their golden years are not spent living far below the poverty level.

The bottom line is that Social Security and Medicare are women's issues. They are the most important domestic programs for women. By failing to allocate part of the projected surplus to saving these programs and instead acting for short term gratification, we place the issues important to women and families behind the special interests of DC lobbyists.

Why am I here today fighting for an amendment that simply says we will not squander the projected surplus until we have reformed Social Security and Medicare for the long term? Because I am here fighting for families and fighting for some economic peace of mind for older women. Without Social Security benefits, the elderly poverty rate among women would be 52.2 percent and among widows would be 60.6 percent. Instead 12 percent of all Social Security recipients live in poverty. While I still cannot accept even 12 percent, I do not want to be part of pushing more than 50 percent of older women into poverty.

Women are far more dependent on Social Security for their retirement income than are men. Three-quarters of unmarried and widowed elderly women rely on Social Security for more than half of their income. Fifty-eight percent of all Social Security recipients are women. Tell me women do not have a vital stake in this debate.

I am not saying we cannot have tax relief targeted to working families. We could have tax relief targeted to help more Americans save for retirement. However, we cannot jeopardize or gamble with the future economic security of millions of women. We have to tackle Social Security and Medicare reform first.

I know such reform will require heavy lifting. It will require us to invest potential surplus funds in the well-being of older Americans. I am committed to this reform. I am willing to sit down and tackle these tough assignments. What I am not willing to do is to watch my colleagues ignore the economic importance of both Social Security and Medicare for women.

A tax cut is not what most women are looking for. They want pay equity, economic opportunity, and retirement security. Women currently start out several economic steps behind men. We know that women today earn 74 cents for every dollar men earn. We know that women, on average, take a total of 11.5 years out of the work force to care for their families. We know that women often outlive their retirement savings. And, we know that more women live with chronic and disabling illnesses. This in part explains why women are more than twice as likely as men to live in poverty at age 65.

This amendment does not kill a tax cut. It will force us to make the tough decisions and to tackle the difficult job of reforming Social Security and Medicare. But, more important, it will provide greater economic security to women than any instant gratification tax cut ever would. Please do not force elderly women to pay the price for our misguided priorities.

Mr. BUNNING. Mr. President, I rise in support of the Taxpayer Refund Act and urge my colleagues to vote for it.

I actually prefer the tax bill that was considered and approved in the House of Representatives and I support the conservative substitute tax bill that was offered earlier today.

I prefer these alternatives because they cut taxes across the Board which I think is appropriate. They reduce the marriage penalty more adequately which I think is essential.

They make further reductions in the capital gains tax which I think is good for the economy. They totally phase out the death tax instead of just reducing it which I think is just a matter of fairness.

However, even though I think that the Taxpayer Refund Act could be improved—and I hope that it is improved during conference—it is vitally important that we keep the process moving and send a tax cut bill to conference.

During this debate, we've seen a great many charts and graphs outlining all the figures and projections under the Sun. It's almost like watching a Ross Perot commercial.

But when we get to the bottom line in this debate, we aren't talking about figures and projections at all. We are talking about two different philosophies of government.

We are talking about two different philosophies of who the money really belongs to.

Does the money that is generated by the income tax and the payroll tax belong to the people—or does it belong to the Federal Government. That's the argument today.

And the differences here are very clear cut and distinct.

The President and his supporters believe that the money paid into the Federal treasury belongs to the Government.

We are told that over the next 10 years we will have $1.1 trillion more than we need in general revenues to fund the Federal Government. A trillion dollars is a lot of money.

But the President and his supporters say that all that money belongs to the Government and that we should hold onto it just in case Congress or the President can find new ways to spend it.

I can guarantee that if we let the Government hold onto that money—somebody will find a way to spend it.

On the other side of the coin, Republicans say that if taxes are bringing in more money than we need to run the Government, we should give it back to the people so they can determine how to spend it.

That's what this debate is all about. Whose money is it?

The President and the Democrat leadership say that tax cuts are irresponsible and risky—that they would jeopardize Social Security, Medicare and essential government services.

But our budget and our tax bill and our Social Security lockbox proposal which the Democrats here in the Senate keep rejecting all guarantee that the Government cannot touch the Social Security surpluses over the next 10 years.

The Republican proposals all clearly protect Social Security—we lock up that money so it can't be spent—so that it reduces the public debt.

But the Democrats in this body keep voting against the lock box which would guarantee that Social Security surpluses cannot be spend. So, it is not the Republican tax bill that threatens Social Security. It is Democrat reluctance to make a binding commitment not to spend Social Security surpluses.

Yes, something needs to be done to strengthen and protect Medicae—but it is not the Republican tax bill which threatens this important program.

Medicare needs systemic reform—we all know that—and it was the President—not the Republicans or the Republican tax bill—who killed the bipartisan commission recommendations which were designed to give us a starting point for real Medicare reform.

So, no, this debate is not about Social Security—it is not about Medicare. It is about who the money belongs to.

I believe that it belongs to the working Americans who pay the freight. When the projections tell us that we are going to take in over a trillion dollars more than we need, it means that the taxpayers are paying too much and we should give it back.

It's that simple.

That's what this debate is all about.

We have an opportunity today to return some tax money to the taxpayers of this Nation. It is a matter of fairness—it is a matter of honesty—and it is a simple matter of respect.

We can protect Social Security and Medicare and we can reduce the public debt and, yes, we can cut taxes at the same time.

And we should cut taxes—because, Mr. President, I'm one of those who believe that the money belongs to the people—not the Government.

Mr. BINGAMAN. Mr. President, I'm not going to take a lot of the Senate's time, but I want to speak briefly about an amendment I have filed to this tax bill. My amendment, number 1391, promotes the use of small, efficient distributed electronic power generation systems in residential, industrial and commercial applications.

I believe distruted generating technologies are the future of our electric power industry. Already, the first microturbines and fuel cells are being installed in homes and businesses. Renewable technologies, like wind and solar, are bringing power to isolated areas that are not connected to the electrical power grid. These remote applications are very common in my state of New Mexico.

Mr. President, my amendment has two parts. The first part provides a much needed tax clarification concerning small, distributed electric power technologies, such as high-efficiency microturbines and fuel cells. The current tax law discourages the use of these technologies in commerical buildings by requiring a straight-lined depreciation over a 39–year lifetime. However, the same technology, if used in different application, has a shorter depreciation schedule. My amendment would make clear that these advanced electric power systems would have a 15-year depreciation schedule when used for power generation.

The second part of my amendment provides an 8-percent investment tax credit for systems that produce both heat energy and electrical power. The tax credit would apply only to systems that meet a strict 60-percent overall energy efficient requirement. This provision will help increase the Nation's energy efficiency by encouraging investment in these highly efficient systems.

Last month the Energy and Natural Resources Committee held a hearing on distributed power generation. The hearing made clear that technologies such as microturbines, fuel cells, and the various renewable resources can provide many practical benefits, including reduced dependence on high-tension power transmission lines, higher energy efficiency, lower costs, increased reliability, and reduced emissions. Moreover, by combining the production of heat and electric power in one package, overall efficiencies of up to 90 percent can be achieved.

Though I believe my amendment is important and would provide significant economic, reliability, and environmental benefits, I am not going to call it up for one very simple reason: This tax bill isn't going anywhere. The Senate will soon pass this bill, but the President is not going to sign it. In a few weeks, when the Senate comes back with a more sensible package of tax legislation, I hope my amendment will be incorporated in a bill that we can pass and send to the President for his signature.

The incentives for distributed generating technologies in my amendment will go a long way to realizing the best future for electric power generation and efficient use of energy. I hope we can pass them in the next tax bill.

Mr. MACK. Mr. President, I would like to talk a few minutes about one particular provision in the tax bill we are debating, the extension of the Research & Development tax credit. Last week the Finance Committee took an historic step, and reported a bill which would have made the R&D tax credit a permanent feature of our tax code. Yesterday, unfortunately, every single member of the minority voted to sunset the provisions of the tax bill, so instead of a permanent R&D tax credit, we have a ten-year extension.

Though the actions of our colleagues across the aisle prevented us from having a permanent R&D tax credit, I am pleased that the on-again, off-again nature of the credit will not undermine America's innovators for the next decade. I have long supported federal policies to increase the nation's R&D investment because of the central importance of scientific research to the health and well-being of our people, its positive contribution to our economic growth and our higher standard of living, and the improvements which add to our quality of life.

Both business and government play important and complementary roles in making sure that America continues to lead the world in research and innovation. The federal role in R&D is focused on investment in long-term basic research. I will continue to do my best to increase federal R&D spending on basic research, particularly on biomedical research which leads to huge benefits to all Americans.

Today, private industry plays the largest role in the nation's research effort, funding 65% of all R&D. Industry's role makes it clear . . . that if overall R&D is to increase, we must pursue policies which create a good business climate for firms to pursue long-term increases in their R&D budgets. We want America's leading-edge companies to hire new scientists, invest in new technologies and new research facilities—and the R&D tax credit provides that crucial incentive.

To see the benefits of R&D, look no further than America's economic performance today. We are in the eighth consecutive year of non-inflationary growth, and technology industries deserve a large share of the credit. In fact, high-tech industries have accounted for about one-third of real GDP growth in recent years.

Advancements from R&D lead to a huge number of improvements to our quality of life. The most dramatic impact of R&D on our quality of life is evident in biomedical research and health care. Here are some examples of the payoff to medical R&D:

It used to be that patients with kidney failure had to undergo frequent transfusions, which are expensive, carry substantial risks, and leave many patients anemic. Many kidney patients had to cut back on work or quit their jobs, or go on public assistance. Through extensive R&D, one of America's top biotech companies created a new drug that allows the body to create red blood cells again and enables people to restore their energy. In the past decade, this drug has helped millions to remain productive. It has reduced transfusions in the United States by nearly one-fifth, and fewer people have contracted blood-born disease.

Another example of the real-life benefits from R&D is the new class of drugs, developed in the late 1980s, which are giving millions of people who suffer from depression a new lease on life. Because of these new depression drugs, the cost of treating depression in the United States has plummeted—expensive psychiatric care and in-patient stays, which many could not afford, are now disappearing in favor of these new treatments.

There are two telecommunications companies which invested in R&D to create new technologies to bring state-of-the-art medicine to previously underserved and remote locations. These new technologies allow transfer of high-resolution photographs, radiological images, sounds, and medical records from leading medical centers to physicians and patients in remote locations.

These are just a few of hundreds of great success stories coming out of America's medical research labs—successes coming from companies responding to the R&D tax credit incentive. These examples make clear that R&D is not simply a dollars and cents issue. Federal R&D policy makes improvements to the quality of life across-the-board for all Americans.

The R&D tax credit has proven its effectiveness. Numerous studies during the past decade have found that each dollar of tax credits generates between $1 and $2 of additional R&D. Therefore, taxpayers are getting a solid return on their investment in terms of greater economic growth, a higher standard of living, and in numerous cases—a longer and healthier life span.

As chairman of the Joint Economic Committee, last month, along with Senator BENNETT, I hosted a high-tech summit which brought together business leaders from all across the high technology industries. One issue everyone seemed to agree on was that a permanent R&D tax credit would advance the development of new technologies, leading to breakthroughs which benefit the environment, increase transportation safety, treat serious illnesses and save lives. And on top of all this, a Coopers & Lybrand study found that a permanent extension to the credit would raise American incomes due to higher productivity growth and contribute substantially to our economic growth.

The R&D tax credit has proven its worth many times over. Mr. President, though I am pleased we have extended R&D for 10 years, it is my hope that the R&D tax credit will one day be a permanent fixture in our Tax Code so it can spur innovation and economic growth throughout the next millennium.

Mrs. FEINSTEIN. Mr. President, although I have a great deal of respect for the chairman of the Senate Finance Committee, close examination of the Taxpayer Refund Act of 1999 has led me to conclude that the $792 billion Republican tax bill passed out of the Finance Committee is too much too soon and could well have serious adverse effects on federal priorities and the national economy.

The Republican tax plan would devote virtually the entire projected non-Social Security surplus over the next ten years—some $932 billion out of $964 billion, according to the CBO—to tax cuts. That would leave just $32 billion for everything else—Medicare needs, defense, health care, education, combating crime, everything else that the government does. Clearly, that is not sustainable.

In fact, the Republican plan may well lead to substantial deficits unless the Congress and the President are willing to not only keep the present caps, but to tighten them even further.

By devoting 97 percent of a surplus that has not yet been generated to tax cuts and to the additional interest costs of not reducing the debt—$932 billion—the Republican plan creates a great risk that we will return to the era of deficits and rising debt.

When I first came to the Senate in 1993, the Federal budget deficit was $290 billion, and expected to continue for the foreseeable future.

Through the imposition of tough fiscal discipline—and by making tough budgetary choices—we have now managed to bring the federal budget back in balance. We should not now precipitously put these gains at risk.

If we abandon the fiscal discipline and responsibility that have allowed us to get to where we are today—our economy growing and our budget in balance—we will once again find ourselves running up annual deficits in the tens of billions of dollars.

The bottom line is that the Republican plan is too much, too soon, too fast. It:

Spends money which Congress does not yet have. This surplus has not yet materialized and will not until next year—assuming projections are correct, which they may not be. What happens if there is a military need? What happens if there are large national disasters? What happens if the economy slows down? Answer: All surplus projections are in the wastebasket.

In fact, the projected surpluses which have set off the tax-relief movement may never materialize. It will only come about if the economy continues to grow and if Congress cuts spending even more deeply.

The Republican plan does nothing to protect Medicare. No budget resources are set aside for Medicare solvency. And by giving nearly all the surplus outside of Social Security's need to tax cuts, the Republican plan does nothing to extend the solvency of Medicare trust fund, which will be bankrupt by 2015.

Nor does it provide coverage for prescription drug benefits to be added. As a matter of fact, they are made impossible.

The Republican plan endangers virtually all domestic program priorities, forcing cuts of close to 40 percent in domestic spending over the next decade. The Republican plan would commit the nation to major cuts in military readiness, education, healthcare, and crime-fighting, just to name a few areas.

In fact, under this plan, to avoid deficits, domestic spending will have to be cut an additional 23 percent by 2009. But if defense programs are to be funded at the level recommended by the Joint Chiefs—as I believe they should be—then domestic spending will have to be cut by 38 percent. Cuts of this magnitude would:

Reduce Head Start services over one-third, from the 835,000 children who would otherwise be served to 460,000.

It would slash Title I, Education for the Disadvantaged, programs, denying 4 million children in high poverty communities throughout this nation (from the 14.6 million projected) access to key educational services necessary to improve their future prospects.

It would cut the National Institutes of Health budget by $8.6 billion from the current baseline, which would endanger NIH's ability to fund new research grants. It would gut the cancer program and certainly prevent the doubling of funding for cancer research as this body has supported by a vote of 98–0 in 1997 in a Sense of the Senate.

It would cut Superfund cleanup funds by $870 million, eliminating all new federally-led clean-ups due to begin in 2009, and making it difficult, if not impossible, to meet the EPA's 900-site cleanup goal in 2002.

There are 96 Superfund sites in California on the National Priority Cleanup List, including Iron Mountain near Redding and the San Gabriel Valley site in Los Angeles county. Construction is underway at just 38 percent of these sites. The Republican tax plan may put continued work on these sites in jeopardy.

The Republican plan cuts to the Immigration and Naturalization Service could result in a reduction of over 6,000 Border Patrol Agents (from the number projected); cuts to the FBI could result in a reduction of over 6,000 FBI agents (from the number projected).

Does not eliminate publicly held debt. Today, public debt stands at $3.6 trillion. We have an opportunity to eliminate this public debt entirely by 2015—critical if we wish to keep interest rates low—if we stick with a fiscally responsible approach.

I represent the most populous state in the union. Most important issues before the Senate produce letters and e-mail in excess of 10,000 a week, and often 20,000 or 30,000. Yet, I have received remarkably few letters urging tax cuts. And those letters that I have received—109 last week—have been equally split. In fact, only one person has written to me saying that it is vital for their survival that the massive Republican tax package be passed.

I would like to read from some of the letters that I have received, to give my colleagues a sense of what the people of California are thinking about this issue.

A letter I received from a woman in Berkeley sums up much of this debate quite well, and is reflective of much of the mail I have received. And it is further testament to the fact that the American people are often more wise then many of their elected leaders. This letter reads:

> I am very concerned about proposed tax cuts and urge you to be cautious!
>
> First, we really do not know if the proposed surplus will be there in the next 15 years.
>
> Second, we have enormous debt, and, in my mind, the major portion of the surplus should be used to pay down our debt. This would be a boom to baby boomers, etc since their ''invested'' surplus Social Security taxes are already spent. Talk about ''family value''—pay your debt first.
>
> Third, Social Security, Medicare, and child services all need financial attention.
>
> Please do not vote for a large tax cut. It is not the right thing for our national financial future.

For those of my colleagues who may be quick to dismiss a letter coming from Berkeley, I also received a note from a couple in Sonoma which read: ''We are two registered Republicans who would prefer no tax cut. Pay off the national debt and lower interest rates thereby. Also secure Social Security and improve healthcare for everyone.''

A man in San Diego wrote:

> I want the national debt payed down. I want Social Security and Medicare shored up. I don't want more government spending. If we can do that and get a tax cut fine. If we can't fine. I don't want to depend on your economist's estimates of overages, since we know their abilities are mediocre at best!

And from an e-mail from Aptos:

> I am opposed to the recent large tax break legislation in the House. We need instead to be paying down the debt and saving tax cuts for when they are truly needed. The more we pay off our national debt, the more of our hard earned tax dollars will actually go to programs, not debt repayment, and the more we will be able to afford true tax cuts in the future. Lets not spend our future away.

In fact, I believe that if our colleagues on the other side of the aisle were willing to put partisan posturing behind them, a responsible tax cut would be possible within the context of the budget plan proposed by the President.

I support the Administration in setting aside 62 percent of the surplus for Social Security, some $3.5 trillion over 15 years. It extends the program's solvency to 2053, and eliminates publically held debt by 2015. This means that the ''baby boomer'' generation's Social Security is protected.

I support extending the solvency of Medicare from 2015 to 2027 by dedicating 13.5 percent of the surplus, some $794 billion over 15 years to Medicare. This is vital if there is to be a solvent system. It is mandatory if addressing a change in benefits is contemplated.

Finally, I strongly support itemizing 2.5 percent of the surplus, or $156 billion over 15 years for education, and 6 percent of the surplus or $366 billion over ten years for various discretionary programs such as defense, veterans affairs, research, agriculture, and environmental protection.

That would leave $271 billion over the next ten years which could be utilized as a tax cut.

Indeed, that is why I worked with my colleague from Iowa, Senator GRASSLEY, to put together and introduce earlier this year a moderate bill that provides needed tax relief for working families while fitting within the budget framework set out by the President to protect Social Security and Medicare.

The Grassley-Feinstein plan would cost $271 billion over ten years. It provides a $61.4 billion cut in the marriage penalty; a 100 percent deduction for health insurance expenses and a tax credit for long-term care ($117 billion over ten years); an increase in the low-income housing credit ($6.6 billion over ten years); tax credits for child care and education, including help for stay at home parents, with the HOPE college credit, and with student loan interest payments ($32.3 billion over ten years); and it helps our economy continue to grow by making permanent the R&D tax credit ($27.4 billion over ten years).

In fact, it is much like the Democratic plan. It is a common sense, bipartisan approach.

Of all the tax cuts that have been proposed, I believe the one that would be of the most help to the American people would be marriage penalty relief.

It makes sense for social reasons: It reinforces the important institutions of family and marriage.

And it makes sense for economic reasons: It eliminates what many of us see as a vast inconsistency in our tax law, that two people could find that they pay more in taxes if they are married then if they stay single. It makes no sense.

Another approach to this tax relief question would be to simply eliminate the marriage penalty outright, starting in 2002, and allow married couples to file either individually or jointly at their option. This would cost some $234 billion for the eight years.

A tax relief plan which starts with a $234 billion cut in the marriage penalty would also allow us to include other important provisions. I would support including an immediate increase in the low-income housing tax credit, indexing that credit to inflation, which would cost $6 billion over ten years. The low-income housing tax credit is critical for financing housing for low income families. I would also support the permanent extension of the R&D tax credit,which costs some $27.4 billion over ten years, and provides an important incentive for U.S. companies to continue to develop the cutting-edge technologies of the 21st century.

So, the complete elimination of the marriage tax, the low-income housing credit, and the R&D credit would total some $269 billion over the next years, well within the $271 billion cap.

Unfortunately, the Republican plan passed by the Finance Committee is neither common sense nor bipartisan.

It is a tax plan which will endanger the federal budget, places Medicare at risk, force deep and unnecessary cuts in important domestic priorities, and may undermine the long-term health of the U.S. economy. It is unwise, and I urge my colleagues to think long and hard before plunging headlong and heedless down this path of fiscal irresponsibility.

Congress has an unprecedented opportunity to put our fiscal house in order. We can protect Social Security and Medicare, meet other domestic and international priorities, and eliminate the federal debt. And we can provide the American people with significant and much needed tax relief. This is not some pie in the sky scenario, but a realistic appraisal of what we can do if we are willing to move beyond partisan posturing and politics as usual, and do what is right for the American people.

BUSINESS AS USUAL IN THE RUSSIAN FEDERATION

Mr. CAMPBELL. Mr. President, I take this opportunity today in my capacity as Co-Chairman of the Commission on Security and Cooperation in Europe, known as the Helsinki Commission, to draw the attention of my Senate colleagues to the growing problem of official and unofficial corruption abroad and the direct impact on U.S. business.

Last week I chaired a Commission hearing that focused on the issues of bribery and corruption in the OSCE region, an area stretching from Vancouver to Vladivostok. The Commission heard that, in economic terms, rampant corruption and organized crime in this vast region has cost U.S. businesses billions of dollars in lost contracts with direct implications for our economy here at home.

Ironically, Mr. President, in some of the biggest recipients of U.S. foreign assistance—countries like Russia and Ukraine—the climate is either not conducive or outright hostile to American business. This week a delegation of Russian officials led by Prime Minister Sergei Stepashin are meeting with the Vice President and other administration officials to seek support of the transfer of billions of dollars in loans and other assistance, money which ultimately comes from the pockets of U.S. taxpayers.

I recently returned from the annual session of the OSCE Parliamentary Assembly in St. Petersburg, Russia, where I had an opportunity to sit down with U.S. business representatives to learn from their first-hand experiences and gain a deeper insight into the obstacles they face. During the 105th Congress, I introduced legislation—the International Anti-Corruption Act—to link U.S. foreign aid to how conducive recipient countries are to business investment. I intend to reintroduce that legislation shortly, taking into account testimony presented during last week's Commission hearing.

The time has come to stop doing business as usual with the Russians and others who gladly line up to receive our assistance then turn around and fleece U.S. businesses seeking to assist with the establishment of legitimate operations in these countries. An article in the Washington Post this week illustrates the type of rampant and blatant corruption faced by many in the U.S. business community, including companies based in my home state of Colorado.

Mr. President, I ask unanimous consent that the full text of this article be printed in the RECORD.

There being on objection, the material was ordered to be printed in the RECORD, as follows:

INVESTORS FEAR ''SCARY GUY'' IN RUSSIA TALKS

(By Steven Mufson)

Russian Prime Minister Sergei Stepashin arrived in Seattle on Sunday to court American investment in his country's ailing economy, but his entourage included a regional governor who has been accused of using strong-arm tactics to wrest assets from foreign investors.

The controversial member of Stepashin's delegation is Yevgeny Nazdratenko, governor of Primonsky province in Russia's Far East, who is embroiled in several disputes with foreign business leaders.

''Basically the governor is a pretty scary guy,'' said Andrew Fox, who sits on the boards of more than 20 companies in the region and is the honorary British consul in Valdivostok. Fox said that Nazdratenko summoned him on June 3 and threatened to send him ''on an excursion to visit a very small room'' where Fox would be kept until he agreed to give the governor control of a crucial stake in a shipping company and leave the company's existing management intact. Fox left that week and is now in Scotland.

David Gens, finance director of Seattle-based Far East Maritime Agency, said the Russian partner of one of the company's affiliates was ordered to contribute 10 percent of revenue for the rest of the year to Nazdratenko's reelection campaign.

In yet another dispute, an American investor has alleged that Nazdratenko packed the board of a company, diluted the ownership interest of foreign investors and diverted funds to coffers for his December reelection campaign.

Senior administration officials said Nazdratenko would not be included in meetings with President Clinton, Vice President Gore or other top U.S. officials today in Washington. But several business leaders said the mere presence of the Vladivostok politician, who accompanied Stepashin in Seattle for a tour of a Boeing plant and a dinner hosted by Washington Gov. Gary Locke (D), was sending a bad signal to investors.

Russia has defaulted on its debts, it has a lot of economic problems, it should be extra