

pay most to Washington is not the income tax; it is the payroll tax, the money taken out of their paychecks. It is a regressive tax. It is, in fact, a tax on work.

Many of us here have been putting together proposals that we think would reduce the work penalty by giving every working American a refundable tax credit. That means it would go to people who don't pay income taxes because their income is so low. Unlike the Bush tax cut, which would bestow at least one-third of its benefits on the top 1 percent, whose average income is \$900,000, the payroll tax credit we are talking about would provide real tax relief to middle-class working families and to the lower income workers—not people who are not working, but workers, those I have talked about who pay payroll taxes or have it taken out of their paychecks but have no income tax liability. Beyond that is fairness in sharing our growth with those who need it most.

I think we have to act on business tax incentives that will target the drivers of economic growth in our time in the new economy: Capital investment, a skilled workforce, and productivity. While large businesses have been driving our productivity gains by implementing information technology, small firms, which still account for 98 percent of employers, have been moving more slowly into the new economy simply because they can't afford its entry fees. A potential fix here would give small companies tax credits to invest—and invest now—in information technology. This is like servers and network hardware, broadband hookups, computers, and e-business software. Small business, after all, accounts for 40 percent of our economy and 60 percent of the new jobs; but fewer than one-third of small businesses are wired to the Internet today.

This is a stunning statistic: Those that are wired—the small businesses wired to the Internet—have grown 46 percent faster than their counterparts that are unplugged. If we encouraged small business owners to strive for information technology efficiency now, and phased a credit out in a few years—if we couldn't afford it anymore—we could keep productivity growing and help us grow out of the current economic downturn.

Let me talk about a second potential business tax incentive tool, and that would be one that would zero out—eliminate—capital gains taxes for long-term investments in entrepreneurial firms.

I have long supported, since I came to the Senate in 1989, cuts in capital gains to spur growth and encourage a strong venture capital market. I remember being one of six members of my party who stood to support the capital gains tax cut proposal that then-President Bush proposed. Capital gains have been purged, in my opinion. We finally adopted a broad-based capital gains cut in 1997, and I think that cut,

and earlier more targeted forms of it, have encouraged the boom in entrepreneurship and startups that have institutionalized innovation in the United States.

This country's entrepreneurial depth is an asset we must nurture, and we can do so by cutting the capital gains rate to zero for long-term investments in startups, small entrepreneurial firms.

In the new economy, finally, employers need a knowledgeable labor force that adds value to the new technology. Right now, employers are investing too heavily in remedial education to make up for failures in the performance of our K-12 school system. Employers who are making these remedial education investments to bring our workforce into the new economy should be encouraged to do so with a new education tax credit system—a business education tax credit system.

For the same reason, I am supportive of tax relief for low- and middle-income families struggling to pay the cost of their children's college education. We are talking about a tax deduction for up to \$10,000 a year that is spent by families in this country to educate their children or themselves.

Those are three proposals where business tax cuts would have a direct effect on sustaining economic growth and getting us back to the boom in the American economy that we seem to temporarily have left.

At the end of the debate which President Bush will begin tonight, the best approach, of course, is the responsible approach; the approach that embraces the highest values and most far-reaching and broadly shared goals of the American people.

The goal of any tax cut and prosperity plan cannot be short-term politics. It has to be the long-term economic interests and values of the American people.

We are poised at a crossroads: After 8 years of economic good fortune, we can go forward and continue to pay down the debt, offer sensible, broad-based tax cuts that are both personal and business, and begin paying the IOUs we already owe for retirement benefits for baby boomers; or we can turn back, choosing policies that will undermine our productivity, reward the few, and leave education, health, retirement security, and our national defenses underfunded.

That is a big choice with serious consequences for each and every family and each and every individual in our country. I know the American people want to move forward toward expanded opportunities and continued prosperity. That is the heart of what it means to be an American. I hope we, their representatives, in Congress and in the administration, from both parties, will have the common sense in good times we had when they were bad to build on 8 years of success with fiscal discipline and sound economic policies and humane investments in our future.

That is what is on the line tonight as all of us in both Chambers and the American people listen to President Bush deliver his first State of the Union. I thank the Chair. I thank my colleagues. I yield the floor, and 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. REED. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

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

Mr. REED. I understand the time is controlled by the Democrats until noon.

The PRESIDING OFFICER. Until the hour of noon, yes.

Mr. REED. Mr. President, I ask unanimous consent to speak as in morning business for 20 minutes.

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

Mr. REED. I thank the Chair.

EDUCATION

Mr. REED. Mr. President, the last election demonstrated clearly and graphically the importance of education as a concern to the American people. It is perhaps their highest priority. They have indicated overwhelmingly in poll after poll that education reform and improvement is something they desperately want and that this Nation desperately needs. They have also indicated their top priority for the use of the Federal budget is investment in education. Indeed, 81 percent of individuals polled recently indicated they would approve of a bold national commitment to improve education similar to our commitment to build the Interstate Highway System and to do many other projects of critical importance to the American public.

It is, indeed, fitting then that President Bush would embrace this notion of education reform. I commend him for his interest. I welcome the beginning of a very serious debate about how we can at the Federal level assist local communities to improve elementary and secondary education in the United States.

We should begin, I believe, by recognizing that over the past 8 years, we have made progress. We established in Goals 2000 a focus on educational reform. In the reauthorization of the Elementary and Secondary Education Act in 1994, we insisted that high standards be the benchmark and the measuring rod of our commitment to educational reform.

We have also over the last few years passed legislation to diminish class size and to repair and renovate crumbling schools throughout this country. So we begin this process with success, but we also begin with the idea that we have to do much more, and we have to do it together.

We recognize that historically, constitutionally, and culturally, educational policy is the province of State and local governments.

The Federal Government does play a role, and we have played this role quite robustly since 1965. The role may be described as encouraging innovation at the local level and also overcoming inertia at the local level so that every student in America, particularly students from disadvantaged backgrounds, have the opportunity to seize all the opportunities of this great country. This has been our role since 1965.

A characteristic of Federal participation in elementary and secondary education is that it is targeted, particularly with respect to low-income students. We have an obligation to continue this support. We have an obligation to continue to work with the States and localities, in a sense as their junior partner, but as their important partner, to ensure that every child in this country will have the ability to achieve and obtain a quality public education.

President Bush's proposal at this juncture is an outline, it is a prospectus, it is a vision, if you will, for some of the things he would like to see done to improve education. There are elements which we all share, including concentration and focus on high standards and accountability, emphasis on reading, teacher quality, and school safety. And there are other elements with which we disagree.

Among the first order of these elements is the notion of vouchers. I am pleased to see or at least sense that the President has retreated a bit from his campaign discussions about vouchers, recognizing this is not the answer for addressing the needs of our public school system. We have to emphasize parental involvement, teacher preparation, resources to improve curriculum—things that have to be done in the context of public education.

I hope if we continue to emphasize these approaches and deemphasize vouchers that we will make much more progress as we work on educational reform in this Congress.

There is another aspect of the President's proposal that has drawn, I think, justifiable criticism. That is the notion of block granting all of the Federal funds, essentially giving the States a check and saying: Do what you will.

We recognize that we are, as I said previously, the junior partners in this enterprise. Federal spending is roughly 7 percent of all spending on elementary and secondary education. Our focus has always been on assisting the neediest children.

To put all of our funds into a block grant and simply hand it over to the States would, I think, lead to a loss of focus, and, more dangerously, a loss of emphasis by Federal dollars on those poor disadvantaged students. There are many examples of how a block grant has distorted what was a good program before. One which comes to mind is li-

brary books. Back in 1965, we specifically committed, as an aid to local school systems, to provide funding to acquire library books. In fact, many of the books on the shelves today, if you open them up, are stamped "ESEA, 1965." It was a successful program. It put books on the shelves. But, more importantly, it put books in the hands of students throughout this country.

Years ago, this specific program was rolled into a larger block grant. What we have seen is that libraries throughout this country in the schools in America are not what they should be. We have seen books on the shelves that are grossly out of date. Interestingly enough, an effort on my part to publicize and address the lack of appropriate library books through bipartisan legislation was reported in the Washington Times on February 20. Most interesting, though, was a response on February 23 by a school librarian that showed some of the real frustrations that school personnel face with the lack of focused Federal funding for specific programs.

This school librarian, who has worked for 27 years, saw the article and then described the problem in her words.

The money coming down for spending has been diverted by administrators for technology, she says. The computers are bought with book money and the administrators can brag about how wired the schools are. The librarians are ordered to keep the old books on the shelves and count everything, including unbound periodicals and old filmstrips dating back to the 1940s.

And most of all keep their mouth shut about the books—just count and keep quiet. Now do you wonder why librarians keep quiet?

The point is, there is an advantage and value in Federal programs that have specific and explicit policy choices for localities. What we sometimes get in flexibility is lost in focus. We should be conscious and careful as we embrace educational reform to be very clear about those programs we believe should be supported specifically—something like library books—and make sure our education funding is not lumped into some vast category where local administrators, under severe pressure, can find ways to distort our intent to support a specific program.

There is another aspect, too, of the issue of block grants. People will say: This is not about money. If you just give the States more flexibility, they don't need the extra money.

It turns out that most public school reform is based not only upon administrative changes but increased resources for schools. That is the case in Texas. Preceding Governor Bush's term, in fact, going back several terms before that, Texas embarked on a process of redistributing its local school aid. In fact, today it is one of those States which takes resources from wealthy districts and gives them to poor districts. That process began before the testing regime was put in place in Texas.

One can argue that as much as testing might have been a source of improvement, just as much or perhaps more was the fact that now for the first time, local school systems are getting the needed funding to conduct the kinds of programs—buying technology, professional development—that are so necessary.

We have to be conscious, too, as we talk about the Federal role, to recognize if we are going to talk big, we have to have the resources to back it up. It is not all done simply by changing the chairs around the table, by talking about noneconomic reforms, nonresource reforms.

There is another issue, too, that the President has advanced. This is an issue for which I commend him. It is an issue in terms of accountability that I fought for in 1994, along with my colleague, Senator BINGAMAN.

I was a Member of the other body. Senator BINGAMAN was here. In the context of the debate on Goals 2000, we attempted for the first time to talk about not only standards that children must achieve, but the resources those schools must have so these children can meet those standards.

During the course of this debate, we ran into significant opposition, principally opposition from our colleagues on the Republican side. They objected, sometimes in principle, to the notion we would be telling local school systems what to do.

I think this debate was important because it recognized for the first time that Federal resources should not be committed without tough standards of accountability, and that these tough standards should be a way to move the system forward. It recognized when we have tough standards and adequate resources you are more likely to get the kind of improvement in educational quality that we all desperately want.

After the Goals 2000 debate, we started discussions on the reauthorization of the Elementary and Secondary Education Act of 1965. This legislation focused on changes to title I. In the context of this debate, I proposed several amendments which would deal with corrective action, to essentially require local school districts to identify those schools that were failing the State standards, and then develop a plan of action that would bring those schools up to the State standards.

Once again, we ran into opposition. I was successful in passing an amendment that exists today in law that requires the State to take corrective action for title I schools following several years of failing to meet the State educational standards. That is on the books today. In fact, the States are already identifying those schools that are not performing up to standards.

In 1998-99, 8,800 schools were identified as needing improvement by the States. Now, interestingly enough, the States are not required to transmit specific school names to the Federal Department of Education, so we don't

know specifically what schools are failing, but we know there are at least 8,800 schools throughout the country that are not meeting State standards.

Unfortunately, because of the time to work through the process of evaluation and corrective action, it is not yet clear whether or not the States have taken effective corrective action. But this notion of accountability, this notion of making sure the States look at their schools, evaluate their schools, propose corrective action and follow through is not a new idea. It exists today for the title I schools. I hope in the process of this debate and reauthorization we can expand the concept of accountability to all schools, that we can put in place real accountability standards, and that these standards will move forward dramatically the educational achievement of our children throughout the United States.

Again, another aspect of the President's proposal related to accountability is his insistence to date that we mandate States to require testing of each student from grades 3 to 8 in order to receive Federal education funding. We all recognize that testing is an essential part of education, but I hope we all recognize that testing alone is not sufficient to improve our schools. Once again we have to have the resources and once again we have to have the commitment to ensure that the resources go to those schools that are most in need.

Tests should be an indicator of how well a school is doing, but they should not be a high-risk evaluation of an individual child, in my view. They are diagnostic tools. We can use them to see generally how well a school is doing. But, as we have been cautioned by the National Research Council, "no single test score can be considered a definitive measure of a student's knowledge," and that "an educational decision that would have a major impact on a test taker should not be based solely or automatically on a single test score."

As we approach this issue of testing, let me be clear: If we are evaluating how a school or school system is doing as a way to provide additional resources or additional corrective action, these tests can be valuable. But if we allow these tests on a one-time basis to determine the future of students, we will be making a very significant mistake.

Also, we should understand the science of testing is a difficult one indeed, and there are many consequences, both intended and unintended, from the application of testing in schools. Again, I think it is appropriate to look at the example of Texas since it is so much in the forefront of our discussions these days. The Texas Assessment of Academic Skills, the TAAS, the test that is used in Texas, has been promoted as almost miraculous in its ability to generate significant gains in educational improvement. But there is evidence that indeed

the success reflected in TAAS is not also shown when other tests are applied to roughly the same group of students in Texas. The National Assessment of Educational Progress is a well recognized test, and studies have shown significant differences between the success rates of students in Texas on that test versus the success rate touted by Texas officials using their own tests.

We have to be very careful about State tests because there is both the technical difficulty of developing those tests and also the political pressure to make tests that everyone will succeed in passing because it helps avoid tough choices about helping schools and tough actions about ensuring that schools that do not work are adequately addressed.

So we have a situation where we have to be careful about the test. We also have to be careful about the effect on students. One other statistic from Texas is that students who are leaving high school short of a diploma and taking a GED instead has increased in Texas significantly from approximately 47,000 in 1989 to 74,000 in 1996. That is an increase of 57 percent. The increase nationally was only 26 percent. So we have to ask ourselves, were people dropping out or being subtly or not so subtly encouraged to leave because of the testing regime that was in place in Texas?

There is another aspect that I alluded to: Not just those who choose to take the GED but those who choose to leave school entirely, forfeit the opportunity to improve their education, at least temporarily, and seek other means, either working or simply just leaving school. Once again, if you look at the cohort class of 1991, the year TAAS was implemented, the percentage of students who progressed from grade 6 to graduation dropped from 65 percent to 55 percent for black and Hispanic students and from 75 percent to 68 percent for white students. Once again you have to ask yourself: Is this testing causing unintended consequences: Dropouts and alternate approaches to educational attainment, like the GED? We have to be careful as we go forward.

We also have to consider another characteristic, and that is whether or not all the students taking the test are being counted in the test results. Another statistic in Texas is the increase in those students who are being classified as "in special education," who are then not counted in a school's accountability ratings.

Again, we have to be very careful as we go forward on this testing issue to ensure that these tests are benchmarks of school performance and are not unfairly marking students on a one-time basis for success or failure, or driving students away from school when in fact school could be more beneficial.

The other factor, too, and something we have to be very much concerned about, is that these testing regimes

cost money. It has been estimated that in my State of Rhode Island, if we were to adopt the President's proposal, each year we would have to spend \$3.2 million simply for test development. On top of that, funding would be needed to implement and administer the tests. That is a significant amount of money in a very small State to devote just to testing, because we also want to do many other things: We want to improve professional development, we want to improve parental involvement, and we want a host of other things that cost money. If all the extra resources, new resources at the local level, are tied up in testing, that is going to take us away from other important initiatives.

As a result, I believe if we are going to embark on any form of mandated Federal testing, the Federal Government should provide this testing money, which is an additional cost that has not yet been recognized by the President's proposal. This brings us, of course, to the notion of how much money will there be for educational reform in this administration.

Everyone wants education reform. We are about to embark on a process of debate and deliberation that will lead, I believe, rather quickly, to a new reauthorization. But whatever we do depends upon how much we are willing to support this legislation with real resources. The President last week announced he is proposing a \$4.6 billion increase in education spending which, by his calculation, will be an 11.5-percent increase in educational spending in our budget.

Let's look a little more closely at those numbers. First, the President's proposal disregards the fact that we have already advanced funded \$2.1 billion in last year's appropriation for the coming year. So you have to, I think, fairly, subtract that \$2.1 billion we have already committed in terms of evaluating how much extra money is going to education. When you do that, you find out the increase is not 11.5 percent but it is 5.7 percent, about \$2.4 billion extra.

You also have to put this in context. That is a 5.7-percent increase, which would be less than what we have done in the last 4 out of 5 years. So one can ask, where is all this extra money? Where is this massive commitment, this bold innovation to fix American education? Where is it? Indeed, if you look back over the last 5 years, we have been averaging up to 13-percent increases in educational spending. We need the money as well as the rhetoric. I hope whatever we do legislatively in terms of authorization we match with robust appropriations.

There is another aspect of the budget with respect to education. This educational increase is not solely devoted to elementary and secondary education, because we also have a significant support system for higher education. When you look at that, the money available just for elementary

and secondary education in the President's proposal is about \$1.6 billion. Again, that is not the robust, huge sums that we need to start an educational revolution in conjunction with the States.

If you look at the President's proposal, his commitment to Reading First, which is his literacy program, is \$900 million. That is far above what we are spending for literacy now. If that commitment is made, then less than \$1 billion would be available for all the other programs, including title I, new testing provisions, teacher quality, safe schools, and afterschool programs.

So we really have to ask ourselves, is there anything beyond the rhetoric, beyond the rhetoric?

Are there resources that are going to go into this educational reform? If we don't commit the money, then this will be an exercise that will be ineffective in addressing the reality of the public education problem in this country.

I believe we have to have real education reform. I believe we can do it. We should build on the success of the past. We should recognize that we already have in place accountability provisions of title I schools upon which we can build. But we also have to do other things such as reinvigorate our direct support of library materials. We have to ensure that there is effective parental involvement. We have to provide teachers with sustained, effective, and intensive mentoring and professional development, as well as provide principals with effective leadership training. We have to help schools and communities work together to address not just the educational challenges of children but some of the health care and social challenges that detract from their education. We can do this, and we should do this.

I hope over the next several weeks and months, throughout the deliberations on the Elementary and Secondary Education Act, we will come together on an elementary and secondary education development plan that will be significant and meaningful, that will be built on our past success, and that will assist States and localities, and that we will find the funds necessary to translate our words into deeds. By doing so, we will realize educational improvement in America and ensure well-educated young people who can not only man the increasingly complex positions in our economy but continue to be citizens who will sustain and move the country forth.

I yield the floor. 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.

The PRESIDING OFFICER. In my capacity as a Member from the State of Wyoming, I ask unanimous consent to dispense with the quorum call. Without objection, it is so ordered.

RECESS

The PRESIDING OFFICER. Without objection, the Senate stands in recess until the hour of 2:15 p.m.

There being no objection, the Senate, at 12:46 p.m., recessed until 2:15 p.m.

Whereupon, the Senate, at 2:15 p.m., reassembled when called to order by the Presiding Officer (Mr. INHOFE).

MORNING BUSINESS

The PRESIDING OFFICER. The Senate is in a period of morning business, with Senators permitted to speak therein for up to 10 minutes each.

In my capacity as a Senator from the State of Oklahoma, I suggest the absence of a quorum.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

MEASURE READ THE FIRST TIME—S. 397

Mr. McCAIN. Mr. President, I have a bill at the desk, and I ask for its consideration.

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

The legislative clerk read as follows:

A bill (S. 397) to amend the Defense Base Closure Realignment Act of 1990 to authorize additional rounds of base closures and realignments under that act in 2003 and 2005, to modify certain authorities relating to closures and realignments under that Act, and for other purposes.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. McCAIN. I thank the Chair.

(The remarks of Mr. McCAIN pertaining to the introduction of S. 397 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

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

The PRESIDING OFFICER (Mr. BROWNBACK). Without objection, it is so ordered.

NATIONAL ENERGY SECURITY ACT OF 2001

Mr. DOMENICI. Mr. President, I rise to congratulate my colleague, Senator MURKOWSKI, for his efforts in developing the National Energy Security Act of 2001. This act represents a collection of critically important actions; actions that can move the Nation beyond the almost perpetual energy crises that we've experienced in the last few years.

Our Nation has not followed or even developed a comprehensive energy strategy for far too long. We've all paid the price for that omission. Major changes in energy availability and prices are devastating the lives of many of our citizens.

We have seen oil prices gyrate in the last two years by over three times. At one extreme, we destroyed much of our ability to develop new oil and gas wells. At the other extreme, we impacted the Nation's economy. And throughout the last few years, we have prohibited exploration and utilization of public lands that could have been impacting some of our most critical shortages.

Natural gas prices have more than tripled just this year in many parts of the country. The impact on millions of our citizens has created another major crisis.

We have seen the economy of California, the sixth largest economy when compared to all the nations of the world, brought to its knees by the recent energy shortages. Blackouts have struck in unpredictable patterns, disrupting lives. Unfortunately, California is only the first of many areas that are likely to be impacted by the lack of past coherent policy.

It has been terribly frustrating to me to recognize that most of these problems were caused by our own actions, or lack of actions. We have had help falling into these traps, of course, from OPEC for example. But much of these problems are completely predictable. Actions could and absolutely should have been taken to drastically mitigate the severity of the impacts.

I appreciate that Senator MURKOWSKI has taken care in his bill to recognize and emphasize that there is no one "silver bullet" to solve our nation's energy problems. His bill creates opportunities for all of the major energy sources to maximize their contribution to our nation's energy needs; that's the only credible approach to the severity of the current issues.

His bill recognizes that no single energy source represents a vast untapped resource, ready for immediate exploitation. It recognizes that solutions have to include options that impact our needs in the near term, like more natural gas and safe pipelines, as well as approaches that have much longer lead times, like nuclear power and renewables. And while natural gas enables relatively near term impacts with only modest pollution concerns, it is a finite resource and any credible national energy policy has to address a future without readily obtained supplies of natural gas.

Solutions have to build on our existing major national energy providers, like the coal and nuclear plants that provide more than 70 percent of our electricity today. And where these large providers have risk areas, like air emissions from coal and a credible national strategy for spent nuclear fuel, we must work diligently to address the