

(Purpose: To provide that the exclusion from gross income for foster care payments shall also apply to payments by qualified placement agencies, and for other purposes)

At the end of the bill add the following:

SEC. ____ EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PLACEMENT AGENCIES.

(a) IN GENERAL.—The matter preceding subparagraph (B) of section 131(b)(1) (defining qualified foster care payment) is amended to read as follows:

“(1) IN GENERAL.—The term ‘qualified foster care payment’ means any payment made pursuant to a foster care program of a State or political subdivision thereof—

“(A) which is paid by—

“(i) a State or political subdivision thereof, or

“(ii) a qualified foster care placement agency, and”.

(b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGENCIES.—Subparagraph (B) of section 131(b)(2) (defining qualified foster individual) is amended to read as follows:

“(B) a qualified foster care placement agency.”

(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED.—Subsection (b) of section 131 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) QUALIFIED FOSTER CARE PLACEMENT AGENCY.—The term ‘qualified foster care placement agency’ means any placement agency which is licensed or certified by—

“(A) a State or political subdivision thereof, or

“(B) an entity designated by a State or political subdivision thereof,

for the foster care program of such State or political subdivision to make foster care payments to providers of foster care.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Mr. BUNNING. Mr. President, I ask unanimous consent that Senator INHOFE be added to this amendment as a cosponsor.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BUNNING. Mr. President, I rise today to offer an amendment to the underlying bill.

My amendment corrects an inconsistency in the Tax Code that unfairly punishes foster care families and the foster care family members for whom they care.

Many families that take in foster care family members receive a stipend from the placement agency to help provide this care.

These stipends help defray the costs for food, shelter, and the basic necessities.

In some cases, families get these stipends tax-free. But in others, families pay taxes on them as if they were ordinary income.

My amendment replaces this patchwork system by providing a single, blanket rule that gives equal treatment to all of these stipends by simply excluding them from taxation.

Because real world changes in foster care have outpaced the Tax Code, we

presently have a situation where stipends are taxed depending on the age of the foster care family member, and whether or not they were placed by a for-profit agency or a nonprofit agency.

This makes no sense.

Presently, if the placement is done by a for-profit agency, or if the foster family member is over 18, the stipends are taxed.

It is only if the foster family member is placed by a not-for-profit and they are under 18 that the stipends are not taxed.

This is a distinction without a difference.

It shouldn't matter if the stipends come from a for-profit or a nonprofit agency, or if it is a needy individual who is 12 or 42.

We shouldn't tax love and compassion on such an arbitrary basis.

Instead of sending a tax bill to the foster parents who are doing the right thing, we should give them a break and encourage their good intentions.

What is important is that these needy individuals are getting help, and the families who help by offering to help should not be penalized for their good deeds.

Instead of punishing foster care, we should reward it.

My amendment helps to do just this by making it more attractive and more affordable to take in foster care family members.

This is a noncontroversial, bipartisan idea. In fact, this proposal passed Congress as part of the 1999 tax bill that was vetoed by President Clinton. It also passed the House last year on two separate occasions as both a stand-alone bill and as part of the centrist stimulus package, H.R. 3529.

I have been working on this issue for almost 5 years, and I have never heard one bit of criticism about it.

It is a commonsense improvement to the Tax Code that would immediately benefit families by letting them keep more of the money that they receive for the foster care of children of any age.

And it has the added, more important, benefit of promoting care and compassion for some of our most needy individuals.

There are hundreds of thousands of children and adults in foster care. Both they and the families who are looking after them would benefit from my amendment.

My amendment is nothing new to Congress. But let's make it new to those foster care families all across the Nation.

Foster parenting is hard work. The stipends are very small. Foster care families and their charges deserve and need tax relief and fairness as much as anyone else.

Mr. President, I ask for the yeas and nays on this amendment.

The PRESIDENT pro tempore. Is there a sufficient number?

There is a sufficient number.

The yeas and nays were ordered.

Mr. BUNNING. Mr. President, I yield the floor.

The PRESIDENT pro tempore. The Senator from Nevada.

RECESS

Mr. REID. Mr. President, I ask unanimous consent that the Senate stand in recess until 4 o'clock today.

There being no objection, the Senate, at 3:11 p.m., recessed until 3:59 p.m. and reassembled when called to order by the Presiding Officer (Mr. REID).

The PRESIDING OFFICER (Mr. LEVIN). The Senator from South Carolina is recognized.

THE STIMULUS BILL

Mr. HOLLINGS. Mr. President, last week we were debating the stimulus bill. In that regard, there was some discussion by some of the leadership on the other side of the aisle to the effect that they were asking for all these tax cuts. However, on Saturday morning I listened to the President. I heard him in his weekly radio address.

He said:

I urge it to pass a strong stimulus bill, the one that passed the House last year.

So there is no question that the issue of tax cuts as a stimulus is still one of the main issues to this particular Senator, and it really hackles this Senator in that we don't have any taxes to cut. We don't have any revenues. We don't have any surplus. I have been saying this ever since we balanced the budget back under Lyndon Baines Johnson. I will never forget at that particular time George Mahon on the House side, the distinguished Congressman from Texas, was chairman of the Appropriations Committee and we were working in December, after the November elections; and in that particular December session it looked like in order to balance that budget, pay down the debt, not increase it, not have a deficit, that we needed some \$5 billion more in cuts. We called over to Marvin Watson and said: “Ask the President will he go along with another cut of some \$5 billion.” We did it at that particular time, and we balanced the budget for 1968–1969. We were in the black as we ended that particular year. It was right at \$2.9 billion.

Mr. President, I ask unanimous consent to have printed in the RECORD at this particular point the deficits and interest costs over the past half century, since President Truman in 1947, including President Bush today.

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

HOLLINGS' BUDGET REALITIES

(In billions of dollars)

President and year	U.S. budget	Borrowed trust funds	Unified deficit with trust funds	Actual deficit without trust funds	National debt	Annual increases in spending for interest
Truman:						
1947	34.5	-9.9	4.0	+13.9	257.1	
1948	29.8	6.7	11.8	+5.1	252.0	
1949	38.8	1.2	0.6	-0.6	252.6	
1950	42.6	1.2	-3.1	-4.3	256.9	
1951	45.5	4.5	6.1	+1.6	255.3	
1952	67.7	2.3	-1.5	-3.8	259.1	
Eisenhower:						
1953	76.1	0.4	-6.5	-6.9	266.0	
1954	70.9	3.6	-1.2	-4.8	270.8	
1955	68.4	0.6	-3.0	-3.6	274.4	
1956	70.6	2.2	3.9	+1.7	272.7	
1957	76.6	3.0	3.4	+0.4	272.3	
1958	82.4	4.6	-2.8	-7.4	279.7	
1959	92.1	-5.0	-12.8	-7.8	287.5	
1960	92.2	3.3	0.3	-3.0	290.5	
Kennedy:						
1961	97.7	-1.2	-3.3	-2.1	292.6	
1962	106.8	3.2	-7.1	-10.3	302.9	9.1
Johnson:						
1963	111.3	2.6	-4.8	-7.4	310.3	9.9
1964	118.5	-0.1	-5.9	-5.8	316.1	10.7
1965	118.2	4.8	-1.4	-6.2	322.3	11.3
1966	134.5	2.5	-3.7	-6.2	328.5	12.0
1967	157.5	3.3	-8.6	-11.9	340.4	13.4
1968	178.1	3.1	-25.2	-28.3	368.7	14.6
Nixon:						
1969	183.6	0.3	3.2	+2.9	365.8	16.6
1970	195.6	12.3	-2.8	-15.1	380.9	19.3
1971	210.2	4.3	-23.0	-27.3	408.2	21.0
1972	230.7	4.3	-23.4	-27.7	435.9	21.8
1973	245.7	15.5	-14.9	-30.4	466.3	24.2
1974	269.4	11.5	-6.1	-17.6	483.9	29.3
Ford:						
1975	332.3	4.8	-53.2	-58.0	541.9	32.7
1976	371.8	13.4	-73.7	-87.1	629.0	37.1
Carter:						
1977	409.2	23.7	-53.7	-77.4	706.4	41.9
1978	458.7	11.0	-59.2	-70.2	776.6	48.7
1979	504.0	12.2	-40.7	-52.9	829.5	59.9
1980	590.9	5.8	-73.8	-79.6	909.1	74.8
Reagan:						
1981	678.2	6.7	-79.0	-85.7	994.8	95.5
1982	745.8	14.5	-128.0	-142.5	1,137.3	117.2
1983	808.4	26.6	-207.8	-234.4	1,371.7	128.7
1984	851.9	7.6	-185.4	-193.0	1,564.7	153.9
1985	946.4	40.5	-212.3	-252.8	1,817.5	178.9
1986	990.5	81.9	-221.2	-303.1	2,120.6	190.3
1987	1,004.1	75.7	-149.8	-225.5	2,346.1	195.3
1988	1,064.5	100.0	-155.2	-255.2	2,601.3	214.1
Bush:						
1989	1,143.7	114.2	-152.5	-266.7	2,868.3	240.9
1990	1,253.2	117.4	-221.2	-338.6	3,206.6	264.7
1991	1,324.4	122.5	-269.4	-391.9	3,598.5	285.5
1992	1,381.7	113.2	-290.4	-403.6	4,002.1	292.3
Clinton:						
1993	1,409.5	94.2	-255.1	-349.3	4,351.4	292.5
1994	1,461.9	89.0	-203.3	-292.3	4,643.7	296.3
1995	1,515.8	113.3	-164.0	-277.3	4,921.0	332.4
1996	1,560.6	153.4	-107.5	-260.9	5,181.9	344.0
1997	1,601.3	165.8	-22.0	-187.8	5,369.7	355.8
1998	1,652.6	178.2	69.2	-109.0	5,478.7	363.8
1999	1,703.0	251.8	124.4	-127.4	5,606.1	353.5
2000	1,789.0	258.9	236.2	-22.7	5,628.8	362.0
Bush:						
2001	1,863.9	270.5	127.1	-143.4	5,772.2	359.5
2002	2,003.3	250.7	-20.5	-271.2	6,043.4	331.7

*Historical Tables, Budget of the U.S. Government FY 1998; Beginning in 1962, CBO's The Budget and Economic Outlook: Fiscal Years 2003–2012 January 23, 2002.

Mr. HOLLINGS. Mr. President, you will see from this particular chart the truthfulness of what I have just stated; namely, we have not had a balanced budget since 1968–1969. More specifically, we keep talking about surpluses, but we get surpluses by using all kinds of fancy terminologies to dance around in order to hide the money and the debt. The truth is, though, the net figure as to whether the national debt goes up or goes down; whether or not we spend only the money we have, or we have to borrow in order to provide for the appropriations that we have provided; whether those things occur or not, the actual national debt has gone up, up, and away. It has gone up some billions of dollars each year for the past 31 years, to the extent that when we talked about surpluses all last year, we did not end up with a surplus when President Clinton left town.

In fiscal 2000, there was a deficit of \$22.7 billion. For the first year of President Bush, we now have a \$143.4 billion deficit, and the Congressional Budget Office last week attested to the fact that they project that the deficit next year, in 2002, is going to be \$271.2 billion. Can you imagine that? Last year at this time we were talking about \$5.6 trillion in the black and now we are talking about \$271.2 billion in the red.

I think it was Mark Twain years ago who said: "The truth is such a precious thing, it should be used very sparingly." That is exactly the way we approach this particular role of ours as budgeteers and Congressmen and Senators and everything else of that kind. We actually hide the debt. The way we hide the debt is what Alan Greenspan euphemistically calls "intragovernmental transfers." That sounds pretty, but what you are doing is looting the retirement funds, the trust funds.

I ask unanimous consent that this chart be printed in the RECORD, which reflects "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 of dollars)

	2001	2002	2003
Social Security	1,170	1,333	1,512
Medicare:			
HI	197	230	266
SMI	42	43	42
Military Retirement	157	165	173
Civilian Retirement	543	577	611
Unemployment	89	74	59
Highway	24	20	13
Airport	14	12	9
Railroad Retirement	27	27	28
Other	72	77	81
Total	2,335	2,558	2,794

Mr. HOLLINGS. Mr. President, that shows in 2001 we took \$1.170 trillion from Social Security. We took from Medicare some \$240 billion. From military retirement—the retirees who we say we want to look after—we looted their retirement moneys, some \$157 billion; from civilian retirement, \$543 billion—that is the civil service; from unemployment compensation fund, \$89 billion. Now they say we might have to start paying into that.

In 2001, we looted the highway trust funds by \$24 billion; airports by \$14 billion; railroad retirement by some \$27 billion; and another \$72 billion from other entities like the Federal Finance Bank. The savings and loan debacle is when we started that fever about deregulating. We deregulated the savings and loan industry and that up-ended. We deregulated the airlines and they have gone broke. We deregulated the trucking companies and they have gone out of business. Now we are on course to deregulating energy, which is before us now. Our experience is that when we have deregulated, it has been a disaster. The point is, we have hidden \$2.335 trillion. We have hidden \$2.335 trillion.

Let me refer to the January 28th edition of Business Week. This says: Accounting in crisis, what needs to be done. I refer to page 36 and the article, "Who Else is Hiding Debt?"

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

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

WHO ELSE IS HIDING DEBT

Moving financial obligations into off-book vehicles is now a common ploy

(By David Henry, et al.)

When energy trader Enron Corp. admitted to hiding billions of dollars of liabilities in mysterious off-book entities, it trotted out the lame excuse of scoundrels: Everyone does it. And this time, it was the gospel truth.

Hundreds of respected U.S. companies are ferreting away trillions of dollars in debt in off-balance-sheet subsidiaries, partnerships, and assorted obligations, including leases, pension plans, and take-or-pay contracts with suppliers. Potentially bankrupting contracts are mentioned vaguely in footnotes to company accounts, at best. The goal is to skirt the rules of consolidation, the bedrock of the American financial reporting system and the source of much of its credibility. These rules, set clear in 1959, aim to make public companies give a full and fair picture of their business—including all the assets and liabilities of any subsidiaries. But accountants, lawyers, and bankers have learned to drive a coach and horses through them.

Because of a gaping loophole in accounting practice, companies create arcane legal structures, often called special-purpose entities (SPEs). Then, the parent can bankroll up to 97% of the initial investment in an SPE without having to consolidate it into its own accounts. Normally, once a company owns 50% or more of another, it must consolidate it under the 1959 rules. The controversial exception that outsiders need invest only 3% of an SPE's capital for it to be independent and off the balance sheet came about through fumbles by the Securities & Exchange Commission and the Financial Ac-

counting Standards Board. In 1990, accounting firms asked the SEC to endorse the 3% rule that had become a common, though unofficial practice in the '80s. The SEC didn't like the idea, but it didn't stomp on it, either. It asked the FASB to set tighter rules to force consolidation of entities that were effectively controlled by companies. FASB drafted two overhauls of the rules but never finished the job, and the SEC is still waiting.

It's not just the energy industry that exploits the loophole and stashes major liabilities in the never-never land of SPEs. Increasingly, companies of all stripes routinely use them to offload potential balance-sheet bombshells such as loan guarantees or the financing of sales of their own products. For example, the accounts of data processor Electronic Data Systems Corp. don't show \$500 million—half of last year's earnings—that it would owe if its customers were to cancel their contracts and leave it holding the bag for loans on their computer equipment. The arrangement is acknowledged only in a footnote. An EDS spokesman says the tactic is common in the industry and does not put the company at undue risk.

Airlines keep appearances aloft by shunting billions worth of airplane financing into off-balance-sheet vehicles, says credit analyst Philip Baggaley of Standard & Poor's Corp. United Airlines Inc. parent UAL Corp.'s published balanced sheet for 2000 shows \$5 billion of long-term debt. But only a footnote describes the bulk of its lease payments, which Baggaley estimates have a present value of \$12.7 billion, due over 26 years on 233 airplanes. AMR Corp., parent of American Airlines Inc., is on the hook for \$7.9 billion in lease payments not on its balance sheet. "Everyone who's involved in the industry knows that the true leverage is higher" than what's shown on the balance sheet, says Baggaley. UAL and AMR declined to comment.

Banks arrange many of the devices and are big users themselves. J.P. Morgan Chase & Co., for example, has revealed in the Enron bankruptcy that it has nearly \$1 billion in potential liabilities stemming from a single 49%-owned Channel Islands entity called Mahonia that traded with Enron. The liabilities bring the bank's total Enron exposure to \$2.6 billion. And J.P. Morgan is not alone. A suit filed earlier this month shows that many U.S. finance companies are among 52 partners in LJM2, an Enron off-balance-sheet entity with over \$300 million in assets. The partners, including Citigroup, Wachovia, and American International Group, may all have to take losses on it.

The banks' participation in SPEs is attracting scrutiny of federal regulators. A Federal Reserve spokesman said it is "concerned about" off-balance-sheet exposures and hopes new accounting rules will be put in place. How many more Mahonia or LJM2-like entities are there? The Channel Islands tax haven boasts more than 350 SPEs and similar entities, though it is impossible to know how many should really be consolidated on balance sheets of U.S. companies. Assets in the entities total more than \$635 billion, according to Fitzrovia International PLC, a London-based research firm. The Cayman Islands, which has been competing for the business since the 1980s, claims another 600 trusts and banks, most of which have SPE expertise.

With some of the vehicles, it is impossible for investors to know from financial reports who could be responsible for what. For example, Dell Computer Corp. has a joint venture with Tyco International Ltd. called Del Financial Services that last year originated \$2.5 billion in customer financing, according to a footnote to Dell's accounts. According to the note, Dell owns 70% of DFS, but does

not control it and therefore keeps DFS debts off its own balance sheet. What if DFS has trouble from customers not paying? Dell spokesman T.R. Reid says any obligation of DFS are Tyco's responsibility and Tyco agrees. Jeffrey D. Simon, president of the global vendor financing business at Tyco Capital, says Tyco would look at Dell's customers to pay and not to Dell. Tyco's balance sheet reflects borrowing to finance Dell's customers.

Companies argue that off-balance sheet vehicles benefit investors because they enable management to tap extra sources of financing and hedge trading risks that could roil earnings. Maybe so, but they sure make the companies, and their executives, look good: Return on capital looks better than it is because balance sheets understate the amount employed. And investors and regulators don't freak out as corporate debt balloons. But critics charge that the widespread use of off-balance-sheet schemes encourages contempt for accounting rules in the executive suite and spreads confusion among investors. "The nonprofessional has no idea of the extent of the real liabilities," says J. Edward Ketz, accounting professor at Pennsylvania State University. "Professionals can be easily fooled, too."

Worse yet, many SPEs have provisions that can throw their users into a full-blown financial crisis. To get assets off its books, a company typically sells them to an SPE, funding the purchase by borrowing cash from institutional investors. As a sweetener to protect investors, many SPEs incorporate triggers that require the parent to repay loans or give them new securities if its stock falls below a certain price or credit-rating agencies downgrade its debt. It was just such triggers in its notorious off-balance-sheet partnerships that sent Enron into a death spiral. And triggers fueled the crises last year at Pacific Gas & Electric, Southern California Edison, and Xerox, according to Moody's Investors Service. "All of this hidden debt and these triggers could make the next economic downturn a lot worse than it would otherwise be," says Lynn Turner, who was chief accountant at the Securities & Exchange Commission until July.

Despite the risks, SPEs remain very appealing to companies. And any attempt to curb them or abolish the 3% rule will run into furious opposition. Since the early '90s, an army of accountants, lawyers, and bankers built a huge industry to concoct ever more creative ways to evade consolidated reporting. So reform won't come easily. "It will be a phenomenal flight," says Turner.

Maybe so, but Enron's demise shows how quickly a tiny loophole can tear the country's economic fabric. And there may never be a better time to close it.

OUT OF SIGHT

Many companies keep debts and other obligations out of investors' view in partnerships and other entities. Often, financial liabilities are secured by physical assets such as planes or computers. A sample:

Company	Item not on balance sheet	Estimated exposure (billions)
UAL	Plane leases	\$12.7
AMR	Plane leases	7.9
J.P. Morgan Chase	Liability for trading units	1.0
Dell Computer	Debt of consumer financing venture	2 N/A
Electronic Data Systems	Payments for customers' computers	0.5

¹ Exposure to Enron through Mahonia.

² Joint venture partner Tyco Intl. is responsible for losses.

Data: Standard & Poor's, company reports.

Mr. HOLLINGS. Mr. President, this says, "Moving financial obligations into off-book vehicles is now a common

ploy." Could it be that Kenneth Lay is acting like a Senator, acting like a Congressman, acting like a President, or acting like Alan Greenspan? Chairman Greenspan testified before our committee and it was like pulling teeth to try to get him to admit that the debt went up. He came and we went around and around and around, and finally, I said:

Let me ask you this. Here is the CBO report. Does it project that the debt goes up and the Government will have to borrow over the next 10 years, or not? Mr. Greenspan answered, it does.

The reason I wanted to fit that into the RECORD is because Mr. Greenspan is no different than the Director of the Congressional Budget Office, our good friend Dr. Crippen, when it comes to the budget. Last week at our Budget hearing on national TV, he says this is the CBO report, and all he has in this thin little document is the revenue, but none of the expenditures, so we are left with only surpluses. He kept talking about how the surplus has gone down from \$5.6 trillion to \$1.6 trillion. He kept saying the word surplus—surplus, surplus, surplus, surplus.

That is all we heard. We did not hear about the debt and the deficit.

I finally got the sheet that shows the gross Federal debt, according to CBO, goes from \$5.772 trillion to \$7.644 trillion; in other words, it goes up about \$1.9 trillion. That is what we ought to be talking about, that is the reality; but we keep talking about intragovernmental transfers, as Dr. Greenspan says, or we talk about surpluses, as Dr. Crippen testified to. The fact is, we are doing what Kenneth Lay was doing: Misleading the public.

We are trying to get reelected. So if we all go along with this \$1.6 trillion surplus, surplus, surplus, that gives some substance, some credibility to a tax cut. I do not believe in letting a surplus sit around any more than anybody else, but the truth of the matter is, there is no surplus.

I have the public debt to the penny chart which you can find on the internet at: <http://www.publicdebt.treas.gov/opd/opdpenny.htm>.

Mr. President, the chart shows we ended up last year with a \$143.4 billion deficit. That was the end of September-October 1 of 2001. Already this year, the current amount of public debt, has gone up \$122 billion. We are starting the year in the red and talking about stimulating with tax cuts.

Let's get to the point. How did we get those 8 glowing years of the greatest economic boom in America's history? By what? By paying down the debt. Somehow we have gotten lost in the politics of all of this. They are all talking tax cuts, they are all talking surpluses, they are all talking about giving money back that nobody has. The truth is, economic growth is not about consumer confidence; it is about market confidence. It is the financial community up on Wall Street who know the truth. They read this budget the same way I do.

Wall Street does not look for intragovernmental transfers. They look at the long range, whether or not the Government will be crowding into the market with its sharp elbows to borrow money to pay its bills. They know that instead of surpluses we have deficits; instead of paying down the debt, we have the national debt increasing. This is why the long-range bond rates and interest rates are staying high.

Yes, Dr. Greenspan and the Federal Reserve had 11 cuts to the short-term rate, and where is the long-term rate? Still at 5 percent, and it could be increasing, according to Dr. Greenspan's statement.

I have had hearings. We have about a dozen committees and scores of hearings about Enron hiding the debt. But according to Business Week, who is hiding the debt? None other than the United States Government. We owe \$2.3 trillion, and if we do not pay down the debt and continue to borrow, we will owe these particular trust funds \$2.8 trillion at this time next year.

In 1994, this supposedly conscientious Congress passed the Pension Reform Act. We said we were not going to have these fast operating artists come in, take over a company, pay down the debt with the pension fund and take the money that is left and run. We had that going on all through the eighties. So at the beginning of the nineties, we passed legislation making it a felony to pay off corporate debt with a pension fund.

I refer to Denny McLain, the former pitcher for the Detroit Tigers, about whom the distinguished Presiding Officer knows. He took over a company when he got out of baseball and paid down the debt with the company's pension fund. He was charged with a felony under the law and sentenced to 8 years. Now he is out, I take it, by now, and I wish him well, but I have to use that example to sear the conscience and awareness of this dormant body. Senators still want to keep their eyes and ears closed as to the truth about budgeting.

They all have schemes to save Social Security. All they have to do is quit spending, quit looting the Social Security trust fund. I remember when Dr. Greenspan came to us in the early eighties, and he projected to Congress: If we do not do something about this, Social Security is going bottom up. It will go bankrupt.

What happened? They appointed the Greenspan Commission, and the Greenspan Commission recommended, among other things, that we have an inordinately high payroll tax graduated upwards. Why did we graduate it upwards over the years? They said to take care of the baby boomers. The truth is, they knew this 20 years ago, so they put in that inordinately high payroll tax which, for most Americans, exceeds their income tax. The money was there and section 31 of the Greenspan report said do not touch that money. Put it

off budget. Get it out of the unified budget, as they were talking about in those times.

This Senator over several years tried to get that into law. Finally, George Herbert Walker Bush—Bush senior—on November 5, 1990, signed into law section 13301 of the Budget Act: Thou shalt not use Social Security in your budget.

We did not put a penalty in the law. The law is violated every day by the Congress and the President. It has long since been law. We all voted for it. The vote was 98 to 2 in the Senate. But they spend that money willy-nilly, spending Social Security in violation of that law; in violation of the spirit of the Pension Reform Act. They all go out and say: I am a responsible Senator, reelect me; the Government is too big; the Government is not the answer; the Government is the problem; the Government is the enemy.

Let us not act like Kenneth Lay this year. I hope that sears the conscience of not only the American people but the Senate body in which I serve.

For years I have been trying to limit campaign spending. I was in the discussions during the Campaign Finance Act which we finally enacted in 1974. At the time, I looked over at the distinguished Senator from New York, Mr. Buckley, and said: You are not going to buy it.

He said: Oh, yes, I am.

And he sued; Buckley v. Valeo. He sued the Secretary of the Senate, and we got the Buckley v. Valeo decision. I could see exactly what happened with that Buckley v. Valeo decision. The Supreme Court turned around the intent of the Congress. And that particular decision by the Court said we are not going to be able to buy the office. But that is the only way you can get into office is to buy it. It is a disgrace.

So I offered a one-line constitutional amendment, and I still propose it every Congress. It says the Congress is hereby empowered to regulate or control spending in Federal elections.

But I cannot get a two-thirds vote. I used to get a lot of my Republican colleagues on the other side of the aisle to vote for it. I would get Bill Cohen, Alan Simpson, Nancy Kassenbaum, and Bill Roth, but they are all gone now. The distinguished Senator from Texas, Mr. GRAMM, said: Now, wait a minute. We have the money. They have the unions. Of course, I come from South Carolina and I don't get money and I don't get unions, neither one.

So that being the case, I believe I am going to have to go for public campaign financing. I have resisted the idea of public financing politics, but it is currently being financed in the most corrupt fashion.

Do not give me McCain-Feingold. That does away with the soft money. Instead, contributions are directed into hard money and those particular special interest entities. I call McCain-Feingold the Give-the-money-to-Grover bill; that is, Grover Norquist and

all of that crowd. So we take all the contributions from soft money and the parties have the duty and the responsibility of running elections. Now we are giving it to corporate America, and corporate America and the hard money will be there. This will end, I say, the Democratic Party down in my backyard. It will not even have a chance on that score.

So I believe we ought to have public financing, where we can get away from this corruption that the Enron case has brought to the fore.

Back to the point, remember, we do not have a surplus. It is a deficit and debt. Is there any way better to emphasize how we got this way than a Wall Street Journal of August 16 2001, almost a month before 9-11?

I ask unanimous consent to have the Wall Street Journal article printed in the RECORD.

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

NASDAQ COMPANIES' LOSSES ERASE 5 YEARS OF PROFIT

(By Steve Liesman)

Mounting losses have wiped out all the corporate profits from the technology stock boom of the late 1990s, which could make the road back to the previous level of profitability longer and harder than previously estimated.

The massive losses reported over the most recent four quarters by companies listed on the Nasdaq Stock Market have erased five years' worth of profits, according to figures from investment-research company Multex.com that were analyzed by The Wall Street Journal.

Put another way, the companies currently listed on the market that symbolized the New Economy haven't made a collective dime since the fall of 1995, when Intel introduced the 200-megahertz computer chip, Bill Clinton was in his first term in office and the O.J. Simpson trial obsessed the nation. "What it means is that with the benefit of hindsight, the late '90s never happened," says Robert Barbera, chief economist at Hoening & Co.

The Wall Street Journal analysis looked at earnings excluding extraordinary items going back to September 1995 for about 4,200 companies listed on Nasdaq, which is heavily weighted toward technology stocks but also includes hundreds of financial and other growth companies. For the most recently reported four quarters, those companies tallied \$148.3 billion in losses. That roughly equaled the \$145.3 billion in profit before extraordinary items these companies have reported since September 1995. Because companies have different quarter ending dates, the analysis doesn't entirely correspond to calendar quarters.

Large charges that aren't considered extraordinary items were responsible for much of the red ink, including restructuring expenses and huge write-downs of inventories and assets acquired at high prices during the technology bubble.

Analysts, economists and accountants say these losses raise significant doubts about both the quality of past reported earnings and the potential future profit growth for these companies. Ed Yardeni, chief investment strategist at Deutsche Banc Alex. Brown, said the losses raise the question of "whether the Nasdaq is still too expensive. These companies aren't going to give us the kind of awesome performance they did in the

'90s, because a lot of it wasn't really sustainable."

The Nasdaq Composite Index stood at around 1043 in September 1995, soared to 5048.62 in March 2000 and now stands at 1918.89. Because companies in the Nasdaq Composite Index now have a cumulative loss, for the first time in memory the Nasdaq's value can't be gauged using the popular price-earnings ratio, which divides the price of stocks by their earnings. That means it is impossible to say whether the market is cheap or expensive in historical terms.

The extent of the losses surprised a senior Nasdaq official, who asked not to be named. "I wouldn't have thought they were that high," he said.

Nasdaq spokesman Andrew MacMillan, while not disputing the losses, pointed to the \$1.5 trillion in revenue Nasdaq companies generated over the past year, saying that represented "a huge contribution to the economy, to productivity, and to people's lives . . . regardless of what's happening to the bottom line during a rough business cycle."

Staya Pradhuman, director of small-capitalization research at Merrill Lynch, says the recent massive losses tell a story of a market where investors became focused on revenue instead of earnings. With billions of dollars in financing chasing every glimmer of an Internet idea, Mr. Pradhuman says, a lot of companies came to market long before they were ready.

"The underwriting was very aggressive, so earlier-stage companies came to market than the kind of companies that came to market five or 10 years ago," he adds. He believes there is plenty of potential profitability out there in this crop of young companies. But, he notes, "only among those that survive."

The data show that the very companies whose technology produces were supposed to boost productivity and help smooth out the business cycle by providing better information have been among the hardest-hit in this economic slowdown. "Management got caught up with how smart they were and completely forgot about the business cycle and competition," says Mr. Yardeni. "They were managed for only ongoing success."

to be sure, some of Nasdaq's largest star-powered companies earned substantial sums over the period. Intel led the pack with \$37.6 billion in profit before extraordinary items since September 1995, followed closely by Microsoft's \$34.6 billion in earnings. Together, the 20 most profitable companies earned \$153.3 billion, compared with losses of \$140.9 billion for the 20 least profitable. Included in the losses was a \$44.8 billion write-down of acquisitions by JDS Uniphase and an \$11.2 billion charge by VeriSign, also to reduce the value on its book of companies it had bought with its high-price stock.

These charges lead some analysts and economists to believe that including these losses overstates the magnitude of the decline. According to generally accepted accounting principles, these write-offs are treated as regular expenses. But corporate executives say they should be treated as one-time items. "It's an accounting entry rather than a true loss," maintains Bill Dudley, chief U.S. economist at Goldman Sachs Group.

Removing these unusual charges, the losses over the most recently reported four quarters shrink to \$6.5 billion on a before-tax basis. By writing down the value of assets, companies have used the slowdown to clean up their balance sheets, a move that should allow them to move forward with a smaller expense base and could pump up future earnings.

"It sets the table for future dramatic growth," says independent accounting ana-

lyst Jack Ciesielski. Because of the write-downs, "when the natural cycle begins again, the returns on assets and returns on equity will look fantastic." But Mr. Ciesielski adds that this benefit will be short-lived.

Cisco Systems in the first quarter took a \$2.25 billion pretax inventory charge. This quarter, it partly reversed that write-down, taking a gain of \$187 million from the revaluation of the previously written-down inventory. The reversal pushed Cisco into the black.

But Mr. Barbera warns that investors shouldn't be so quick to ignore the unusual charges. For example, during good times it wasn't unusual for companies to book large gains from investments in other companies. Now that the value of those investments are under water, companies are calling the losses unusual. "If they are going to exclude the unusual losses, then they should exclude the unusual gains," says Mr. Barbera.

Mr. HOLLINGS. I quote a couple of lines:

The Wall Street Journal analysis looked at earnings excluding extraordinary items going back to September 1995 for about 4,200 companies listed on NASDAQ, which is heavily weighted toward technology stocks but also includes hundreds of financial and other growth companies. For the most recently reported four quarters—that is since January 1 of 2000—those companies tallied \$148.3 billion in losses. This figure roughly equaled the \$145.3 billion in profits before extraordinary items these companies reported since September 1995. It was as if the last 5 years never happened, and now they want to tell me it was because of 9-11. Come on.

It is the same thing with the government. Do you mean to tell me that the \$143.4 billion deficit for 2001 was incurred from September 11 until September 30? The Government did not spend \$143.4 billion in 20-some days. No. No. It was going down on account of tax cuts. We did not have a surplus. It was a deficit. We were operating in the red, and more than anything else we were operating just like Enron. Who is hiding debt? We are.

I yield the floor.

**HOPE FOR CHILDREN ACT—
Continued**

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, I ask unanimous consent that the pending amendment be set aside.

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

AMENDMENT NO. 2724

Mr. HATCH. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Utah [Mr. HATCH], for himself and Mr. BENNETT, proposes an amendment numbered 2724 to the language proposed to be stricken by amendment No. 2698.

Mr. HATCH. 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: