

The final point is that we are in danger of using up all of our Social Security funds, paid by working men and women, by transferring them into a tax break for the wealthiest individuals in this country. The tax breaks that will go into effect in 2004 have jeopardized our ability to meet important domestic priorities. There is going to be a battle during the course of this year in terms of priorities. I look forward to being a part of that debate.

I yield the floor.

The PRESIDING OFFICER (Mrs. FEINSTEIN). The Senator from Wyoming is recognized.

Mr. THOMAS. Madam President, I will use the 10 minutes available in morning business.

The PRESIDING OFFICER. The Senator is recognized.

THE BUDGET

Mr. THOMAS. Madam President, one of the issues we are faced with, which will be most controversial, I suppose—and certainly very important—is that budget about which the Senator from Massachusetts has been talking. Obviously, there are different views as to how one deals with the budget. It is always that way.

There are those who think there is a never-ending demand for more spending and, therefore, more taxes, and that the Federal Government ought to be involved in all of our activities in our lives. There are others who believe there are essential elements the Federal Government should address itself to; they change at different times, of course.

So it seems to me, as we take a look at this year's budget and this year's spending and this year's taxes, we have to take a look at the situation we are in and seek to meet the goals of our time. And those goals change from time to time.

America faces a unique moment in our history. Our Nation is at war, our homeland is threatened to be attacked, and our economy is in recession. If those are not factors that ought to be taken into account with respect to a budget, I don't know what would be.

The President's budget has just come to Congress today, so we do not know a great deal about the details. We will be holding hearings starting tomorrow, and we will know more about it. But the outline of the budget, it seems to me, meets the requirements of victory in this war in which we are involved, as well as the tests of responsibility for those areas in which the Federal Government, indeed, has a responsibility.

It holds the Government accountable for results that address the priorities of the American people: Winning the war on terrorism, strengthening the protection of our homeland, revitalizing the economy, and creating jobs.

Defense spending is increased by 12 percent. His budget nearly doubles homeland security spending. So it provides for the kind of safety all of us

certainly have put at the top of our priorities at this time. The growth for spending in programs outside of defense, then, are held to 2 percent. We have been having something around 6- and 7-percent growth when we have not had the terrorism threat. So growth in those areas is reduced.

I think one of the interesting issues—and a little different than what we have just heard—is that the President's budget provides significant funding increases for health care, prescription drugs, education, the environment, agriculture, and retirement security, and returns to budget surpluses within 2 or 3 years if, indeed, we have the kind of economic return that we are talking about from the way we spend our dollars. The fact is we do not have the reserves that we did have; in relation to tax decreases it is a relatively small amount, about 14 percent. The remainder of the loss in revenues has been for increased spending in the war on terrorism and the recession.

So if you are talking about surpluses, the way you get to deal with surpluses is to increase this economic movement forward, to increase the growth in the economy. That is where the surpluses came from, certainly not by increasing taxes at a time when we are in a recession.

So the priorities, of course, will be winning the war on terrorism—some \$38 billion, a 12-percent increase, to increase the capacity of our military, to improve the living conditions of our military, and so on—and strengthening our homeland security, which, of course, whether it be boundary patrol or whether it be airline security or whether it be bioterrorism or whether it be the emergency improvement of intelligence, are things that clearly must be done.

But, of course, if we are really to deal with this business of budgets and this business of surpluses, we have to deal with the economy. That is what we are going to be dealing with later this afternoon, tomorrow, and the next day in terms of an economic stimulus—to provide more push to those signs of an increased economy that we have before us. Hopefully, we can do that. The best way to guarantee surpluses in the future is to strengthen the economy.

Education: This proposal builds on the successful passage of the No Child Left Behind Act, which the President and the Senator from Massachusetts had a great deal to do with and gave leadership. In fiscal year 2002, it dramatically increases to historic levels the funding for special education with \$8.5 billion, boosts funding for low-income students \$5 billion, funds important reading initiatives so that every child can read by the third grade, and provides \$10 million for a new initiative to recruit librarians. So the idea that we are ignoring education simply is not the fact.

Health care: It provides a refundable tax credit to subsidize up to 90 percent of the cost of health insurance for low-

and middle-income Americans. It expands the number of community health centers by 1,200 to serve an additional 6.1 million patients. It doubles NIH medical research spending. That is this budget we are talking about. For prescription drugs, it provides \$190 billion to strengthen Medicare with Medicare prescriptions over a period of the next 10 years.

The environment: It provides record funding for EPA's operating budget. It fully funds the land and water conservation fund. It eliminates the park maintenance balance by 2006 if we continue to do it that way.

Energy, of course, is one of the real issues. It provides \$9.1 billion for incentives.

At any rate, those are items in the budget. The point is that we really need to look at where we are and how we are going to best manage additional spending on our war on terrorism and providing for our safety and freedom and trying to get the economy moving so that we will have more and more revenue without increasing taxes. I cannot think of a worse time to increase taxes by eliminating tax reductions than at a time of recession.

So these are the issues that each of us will have to deal with as time passes. I think we will be able to do this. Certainly, we have done it before. I think it is very important we have a budget agreed to by the Congress so we have some constraints in spending so we have a budget that says to the appropriators: Here is the amount that can be used for agriculture, and here is the amount that can be used for whatever. Otherwise, of course, there is no end to the amount of spending.

There are a million things that we would like done, but we have to give some thought to what is the appropriate role of the Federal Government in terms of participation in these various programs? What is the State's role? What is the local government's role?

We hear—when I am home, at least—that we have too much Federal Government in our lives, but, on the other hand, we ought to have more money for these things. You have to make decisions between items to decide if you like Government closer to the people, if you like the calls made by the bureaucracy from Washington. These are the kinds of things I believe ought to be decided. So budgets are quite more than the amount of money that is going to be spent, even though, of course, that is the discussion.

Budgets are a matter of determining priorities, a matter of taking a look down the road as to where we want our country to be, what kind of programs we think are best for growth, for creating jobs, so people will be able to work in good jobs, and to be able to decide what the role of the Federal Government is vis-a-vis the other levels of government that are so important to us.

These are all part of the budget. Obviously, it is very difficult to put together a budget for a massive operation such as the Federal Government. But I do believe, as we move to what have to be expenditures for the emergency that is before us, we ought to see if we can have some logical control over the remainder of the spending so this deficit, which hopefully will be a short-term deficit, does not get any larger than it has to be. These are the decisions, these are the judgments we will have to make. Different people have different ideas, but, hopefully, we will come out that way.

I think the President has done a super job of putting together a budget. I think he has recognized our country's needs. I think he has also recognized the reality that we just can't keep endlessly spending and continue to grow the size of Government. It seem to me, asking for more accountability throughout the Federal Government is one of the important aspects of our future.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The absence of a quorum has been suggested.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. NELSON of Florida. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. NELSON of Florida. Madam President, I request permission to speak on a subject of enormous national importance.

The PRESIDING OFFICER. The Senator is recognized.

Mr. NELSON of Florida. I thank the Chair.

ENRON CORPORATION

Mr. NELSON of Florida. Madam President, I am a member of the Commerce Committee and we were looking forward to the opportunity of questioning the immediate past CEO of the Enron Corporation today. Unfortunately, he did not appear before the committee as had been expected, and I did not have the chance to pose some questions to him.

Specifically, I would have asked about the public institutional investors, like State pension funds, whose retirement funds around this country lost so much money because of their investments in Enron stock. There are more than 20 pension funds—and in the Chair's home State of California there were some 4 or 5 pension funds, not only from cities such as San Francisco, but likewise one of the more major statewide pension funds of California which was the pension fund that was second most in losses as a result of having purchased Enron stock. The specific amount for one California pension fund—and it was just one of about five—was about \$145 million.

Far exceeding that was the \$335 million that was lost as a result of the Florida public retirement system holding Enron stock and finally selling it for 28 cents a share.

One could wonder, what does this have to do with all of the rumors and rumors of rumors of what was going on? It has to do this: Why would an outside money manager named Alliance Capital Management Company, previously associated with an Enron Corporation board member, purchase almost 3 million shares of Enron stock after October 22, which was the date that the Securities and Exchange Commission announced its investigation?

In addition, the company announced on October 17 a loss of \$1.2 billion. As a matter of fact, in a short period of time, just a little over 3 weeks, the stock value of Enron dropped from \$32 a share to a month later at \$9 a share.

On October 22 when the Securities and Exchange Commission announced that it was going to start its investigation, the stock value started plummeting, and still this money manager continued to buy Enron. Money managers for the Florida pension fund are selected by the State Board of Administration of Florida, which is the board that runs the Florida retirement system. This money manager purchased almost 3 million shares of Enron stock for the Florida Board of Administration—starting at \$32 and dropping all the way to \$9 per share. Two weeks later when it became apparent that Enron had gone bust, the Florida retirement system sold its shares for 28 cents a share; thus, losing this humongous amount of over \$300 million.

What seems to me to be interesting, and the question that I wanted to ask of the immediate past CEO of Enron is: Was there ever any direction, was there any evidence of any direction, was there any information of direction from Enron to public pension funds throughout the country, like the Florida retirement system, to purchase the stock. The stock was falling and I wanted to ask if public pension funds were asked to purchase Enron in order to prop up the value of the shares. I wanted to ask if Enron thought that public pension funds could help stabilize the value of the stock so company loans that were supported by collateral of Enron shares would not be called on for repayment by the company.

What was the motivation that would suddenly cause an institutional investor like a pension fund, known for professionalism, and conservative handling of investments—and when each of the three trustees are sworn under a fiduciary duty to protect the assets of the retirement fund—why would purchases of almost 3 million shares of Enron stock be made within a 3-week period, when the price of the stock is dropping like a rock? I would hope that a public pension fund would purchase mostly solid investments, at very low risk, instead of very risky investments.

Had I been at the Commerce Committee, that is the question I would have asked. Today I have tried to communicate what I would have asked, and I thank the Chair for the privilege of sharing this information with the Senate.

I take this opportunity to comment and illustrate what I wanted to ask the former CEO of Enron by showing a chart, which dramatically illustrates the fact of how the Florida retirement fund purchased shares of Enron stock even while the stock price was dropping like a rock. As mentioned previously, stock prices were \$32 on October 17 when Enron announced it had over \$1 billion in losses. On October 22, 5 days later, the stock is just below \$25 when the Securities and Exchange Commission announces an investigation of Enron.

Lo and behold, at this point, on the day of the announcement of an investigation by the SEC, an outside money manager for the Florida retirement system—which I point out again, is supposed to protect the retirement system's assets for the future and present retirees. Florida's public pension plan is fully funded and guaranteed, not by the shareholders, but by the taxpayers of the State of Florida. We can see from October 22 to November 16 what happened to the value of the stock. In the period of only a little more than 3 weeks, one of Florida's outside money managers, Alliance Capital Management, purchased shares at \$22 each, and continued purchasing until the end of November, the money manager purchased shares at \$9 each. The chart illustrates that the stock dropped precipitously in that 3-week period in what is supposed to be one of the most conservative of investment portfolios to protect the security of the state and local workers in Florida.

And finally the money manager sold all of the shares for Florida on November 30 at 28 cents a share, with a \$335 million loss in the portfolio for Florida state and local workers and retirees. Other public pension funds suffered losses, more than \$1 billion overall; however, the biggest loss of \$335 million occurred in Florida.

Within this short period of 3 weeks, the purchase of almost 3 million shares after all of this information about the difficulties of the company had been made public, the question is: Why?

If any evidence is ever found that in fact there was some direction for outside money managers like this one for Florida—who, by the way, this outside money manager included a principal executive back last summer who still sits on the Enron board—what was the motivation here? Did they think this was a good stock buy, as they have said? Or was there a motivation that somebody was whispering in their ear, telling them to buy as the stock was getting into trouble? We need further exploration and a thorough review of Enron's relationships with institutional investors.