

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 Madam President, I ask unanimous consent that the order for the quorum call be rescinded.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

It is a dramatic story, that additional shares were purchased as disturbing information starts to come out about the company: 302,000 shares purchased on October 22; 125,000 shares purchased on October 25; 374,000 shares purchased on October 29; 318,000 shares purchased on October 30.

On November 8, Enron admits it has overstated profits by \$568 million. On November 13, lo and behold, the Florida pension fund buys another 582,000 shares, just 5 days after Enron admitted publicly that it had overstated its profits by \$568 million.

Then, on November 14, the Florida pension fund buys another 479,000 shares. How did this happen? On November 16, the Florida pension fund buys another 210,000 shares. And, sadly, on November 30 the Florida pension fund sells 7.5 million shares at 28 cents a share, thus incurring the \$355 million loss.

I know a little bit about this because in my previous life as the elected State Treasurer of Florida, I sat on that pension board. The three-member board of trustees called the State Board of Administration, includes the Governor, the Treasurer, and the Comptroller. The board typically does not involve themselves in the day-to-day activities of the buying and selling. Far from it, in the past, the board—when I was there, we would not touch that with a 10-foot pole. That was left to the professional money managers.

But policy was set by the board. One of the most interesting times on the board that I had was as the swing vote to determine whether or not the Florida retirement system would sell—get rid of—its portfolio of tobacco stocks. Clearly, I knew what I wanted to do because I thought that it made good social policy to get rid of tobacco stocks. But I had a higher duty as a trustee of the State Board of Administration. I had a duty, a fiduciary duty to the retirees and future retirees, to the economic sanctity of the retirement fund. The threshold was very high on what we should and should not do in setting policy. So, too, what the professional, full-time managers should and should not do with regard to the purchase and sale of assets, including stock: a fiduciary duty for only the best, the most safe, and the least risky kind of investments. Why? Because we were trustees for all of the state retirees and future retirees of Florida.

As a former Florida State Treasurer, I want to express my concern openly in the Senate. Clearly when I see activity such as this, where almost 3 million shares are purchased within a 3-week period while the value of the stock is dropping. After the last purchase on November 16, only 2 weeks later the entire portfolio of 7.5 million shares are sold for only 28 cents a share. Why did this happen?

Had the former CEO of Enron appeared in front of the Commerce Committee today I would have asked him that question. I would have asked him

if he had no direct knowledge, then who would? Who would have made those choices, and why one of his board members, Mr. Frank Savage, who used to be one of the managers of Alliance Capital Management—why, even though at the time of this purchase in October and November he was not one of the managers—why would such purchases of a risky investment that turned out to be so costly, why would that investment have been made? Had I had the opportunity today in the Commerce Committee, that is what I would have asked. Rhetorically, to the Senate, I ask some of these questions. And as we get into the investigation of this Enron debacle, these questions must be answered.

Thank you for the opportunity to speak to the Senate. I yield the floor.

The PRESIDING OFFICER. The Senator from California is recognized.

Mrs. FEINSTEIN. Madam President, I thank the distinguished Senator from Florida for his comments. The largest retirement pension system in the United States is in the State of California.

Those systems have had very significant losses. I think his comments are very well designed and should be taken as a major indicator of fault and problems. I am sure when the hearings are held that as a member of the Commerce Committee, the Senator will have the good opportunity to point this out very clearly.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

HOPE FOR CHILDREN ACT

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of H.R. 622, which the clerk will report.

The legislative clerk read as follows:

A bill (H.R. 622) to amend the Internal Revenue Code of 1986 to expand the adoption credit, and for other purposes.

Pending:

Daschle/Baucus amendment No. 2698, in the nature of a substitute.

Reid (for Baucus) amendment No. 2721 (to amendment No. 2698), to provide emergency agriculture assistance.

Bunning/Inhofe modified amendment No. 2699 (to the language proposed to be stricken by amendment No. 2698), to provide that the exclusion from gross income for foster care payments shall also apply to payments by qualified placement agencies.

Hatch/Bennett amendment No. 2724 (to the language proposed to be stricken by amendment No. 2698), to amend the Internal Revenue Code of 1986 to allow the carryback of certain net operating losses for 7 years.

Domenici amendment No. 2723 (to the language proposed to be stricken by amendment No. 2698), to provide for a payroll tax holiday.

Allard/Hatch/Allen amendment No. 2722 (to the language proposed to be stricken by amendment No. 2698), to amend the Internal Revenue Code of 1986 to permanently extend

the research credit and to increase the rates of the alternative incremental credit.

Smith of New Hampshire amendment No. 2732 (to the language proposed to be stricken by amendment No. 2698), to provide a waiver of the early withdrawal penalty for distributions from qualified retirement plans to individuals called to active duty during the national emergency declared by the President on September 14, 2001.

Smith of New Hampshire amendment No. 2733 (to the language proposed to be stricken by amendment No. 2698), to prohibit a State from imposing a discriminatory tax on income earned within such State by non-residents of such State.

Smith of New Hampshire amendment No. 2734 (to the language proposed to be stricken by amendment No. 2698), to provide that tips received for certain services shall not be subject to income or employment taxes.

Smith of New Hampshire amendment No. 2735 (to the language proposed to be stricken by amendment No. 2698), to allow a deduction for real property taxes whether or not the taxpayer itemizes other deductions.

Sessions amendment No. 2736 (to the language proposed to be stricken by amendment No. 2698), to amend the Internal Revenue Code of 1986 to provide tax incentives for economic recovery and provide for the payment of emergency extended unemployment compensation.

Grassley (for McCain) amendment No. 2700 (to the language proposed to be stricken by amendment No. 2698), to amend the Internal Revenue Code of 1986 to provide a special rule for members of the uniformed services and Foreign Service in determining the exclusion of gain from the sale of a principal residence.

Kyl amendment No. 2758 (to the language proposed to be stricken by amendment No. 2698), to remove the sunset on the repeal of the estate tax.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Madam President, pursuant to the previous order, the Democrats now will offer the next two or three amendments that are in order.

AMENDMENT NO. 2764

Mr. REID. Madam President, on my behalf, that of Senator KYL, Senator NELSON of Florida, Senator HATCH, and Senator ZELL MILLER, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Nevada [Mr. REID], for himself, Mr. KYL, Mr. NELSON of Florida, Mr. HATCH, and Mr. MILLER, proposes an amendment numbered 2764.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to provide a refundable credit for recreational travel, to modify the business expense limits, and for other purposes)

At the end, add the following:

TITLE —PERSONAL TRAVEL AND BUSINESS EXPENSES

SEC. 01. PERSONAL TRAVEL CREDIT.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and inserting after section 34 the following new section: