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No. 24

## *House of Representatives*

The House was not in session today. Its next meeting will be held on Monday, March 7, 2005, at 12 noon.

## *Senate*

FRIDAY, MARCH 4, 2005

The Senate met at 9:30 a.m. and was called to order by the President pro tempore (Mr. STEVENS).

### PRAYER

The Chaplain, Dr. Barry C. Black, offered the following prayer:

Let us pray.

O, God, King Eternal, whose light divides the day from the night, You are more glorious than the eternal mountains. Thank You for choosing us to be Your children and for answering prayer. Guide our feet in the way of peace. Bless our Senators. Incline their hearts to keep Your statutes. Teach them to cheerfully do Your work.

Lord, defend this land from all of its enemies and make America a guardian of liberty. Drive far from us all wrong desires and preserve us with Your mighty power. Help us not to trust in the abundance of our resources or the power of our military. Instead, may we place our complete confidence in the power of Your Name. Let Your kindness, Lord, shine brightly on us. We pray in Your merciful Name. Amen.

### PLEDGE OF ALLEGIANCE

The PRESIDENT pro tempore led the Pledge of Allegiance, as follows:

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

### RESERVATION OF LEADER TIME

The PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

### RECOGNITION OF ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The acting majority leader is recognized.

### SCHEDULE

Mr. McCONNELL. Mr. President, this morning we will immediately resume the bankruptcy legislation. As announced by the majority leader, there will be no rollcall votes during today's session. I understand additional amendments may be offered today. However, we do not expect a lengthy session.

As a reminder, under the order from last night we will have two votes beginning at 5:30 Monday evening. Those votes are in relation to the minimum wage amendments. Senators should be prepared to be here promptly at 5:30. I further announce it is our intention to file cloture on the bankruptcy legislation in a moment. Although we are filing cloture at this time, we are still working on the timing of that vote and the scheduling of Senator SCHUMER's amendment. We will have more to say on the schedule at the close of business today.

I will send a cloture motion to the desk on the underlying bill.

### BANKRUPTCY ABUSE PREVENTION AND CONSUMER PROTECTION ACT OF 2005

The PRESIDENT pro tempore. Under the previous order, the Senate will resume consideration of S. 256, which the clerk will report.

The legislative clerk read as follows: A bill (S. 256) to amend title 11 of the United States Code, and for other purposes.

#### Pending:

Leahy amendment No. 26, to restrict access to certain personal information in bankruptcy documents.

Feinstein amendment No. 19, to enhance disclosures under an open end credit plan.

Kennedy amendment No. 44, to amend the Fair Labor Standards Act of 1938 to provide for an increase in the Federal minimum wage.

Dorgan/Durbin amendment No. 45, to establish a special committee of the Senate to investigate the awarding and carrying out of contracts to conduct activities in Afghanistan and Iraq and to fight the war on terrorism.

Pryor amendment No. 40, to amend the Fair Credit Reporting Act to prohibit the use of any information in any consumer report by any credit card issuer that is unrelated to the transactions and experience of the card issuer with the consumer to increase the annual percentage rate applicable to credit extended to the consumer.

Reid (for Baucus) amendment No. 50, to amend section 524(g)(1) of title 11, United States Code, to predicate the discharge of debts in bankruptcy by a vermiculite mining company meeting certain criteria on the establishment of a health care trust fund for certain individuals suffering from an asbestos-related disease.

#### CLOTURE MOTION

Mr. McCONNELL. I send a cloture motion to the desk on the underlying bill.

The PRESIDENT pro tempore. The clerk will report the cloture motion.

The legislative clerk read as follows:

#### CLOTURE MOTION

We the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, do hereby

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



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S2053

move to bring to a close debate on Calendar Number 14, S. 256, a bill to amend title 11 of the United States Code, and for other purposes.

Bill Frist, Arlen Specter, Chuck Grassley, Judd Gregg, Thad Cochran, R.F. Bennett, Wayne Allard, Lindsey Graham, Jeff Sessions, Trent Lott, Rick Santorum, John Warner, John Thune, Orrin Hatch, Lisa Murkowski, Mel Martinez, Sam Brownback.

Mr. MCCONNELL. I ask unanimous consent that the live quorum under rule XXII be waived.

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

Mr. MCCONNELL. For the information of our colleagues, this vote will occur on Tuesday. As I just mentioned, we are working on an agreement for the precise timing of this vote, and we will announce that later this morning.

I yield the floor.

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

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

Mr. SESSIONS. Mr. President, I am pleased we have had a good week of debate on the bankruptcy bill, which I believe is a very important piece of legislation. It is something this Congress has a responsibility to deal with since bankruptcy procedures are Federal court procedures and bankruptcy judges, although not article III judges, are Federal judges.

The court system, over the last 20, 30 years, has grown incredibly. We have gone from a few hundred thousand bankruptcies a year, to 1.6 million personal bankruptcies in 2003. It has been driven by a lot of things. Some say it is economic problems, but our economy compared to other times has not been as bad. We have had some tough years, but we have also had some good years. We have seen bankruptcies exceeding everything that could be based on the economy. I suspect a good part of it is because of the advertising of lawyers in the newspapers.

People who have built up some debt and are having a hard time dealing with it, and creditors are calling, they see an ad that says something like this: Come on down. We can take care of those debts and help you. So people have been filing bankruptcies at a record pace, caused somewhat by these ads. Many of the people work their way out of it; many of them cannot.

We absolutely believe and support the classic American view that you should be able to have a fresh start; that if debts overpower a family or individual, they can go to bankruptcy court and wipe out those debts and not pay a dime. That is the way the law is, no matter the income of the person who files. A person who has a quarter of a million in income today can go

into bankruptcy court, if they have, say, \$150,000 in debts, debts they could pay if they put their mind to it, they can just wipe out those debts and keep making \$250,000 a year and not pay their local banker, their local hospital, doctor, car dealer, or whoever they bankrupt against. It is an unhealthy practice.

We thought a lot about how to deal with the problems and how to deal with the abuses. Having practiced law a good bit, I have a hard time blaming the lawyers who take advantage of the laws that we in Congress have provided. They look at the legal system, they see what helps the debtor the absolute most, and they file the bankruptcy in that fashion, taking full advantage of the law.

It is appropriate for the Senate, for the first time since 1978, to pass a reform of those laws to deal with the problems we know arise, to help people who legitimately need relief from their debts to start afresh. Those who can pay some of it ought not to get off scot-free. That is the fundamental principle of this bill.

Let me mention one of the best things about bankruptcy. When people fall behind in their debts, penalties get assessed against them. They have to take out even higher interest rate loans to stay afloat, and they begin a downward spiral. They have creditors—in most instances, many creditors. These creditors call debtors, they file lawsuits and they file liens against the debtor's property. It can be a crushing, hard time for them.

When they file bankruptcy—either in chapter 7 where all the debts are wiped out, or in chapter 13 where they pay back a portion of those debts—the creditors cannot keep bothering them. They cannot be sued. Any lawsuits that have been filed against them are stayed, stopped. The court manages their money under chapter 13. They wipe away all their debts if they file under chapter 7, and they can start afresh. That is a provision of law in America that is worthy of continuing. But we also see there are some problems and abuses.

As we look at the changes in this legislation, I will mention a few as we get started this morning.

One is there was a consensus of those working on the bill that if individuals had a higher income and could pay back a portion of their debts, at least—perhaps all of them, but most likely not all of them—they ought to do so. Why should they not pay back something if they are able to do so? So we put in the bill a means test.

This has been in the legislation for the last 8 years. It has come before this Congress four separate times. This is the fourth time. And it has received a strong majority vote, bipartisan vote every single time. But for one reason or other, we have not been able to make the bill law. We are going to do that this time, I am confident.

But on the question of, What about the changes? How does it impact a per-

son who would go and file in bankruptcy? We know that 80 percent of the people who file for bankruptcy make below median income. That means under the provisions of this bill, no fundamental changes will occur. They cannot be made to go into chapter 13 unless they choose to do so. They can wipe out all their debts, not pay a single one, under the provisions of chapter 7, unless it is a debt that is not dischargeable, such as a result of an intentional or fraudulent act.

If they make above median income, and there are no special circumstances that apply that might excuse them from that, such as a health problem or a problem with an ill child or something that requires extra expense, then they could be moved into chapter 13, where they pay back a portion of their debts. The judge would decide how much they could pay, and they could be made to pay a portion of those debts for a period of up to 5 years.

We think that is a reasonable and fair approach. In fact, this Senate certainly did during the 107th Congress when we passed a similar bill 83 to 15. So I think that is the basic procedure.

It also provides that before you file in bankruptcy, you should at least examine the possibility of credit counseling. There are credit counseling agencies all over America. They have proven to be effective for a large number of creditors. These agencies are able to negotiate reduced payments for the debtors, to reduce interest rates and to help the debtor sit down and work out a family budget. They bring in the whole family. They sit around the table. They work out a budget. They help teach them how to manage their money. They reduce interest rates. They reduce debts through negotiation. Many families are finding they can work their way out of debt without filing for bankruptcy, without walking out on their solemn obligations and actually feeling better about themselves, as well as learning a lesson for the whole family.

So we say they at least ought to know about this option and ask them to consider that. It can be to go by and have a brief meeting, a discussion, and receive some paperwork on it, and discuss it before they file for bankruptcy. We think that can make a big difference for a lot of people. How many bankruptcies might be avoided by that? I don't know—5 percent, 10 percent—but I think it could be a significant improvement in our system.

We also say that before you can be discharged and finally walk away from your debts, you should go through a financial course on how to manage money because we want to see people manage money wisely, to avoid high interest debts when they can, to keep their interest rates low, their borrowing low, to manage their money wisely. This bill would also require that.

These are things that have gained strong bipartisan support. I know I offered the amendment on credit counseling. I visited credit counseling agencies in Alabama and talked to them. I think they provide a tremendous service for a lot of people.

That is where we are with the fundamentals of the bill. It has, as I said, come before Congress four different times. In 1998, during the 105th Congress, we passed the bill with a 97-to-1 vote. The most recent vote, as I noted, was in 2001, and it was 83 to 15. We reported this bill out of the Judiciary Committee last week with a vote of 12 to 5, with strong bipartisan support again. So we are confident that if we go forward and we have an up-or-down vote on the bill, it will pass. I believe the House of Representatives will pass it again this time, and we can make some progress in that Federal court system that we have the responsibility to monitor.

We have the responsibility to analyze it on a regular basis, and if it is not performing up to standards, we ought to fix it. That is what we are doing. We have had a surge of bankruptcies. We have had a surge of abuses in bankruptcies where people, for example, lawyers, run ads in newspapers saying: Are you about to be evicted from your apartment? File bankruptcy. Call us. And they have their phone number there.

People are filing bankruptcies to stay an eviction for not a house they own but an apartment. That is not legitimate. So when the case is heard in the bankruptcy court, the apartment owner, who oftentimes is a small businessperson or retiree, has to go down to bankruptcy court, hire a lawyer, and then they win because the debtor does not have any property interest in the apartment. The lease has expired. They owe money on it. They are due to be evicted. Then it comes back to the State court for eviction proceedings, and they have to pick that up again. And they extend, for months, their stay in people's houses or apartments through the manipulation of the bankruptcy system. That is one of the things we tightened.

We raised the priority for women and children with regard to alimony and child support. Those payments are going to be far more high on the priority of payments when there is a limited amount of money by the debtor. So now, instead of money going strictly to lawyers or to other debts, it is going to go straight to children for child support and also for alimony. We had testimony in the Judiciary Committee, of which I am a member, from professionals in child support who say this will be a magnificent advance for women and children. We are excited about that potential.

There is so much more in the bill. I believe it is a sound bill. It has been on this floor, as I said, four times. It has been in the Judiciary Committee four times. We have had 15 hearings on the

bill. I believe every possible objection has been considered, and I believe we are on the verge of making some positive change in our bankruptcy system. It is certainly overdue.

I yield the floor.

The PRESIDENT pro tempore. The Senator from Montana.

AMENDMENT NO. 50

Mr. BAUCUS. Mr. President, I rise to speak on my pending amendment, amendment No. 50, to the bankruptcy reform bill. This is an amendment to correct an enormous injustice in my home State. And that is not an understatement. That is accurate. It is very accurate. It is not an overstatement. It is dead on.

My amendment is based on a bill I have introduced in past Congresses to set up a permanent health care trust fund for current and former Libby residents, and former workers at the W.R. Grace vermiculite mine in Libby, MT. The trust fund would help pay for the costs of treating asbestos-related illness caused by exposure to deadly tremolite asbestos and other fibers released by Grace's mining operations.

This amendment would require a company such as W.R. Grace—which has willfully harmed the innocent citizens of Libby, MT—to set up a health care trust fund for its victims before it can emerge from bankruptcy. As a result of this amendment, W.R. Grace cannot emerge from bankruptcy until it has established a trust fund of at least \$250 million to cover the cost of health care for the people of Libby.

The people of Libby, the Libby community, and the State of Montana face an immediate health care crisis. This crisis was caused by alarming rates of asbestos-related exposure, disease, and illness.

Former Libby residents face their own personal health care crisis because they are denied access to private health insurance. Why? Because they have been diagnosed with an asbestos-related disease or illness, or show signs that they have been exposed to asbestos. They have been denied insurance for that reason only. Projected health care costs to treat all sick people in Libby, MT, run into the hundreds of millions of dollars.

This dire situation was created because the responsible party in this case, the W.R. Grace Company, which had the mine in Libby, MT, willfully harmed the people of Libby—willfully harmed the people of Libby. There is immense documentation showing that the company knew the mine operations were causing illness, asbestos-related diseases, in the form of tremolite, which is the worst kind of asbestos disease, and caused the death of many people in Libby and the very serious illness of very many people in Montana. The company knew that. They willfully knew that. The documents prove it.

After harming Libby, Grace ignored its responsibility for Libby's health care needs. Grace ignored the harm it

inflicted on Libby. They turned their back to it. They showed no accountability. They ignored it even though they knew they were the cause of the disease in Libby.

More than that, the actions of W.R. Grace were criminal. The U.S. Attorney General's Office has filed a historic indictment against current and former W.R. Grace executives for knowingly concealing information about asbestos pollution in Libby. This pollution led to the death of more than 200 people in Libby, and made hundreds of others sick.

Mr. President, I wish you could go to Libby, MT. Go see it. Any Member of this body who would visit Libby, MT, would know exactly what I am talking about and understand why this amendment is needed. Seeing is believing. I know we hear lots of stuff around here. We hear lots of Senators stand up and talk about problems they see. I tell you, Mr. President, I tell my colleagues, if you were to visit Libby, MT—just to see it, spend a couple hours—you would know exactly what I am talking about and you would support this amendment.

It is one of the most tragic situations I have ever seen in my life. That is not an overstatement. It is one of the most tragic situations I have seen in my life. That is why this amendment is so important.

It is also very unfortunate that my amendment is so necessary, but it is. It is vital. It is just. And the people of Libby should not have to hope they will be treated fairly in the Grace bankruptcy. They should know they will be treated fairly and that at the very least they will not have to worry about how to pay for costly medical care. These costs should not be borne by Grace's victims, nor should the taxpayers have to pick up the tab through Medicare or Medicaid or through other publicly funded programs. The responsibility lies squarely with the company that caused the sickness in the first place—W.R. Grace.

Mind you, this is not a company that is struggling. According to Grace's recent financial results, issued in January, W.R. Grace reported that 2004 fourth quarter sales were up 15 percent over the fourth quarter of 2003. And for the full year of 2004—a full year—Grace reported sales of over \$2.2 billion, which is a 14-percent increase over the previous year.

That is right. As Libby's economy struggles, and people are waiting for health care, and dying, W.R. Grace's business is booming, with operations in nearly 40 countries. And Libby residents are left to die. They are left to die because of Grace's actions. A Grace spokesman once boasted, as this was happening, "We are very pleased with our business progress and results for 2004."

Ask those who died or who fell ill last year because of W.R. Grace whether they are pleased with the progress and results of 2004. I suspect you will get a different answer.

The Congress cannot make right what happened to Libby. No amendments, no legislation, no resolutions will bring back those who died or prevent the afflicted from getting sicker. But we can ensure that those afflicted do not have to pay health care costs incurred through no fault of their own. And we can ensure that the party responsible—in this case W.R. Grace—does.

I urge my colleagues to support this amendment. It is so important, it is a matter of accountability, it is a matter of fairness, and it is a matter of time before more folks from Libby, MT, get sick as a result of W.R. Grace.

The PRESIDING OFFICER (Mr. SESSIONS). The Senator from Alaska, the President pro tempore.

Mr. STEVENS. Mr. President, is it proper to speak on a matter not concerning bankruptcy at this time without consent?

The PRESIDING OFFICER. It would take consent.

Mr. STEVENS. Mr. President, I ask unanimous consent to be permitted to speak for up to 10 minutes on a matter not concerning the bankruptcy bill.

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

The Senator from Alaska is recognized.

#### HIGH ENERGY PRICES

Mr. STEVENS. Mr. President, I hope all Members of Congress saw the news yesterday, that oil prices reached \$55 a barrel. Now, some of us reacted with shock and amazement, but others knew the reality that this day would come.

We have witnessed the impact of these high energy prices every time we fill up our gas tanks and pay our heating or electric bills.

These high prices are unsustainable, jeopardizing jobs and threatening the long-term health of our economy. The impact of high energy prices can be seen at all levels of our economy. High energy prices have produced job losses, trade deficits, and constraints on consumer spending and economic growth. Demand for energy in the United States is outstripping supply, and Americans are feeling the impact of Congress's failure to act to solve the problem. Our people rely on our ability to stabilize energy prices and provide them with the energy resources all of us need.

The good news is that this worsening crisis is avoidable. The United States has the natural resources to increase our energy supply. But inconsistent Government policies discourage the exploration, development, and use of our own energy resources. Almost 30 percent of all the lands in this country are owned by the Federal Government. That is 657 million acres—almost four times the size of Texas. Under those lands lies 90 percent of the predicted undiscovered oil and 40 percent of our undiscovered natural gas. Those public resources are needed to meet our energy needs and secure our future.

Since 1983, access to our Federal lands has declined by 60 percent. Over

half of the lands that are designated currently as multiple use—in other words, ones that oil and gas exploration could take place on—are subject to highly restrictive land classifications or lease stipulations which effectively restrict energy exploration and development.

The effect of these policies is clear. In 1981, 91,533 oil and gas wells were drilled in the United States. In 2000, that number declined to 29,284, almost down to 25 percent of what we did some 20 years ago. As a result, crude oil production in the United States is at a 50-year low, and permitting for oil and gas projects on Federal lands that once took 18 months—and that was considered a long time then—can now take up to 10 years. In some instances, it takes 10 years to clear a permit to start exploring for oil on Federal lands. Those delays force companies to pursue projects overseas rather than develop U.S. resources.

Some people have commented upon the fact that the U.S. oil industry is no longer seeking to support the concept of drilling on Alaska's Arctic plain. They have opportunities all over the world where they can proceed much more rapidly than in this country, and there is no question that they need to find oil to meet our needs. What industry is going to put up the money for 10 years to explore for and develop energy here at home when it can go abroad and do that in less than 1 year?

In a hearing before the House Subcommittee on Energy and Mineral Resources, Stephen Entin, a former staff economist for the Joint Economic Committee and currently president of the Institute for Research On the Economics of Taxation, argued that our current policies actually support OPEC, the Organization of the Petroleum Exporting Countries, and enhance its power. By locking up our own lands we have basically manipulated prices because we have restricted competition from American companies, and OPEC reaps the benefits from an inequitable playing field. As a matter of fact, we encourage them to raise prices because our demand constantly increases and our domestic supply constantly decreases. Jobs and energy security have been outsourced, as we seek our energy security in places where there are unfriendly and unstable regimes. I have had personal talks with some members of the oil industry. They know that those are unstable regimes, but they have no alternative.

For every \$1 billion we spend to develop petroleum resources domestically we would create 12,500 jobs. That would mean that last year we lost over 1.3 million jobs by importing oil instead of producing it. People wonder why our jobs are going abroad. When we withdraw lands from oil and gas exploration, that is not free. Many people in this country think it is an easy decision and it doesn't cost anything. It is a very expensive policy. We are paying a huge price now because we have

locked up our lands and made them inaccessible, when they purportedly are open, by restrictive policies, restrictive stipulations that take so long to comply with that no industry is going to put up the money and wait so long for the opportunity to see if there is oil and gas in those lands.

The American taxpayer picks up the tab, and the American consumer is severely punished by this policy. Consumers are paying more for food, goods, and energy bills. According to Daniel Yergin, an economist from Cambridge Energy Associates, high energy and gasoline prices essentially act as a consumer tax, leaving Americans with less disposable income for travel, home buying, restaurants, and retail establishments, all of what we call our quality of life.

Only yesterday, I received this estimate. It is estimated now that for every one-cent increase for gasoline at the pump, there is \$1 billion lost in consumer spending. Just look at the price of gasoline now. The price of gasoline is at an alltime high, and it will not come down. It is going to continue to go up.

In China, 5 years ago only 5 percent of their people were using energy. Now 15 percent are using it. Even at that low rate of 15 percent of their people using energy, talking about oil and gas energy, they have now passed Japan in consumption annually of oil and gas. They are second only to the United States, and only 15 percent of their people are using oil and gas so far. People blame a lot of things for these high prices, but the fact is the world is starting to use oil and gas. We are competing for the world's oil production and ignoring completely our capability to produce right here at home.

Unless Congress acts to ensure greater domestic production of our oil and gas resources, our energy security is jeopardized. I am talking about security. We had one embargo since I have been in the Senate in the 1970s, when we were totally embargoed by OPEC. They would not sell us oil. At that time about 33 percent of our oil was coming in from OPEC countries. Today it is 60 percent. An embargo today would destroy our economy.

There are many people who advocate quick fixes to use alternative sources. I believe there must eventually be alternative sources to oil and gas in our economy, but just relying on them and saying we are going to do it and never bringing that about has led us to the point where we no longer have the capability to produce the oil and gas to meet our needs in the event of national security.

We believe that it is time now that we should review these policies, and one of the key policies, of course, is an area that comes from the development of an area in my State. In 1980, we passed the Alaska National Interest Conservation Lands Act, an act that withdrew over 100 million acres of Alaska's lands for national purposes.

One provision in that bill guaranteed the right to explore the Arctic plain, a million and a half acres, for oil and gas, probably even then known as the area most probable to produce substantial quantities of oil and gas. It is estimated to contain 10.4 billion barrels of oil. Just as a comparison, when we first drilled at Prudhoe Bay, the estimate was it might contain 1 billion barrels of oil. We have already produced 16 billion barrels of oil from Prudhoe Bay. In other words, this area now considered to be capable of producing 10.4 billion barrels of oil is probably the last most significant oil and gas area in the country, and we have worked, now since 1981, to try to fulfill the promise made to us in the 1980 bill that that area could be explored.

It is high time that we take action to reduce our dependence on foreign oil. As I said, we rely upon foreign sources for 60 percent of our energy needs. The area of the Arctic plain, 1.5 million acres guaranteed to be available for oil and gas exploration, is there. Allowing exploration and development of this area that is known as ANWR, although it is not part of the refuge until oil and gas development is over, would improve our U.S. balance of trade, reduce the amount of money we spend abroad, and improve our national security by having available the capability to produce that amount of oil.

It is estimated that by 2025, the United States will spend approximately \$200 billion on foreign oil and petroleum products. By opening this area, and when it produces, we could save a considerable portion of that by producing our own oil and gas. It means we could create tens of thousands of jobs and contribute greatly to the overall economy.

There is no question that we are now in an energy crisis. Anytime we see \$55-dollar-a-barrel oil, that is a crisis. I cannot believe that Congress wants to wait until the price goes up to somewhere around \$80. I believe it is going that high unless we start developing our domestic resources and look to alternative supplies of energy right here at home.

I yield the floor.

The PRESIDING OFFICER (Mr. ISAKSON). The Senator from South Dakota.

Mr. JOHNSON. Mr. President, I ask unanimous consent to speak for up to 10 minutes as in morning business.

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

STEVE METLI

Mr. JOHNSON. Mr. President, it is with great honor and appreciation that I recognize the leadership and the many achievements of Mr. Steve Metli. Steve will soon retire from his post as city planner for the city of Sioux Falls, SD, a position he has held since 1974. He embodies the highest qualities of public service and has aptly earned the respect and admiration of his colleagues and leaders throughout South Dakota. I am proud to claim Steve as a friend.

Steve Metli consistently addressed challenges with determination and foresight which significantly improved the strength of the local economy and the quality of life in Sioux Falls and thus expanded opportunities for all South Dakotans. His success is rooted in enthusiasm, vision, leadership, and progressive South Dakota values that will undoubtedly continue to echo in the growth and prosperity of the entire region for many years to come.

In 1974, Mayor Rick Knobe appointed him to head an overburdened four-person planning and zoning staff. Since that time, the city has swelled in population from about 75,000 to over 141,000 people, and Sioux Falls has become a major regional center for health, education, culture, recreation, and job growth.

Steve now oversees the city departments of planning, transit, building services, media services, and arena, airport, convention center, and Washington Pavilion.

Steve Metli's fortitude and resolve is evident in his private life as well as his public service. As an adult, he has survived three bouts with cancer, two changes in the form of city government, and the administrations of five mayors—Rick Knobe, Joe Cooper, Jack White, Gary Hanson, and Dave Munson. He devoted significant attention to the Big Sioux River greenway project and on expanding the city's park system, which now consists of 76 parks covering 2,600 acres. He has sought to reinvigorate and revitalize the downtown community. His vision of Sioux Falls downtown centers on the beautiful natural resource of the Big Sioux River.

He led development of the city's growth management plans, which include infrastructure direction as well as parks, schools, and fire services. His vision of the Phillips to the Falls project was recently completed and he stood at the ribbon cutting with the pride of a parent whose child achieved a long-time dream and accomplishment. He has developed plans for the Big Sioux River Greenway, Falls Park and Downtown Development, and served as project manager for the construction of the Sioux Falls Convention Center.

I have greatly appreciated the opportunity to work with Steve. His leadership and vision were critical to the successful growth of the Sioux Falls region. National publications have consistently recognized Sioux Falls as among the best communities of its size in which to live and do business. I am proud to recognize Steve Metli's critically important contributions to the success of the City of Sioux Falls, SD, and to our entire State.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I ask unanimous consent to speak as in morning business.

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

#### THE HISTORY OF SOCIAL SECURITY

Mr. BAUCUS. Mr. President, the ancient text teaches: "Honor your father and your mother so that you may live long and that it may go well with you in the land the Lord your God is giving you." And Paul noted that "Honor your father and mother" is the first commandment with a promise—that it may go well with you and that you may enjoy long life on the earth."

That's what Social Security is about. It is about honoring our fathers and our mothers. And like the commandment, Social Security also carries with it a promise. Social Security benefits not just our elders. It also benefits their children, and us all.

Families throughout history have faced uncertainties, old age, disability, and death of the breadwinner. Before Social Security, the extended family provided what economic security they had.

President Franklin Roosevelt described those times:

In the early days of colonization and through the long years following the worker, the farmer, the merchant, the man of property, the preacher, and the idealist came here to build, each for himself, a stronghold for the things he loved. The stronghold was his home the things he loved and wished to protect were his family, his material and spiritual possessions. His security, then as now, was bound to that of his friends and his neighbors.

In the 18th and 19th centuries, most Americans lived and worked on farms. Before 1840, 9 out of 10 Americans lived in rural areas. And as late as 1880, 7 in 10 did.

This chart on my right shows the degree to which Americans lived in rural America and over time moved to cities. Back in 1790, about 95 percent of Americans lived in rural areas. Right now, the trend line is down to 1990, where about 20 percent lived in rural areas. Everybody else moved to the cities.

Back then, in the early days, life was hard and often short. A boy born in the year 1850 could expect to live 38 years. That is all. By 1900, the male life expectancy rose to about 46 years. As this chart shows, things changed with the Industrial Revolution. America changed from an agricultural to an industrial economy. People moved away from the family farm into the city, and by 1920, most Americans lived in urban areas. The extended family and family farm failed to provide the security they once did.

At the same time, the people of a more prosperous nation began to live longer. As this chart shows, around 1930, a baby boy could expect to live 59 years—13 years longer than in 1900. And a 60-year-old man could expect to live to age 75. More and more Americans had to address the challenges of living into old age.

This chart shows the male life expectancy at birth has risen significantly, from 39 in 1850 to 68 years of age 100 years later, in 1950. Of course, today the lifespan is longer.

Senator Robert Wagner of New York described how the burdens of supporting those growing numbers of seniors fell heavily through a patchy safety net and onto their grown children. He said:

In truth . . . every civilized community does and must support its old and dependent people in some way. In this country, we have been doing it largely by inefficient relief methods, by shabby pension systems, and by imposing burdens upon millions of younger members of families, with consequent impairment of their industrial efficiency, their morale, and their own opportunities for future independence.

And President Roosevelt looked back on those times, saying:

Long before the economic blight of the depression descended on the Nation, millions of our people were living in wastelands of want and fear. Men and women too old and infirm to work either depended on those who had but little to share, or spent their remaining years within the walls of a poorhouse. Fatherless children early learned the meaning of being a burden to relatives or to the community.

President Roosevelt saw America's social changes as grounds for a change in government's role. In his June 1934 message to Congress, he said:

[S]ecurity was attained in the earlier days through the interdependence of members of families upon each other and of the families within a small community upon each other. The complexities of great communities and of organized industry make less real these simple means of security. Therefore, we are compelled to employ the active interest of the Nation as a whole through government in order to encourage a greater security for each individual who composes it.

The Great Depression triggered government's response.

As this chart shows, the American economy in 1933 produced barely more than half the output that it did in 1929.

And as the next chart shows, by 1933, a quarter of the American labor force was unemployed.

Look at this next chart. From its 1929 high of 381, the Dow Jones Industrial Average fell to a trough of 41 in 1932. That's nearly a 90 percent drop in the Dow, in just 3 years.

Lifetimes' worth of private accounts evaporated into thin air. Senator Royal Copeland of New York recounted:

[T]here are thousands of families, I suppose millions, who thought they had prepared for the rainy days, but by reason of the Depression, and the circumstances involved in it, they have come to be almost as bad off as many who were born and have lived all their lives in poverty.

State governments found themselves under an increasing burden. This chart shows unemployed men in line. Senator Daniel Hastings of Delaware said,

[T]he individual States are laboring under a strained financial condition; with many of them believing that they cannot take care of their own.

As with economic hardship throughout history, the Depression hit widows and orphans particularly hard. This chart shows a careworn 32-year-old woman's face. Congressman William

Sirovich of New York painted the picture, in 1935:

Death, through the loss of the breadwinner, has broken many a home. For centuries the widows, orphans, and dependent children have cried aloud for help and assistance in their tragic periods of economic insecurity. In the past the only recourse for orphaned children was the poorhouse, almshouse, and the orphan asylum. The twentieth century of civilization has awakened our citizens to the duty and obligations they owe to these unfortunate orphans.

And Congressman Fred Crawford of Michigan spoke of children with disabilities:

One only needs to come in contact with a home which is unable to provide any means of relief for a little child who has been stricken with paralysis to appreciate what this will mean to those homes so darkened with the suffering that follows such a catastrophe.

Remember what happened back then. I am not saying we are going to again suffer the same cataclysmic and dire consequences of the Depression. I don't think we will. But we could suffer bad times in the future. The stock market could fall precipitously. Two speakers ago on the floor, the Senator from Alaska was talking about the economy, saying it would be devastated if there was an oil embargo; that would be the end of the American economy. The stock market would clearly fall. We don't know. We live in times that are a little more precarious, uncertain, and it is harder to predict the future. We just don't know. I am presenting these charts and this information to remind us that we don't know. Again, I doubt we will have another depression that severe—we may, but I doubt it. But things can go south sometimes. Things don't always go well all the time.

President Roosevelt sought a comprehensive solution. To that end, in June of 1934, he issued an Executive Order creating the cabinet-level Committee on Economic Security. He charged them to, "study problems relating to the economic security of individuals."

Labor Secretary Frances Perkins chaired the committee, which also included the Treasury Secretary, the Attorney General, the Agriculture Secretary, and the Federal Emergency Relief Administrator. Secretary Perkins relied heavily on her assistant secretary, Arthur Altmeyer, who would become the first Social Security Commissioner.

And to address the need, President Roosevelt and other leading thinkers turned to the idea of "social insurance." President Roosevelt said of social insurance: "This is not an untried experiment. Lessons of experience are available from States, from industries and from many nations of the civilized world. The various types of social insurance are interrelated; and I think it is difficult to attempt to solve them piecemeal. Hence, I am looking for a sound means which I can recommend to provide at once security against several of the great disturbing factors in

life—especially those which relate to unemployment and old age."

Social insurance programs began in Europe in the 19th century. By the time America adopted Social Security as a national social insurance program in 1935, 34 European nations and several States in the Union already operated some form of social insurance program—34 nations before 1935.

I am very proud to say my home State of Montana played a leading role when, in March of 1923, it enacted its old age pension law. Montana's was the first State law to stand the test of constitutionality for an old age pension law. Its sponsor was Lester Loble of Helena, MT.

I would like to show a picture of Lester Loble, who later became a State judge, Judge Loble. I knew him. He was a wonderful, wise man. Frankly, I did not know of his history until I did a little research into Social Security and was delighted to find Judge Loble played a prominent role in developing Social Security.

He had been a delegate to the 1921 national convention of the Fraternal Order of Eagles, which had devoted a special focus to pension laws for seniors. Mr. Loble's old age pension law provided each county's fund would pay a modest monthly income—up to \$25 a month—to the poorest of Montana's seniors, those earning less than \$300 a year.

In a legislative session torn by struggle over taxes on mining property, the bill passed, and Governor Joseph Dixon, a Republican, signed it into law, saying:

You Eagles have planted this seed and you can no more stop the progress of old age pensions than you can stem the tide of the Pacific Ocean.

In November of 1934, on behalf of President Roosevelt's Committee on Economic Security, Secretary Perkins invited Mr. Loble to Washington, saying:

We are extending this invitation to you because you have the honor of having been the author of the first old age pension law in this Country.

The committee set to work on the idea of social insurance. Like all insurance, social insurance protects against a defined risk. The insurance pays beneficiaries when they need to bear a large expense, often at times when they would otherwise not be able to provide for themselves. Like all insurance, social insurance spreads the burdens of the risk broadly across a large pool of those who may encounter the risk. When the risk does occur to one beneficiary, the sharing of the risk makes it easier to bear.

Social insurance spreads these risks over the largest possible pool of potential beneficiaries—society as a whole. And social insurance is shaped by broader social objectives, helping to promote the Nation's overall economic security.

President Roosevelt's Committee on Economic Security made its recommendation to Congress in January 1935. The committee reported:

At least one-third of all our people, upon reaching old age, are dependent upon others for support. . . . There is an insecurity in every stage of life.

They went on:

Children friends, and relatives have borne and still carry the major cost of supporting the aged. . . . [T]his burden has become unbearable for many of the children. . . .

They responded to that challenge with a proposal for Social Security, and they concluded:

The measures we suggest should result in the long run in material reduction in the cost to society of destitution and dependency and we believe will immediately be helpful in allaying those fears which open the door to unsound proposals.

The Finance Committee held hearings on the proposal. At one hearing, Senators watched as several elderly gentlemen who were totally blind were led into the committee room by their guide dogs and told of their life of need. This is before Social Security. Finance Committee Chairman Pat Harrison of Mississippi said:

I do not know of any committee that was ever moved more than was the Finance Committee.

During the Senate's floor debate on the bill, Senator Wagner from New York said:

The social security bill embraces objectives that have driven their appeal to the conscience and intelligence of the entire Nation. We must take the old people who have been disinherited by our economic system and make them free men in fact as well as in name. We must not let misfortune twist the lives of the young. We must tear down the house of misery in which dwell the unemployed. We must remain aware that business stability and prosperity are the foundation of all of our efforts. In all of these things we are united, and in this unity, we shall move forward to an era of greater security and happiness.

This chart shows the signing of the Social Security Act. In signing the Social Security Act in August 1935, President Roosevelt said:

Today a hope of many years' standing is in large part fulfilled. The civilization of the past hundred years, with its startling industrial changes, has tended more and more to make life insecure.

That was in 1935. Think how insecure now.

Young people have come to wonder what will be their lot when they come to old age. The man with a job has wondered how long that job would last.

This Social Security measure gives at least some protection to . . . millions of our citizens who will reap direct benefits through unemployment compensation, through old-age pensions and through increased services for the protection of children and the prevention of ill health.

President Roosevelt continued:

We can never insure 100 percent of the population against 100 percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age.

The law established two social insurance programs on a national scale to help meet the risks of old age and unemployment: a

Federal system of old age benefits for retired workers and a Federal-State system of unemployment insurance.

President Roosevelt saw the 1935 Social Security law as an economic foundation. He said:

This law . . . represents a cornerstone in a structure which is being built but is by no means complete. It is a structure intended to lessen the force of possible future depressions. It will act as a protection to future administrations against the necessity of going deeply into debt to furnish relief to the needy. The law will flatten out the peaks and valleys of deflation and inflation. It is, in short, a law that will take care of human needs and at the same time provide the United States an economic structure of vastly greater soundness.

President Roosevelt justly concluded:

If the Senate and House of Representatives in this long and arduous session had done nothing more than pass this bill, the session would be regarded as historic for all time.

President Roosevelt's prophecy that Congress would build on Social Security was soon proved true. The Old-Age Insurance Program had not yet come fully into operation when Congress enacted significant changes. In 1939, Congress added benefits for dependents of retired workers and surviving dependents of deceased workers, and Congress made the first benefits payable in 1940 instead of 1942, as originally planned.

In the 1950s, Congress broadened Social Security to cover many jobs that previously had been excluded.

In 1956, Congress added disability insurance. Benefits were provided for severely disabled workers aged 50 or older and for adult disabled children of deceased or retired workers.

Two years later, in 1958, Congress provided benefits for dependents of disabled workers similar to those already provided for dependents of retired workers.

In 1960, Congress removed the age-50 requirement for disabled worker benefits.

And in 1967, Congress provided disability benefits for widows and widowers aged 50 or older.

There used to be a yearly annual ritual in Congress to provide cost-of-living increases to Social Security beneficiaries. This sometimes happened right before an election. In 1972, Congress did away with this uncertainty and provided for automatic cost-of-living increases in benefits tied to increases in the consumer price index. The 1972 amendments also increased benefits for workers who retired after full retirement age.

In 1977, Congress changed the method of benefit computation to ensure stable replacement rates over time. Earnings included in the computation were to be indexed to account for changes in the economy from the time they were earned.

In 1983, as a consequence of the Greenspan Commission, to strengthen and extend the life of Social Security, Congress made coverage compulsory for employees of the Federal Government and nonprofit organizations.

State and local governments were prohibited from opting out of the system once they had joined. The amendments also gradually increased the age of eligibility for full retirement benefits from 65 to 67, beginning with persons who reach the age of 62 in the year 2000.

For certain higher income beneficiaries, benefits became subject to income tax.

In 1996, Congress relaxed earnings limits for seniors who reached the full retirement age.

In 1999, Congress reformed certain provisions under the disability program to create stronger incentives and better supports for individuals to work.

And in 2000, Congress eliminated the earnings for seniors who have reached the full retirement age.

What we now know is Social Security touches almost every American. Social Security covers 96 percent of American workers and their families. In 2003, Social Security provided \$471 billion in benefits to 47 million people. One in six Americans collects Social Security benefits today.

In my home State of Montana, 164,000 of our 927,000 residents, or about 18 percent of all Montanans, receive Social Security benefits. Nearly 7 percent of all Montana personal income comes from Social Security payments. Montana ranks fifth among the 50 States in terms of the share of our State's income that comes from Social Security.

Social Security is, in effect, three programs: an earned retirement benefit, a disability insurance policy, and a life insurance policy.

Most people think of Social Security as a retirement program, but 3 in 10 beneficiaries collect survivors' or disability insurance benefits.

Of today's 20-year-olds, 28 percent will become disabled. That is quite startling when one stops to think about it. Of today's 20-year-olds, 28 percent will become disabled, and 17 percent will die before reaching retirement. Look around the room in any college classroom: 3 in 10 students will become disabled, and 2 in 10 will die before retirement.

But if a young worker should experience a period of disability, Social Security will provide for the worker and the worker's family. In the same vein, Social Security will provide for the worker's family if the worker experiences an untimely death. For a young married worker with two children, Social Security provides the equivalent of a \$400,000 life insurance policy and a \$350,000 disability policy. Think of that. For a young married worker today with two children, Social Security provides the equivalent of a \$400,000 life insurance policy and a \$350,000 disability policy. Only about 3 in 10 workers have access to long-term disability benefits, aside from Social Security.

Social Security provides retirement benefits for retirees who worked at least 10 years. President Roosevelt said:

There are other matters with which we must deal before we shall give adequate protection to the individual against the many

economic hazards. Old age is at once the most certain, and, for many people, the most tragic of all hazards. There is no tragedy in growing old, but there is tragedy in growing old without means of support.

Social Security provides the primary source of income for two-thirds of America's seniors. Stop and think about that a moment. Social Security provides the primary source of income for two-thirds of America's seniors. For one-fifth of our seniors, it provides the only source of income. For one-fifth of our seniors in our country, Social Security is the only source of income. The average retiree benefit is \$822 a month, or about \$10,500 a year in my State of Montana, and about \$900 per month, or about \$11,000, nationally.

This is hardly a king's ransom, but as President Roosevelt said on the third anniversary of the law's enactment:

The act does not offer anyone, either individually or collectively, an easy life—nor was it ever intended to do so. None of the sums of money paid out to individuals in . . . insurance will spell anything approaching abundance. But they will furnish that minimum necessity to keep a foothold; and that is the kind of protection Americans want.

Before Social Security, poverty and dependency threatened all who could no longer work, but with its guarantee of benefits to seniors for life, progressive benefit structure, spousal and survivor benefits, and annual cost-of-living adjustments, Social Security provides a solid foundation of economic security for all workers and retirees.

Look at the effects of this chart. Because of Social Security, poverty among American seniors has fallen from roughly half of seniors in 1935 to roughly a third of seniors in 1959 to 1 out of 10 seniors now. Just think of that. Before Social Security, half of America's seniors were in poverty. That is this bar off to the left. Gradually, fewer of America's seniors were living in poverty. Social Security brought them out of poverty, and so today only 1 in 10 is living in poverty. Just think what would happen if they did not have those current Social Security benefits. Think what would happen to future retirees who had benefits reduced by 50 percent, as would be contemplated under the President's proposal.

Social Security provides a guarantee of economic security for America's workers, for current workers and for retired workers. Social Security protects all Americans, whether they are fortunate and living a long and healthy life or unfortunate and facing early disability or death.

Social Security benefits are adjusted for inflation, so the buying power of beneficiaries does not erode over time. Social Security benefits increase with family size, and they are progressive to ensure that even low wage earners have sufficient income. Beneficiaries cannot outlive their benefits. This is an insurance policy. It is a life insurance policy. Seniors cannot outlive their benefits. Seniors keep getting those monthly benefits as long as they live.

Social Security uses a common system to administer all three programs—retirement, survivors, and disability—resulting in administrative costs of less than 1 percent. Administrative costs of all three, since they are combined with the same administration, are just 1 percent. Think of the administrative and other costs associated with other forms of retirement payments, particularly in the private sector, which we must have, which are important and critical. It is important also to note the factual difference of the administrative costs of some systems compared with some others.

These unequaled benefits make Social Security invaluable for individual workers, retirees, and all Americans.

In future statements I hope to go further into other aspects of Social Security. It is somewhat complicated, but it is somewhat simple—very important. I hope to address how the President's plan would cut benefits, not increase benefits, not stabilize benefits but cut them, and what benefit cuts would mean for Americans. I hope to address the concerns caused by the mounting debt and how the President's plan would make that mounting debt problem worse, not better but worse, much worse—much, much, much worse. I hope to address why we should be concerned about the savings and what changes we should be considering to increase savings in America, both public and private savings.

Yes, Social Security faces long-term challenges. We all know that. We should work hard to address those. We should work together to strengthen Social Security for the long term. We all know we must do that. We want to do that, but we need to do it right. We should no longer endanger the valuable legacy we have built over so many years. It is important, to say the least.

Privatization plans would cut Social Security's funding, weaken the program, and make its problems worse, not better. Plans like option 2 of the President's Social Security Commission would cut benefits by one-third or more for future retirees, even for those who choose not to have a private account. That is important to note. Under the President's plan as we know it so far, Americans who do not choose to have a private account would find their benefits cut by one-third or more, even if they do not want to participate in the private or personal accounts—whatever one wants to call them.

Those investing in those accounts—personal accounts or private accounts—will be hit twice. Those who do invest, who choose to opt to invest, would be hit twice, as their benefits would be subject to a substantial privatization tax. I am not going to go into great detail, but if one chooses to participate in the President's plan, their total benefits when they retire are going to be less than they would be if there is no change in Social Security, just as long as we find ways to keep it going.

Cuts of this magnitude would leave many seniors in poverty, requiring more taxpayer assistance, not less, and the President's privatization plan would cause the Government to borrow \$5 trillion in additional debt in the next 20 years. Five trillion dollars additional of publicly held debt in the next 20 years. Today the publicly held debt is about \$4 trillion or \$5 trillion. It will practically double over the next 20 years. We cannot do that. That does not make sense. This is not the legacy we should be giving to our kids and grandkids.

Yes, clearly, we should address Social Security. We should stop using Social Security surpluses for other Government purposes. We should save more as a nation. We should address the Government's record budget deficits by restoring fiscal discipline and avoiding massive new debt. We should reinstate enforceable budget restrictions such as the pay-as-you-go rules, and we should work to develop new and innovative ways to help Americans save separate and apart from Social Security.

We should honor the words of Congressman Joseph Monaghan of Montana, who said in April of 1935:

When the sun of life begins to set upon the aged of our country, the . . . Government should extend to them a relief from the weary toils of the day and to bring relief, comfort, and security to them when the burdens of life are hardest to bear and when the darkening shadows of approaching night begin to fall upon his path to make further toil impossible, to make further travel insecure, a just reward which their toil has merited; an adequate old-age pension and not a pauper's dole.

We should also honor the words of President Roosevelt, who said to Congress in 1934:

We must dedicate ourselves anew to a recovery of the old and sacred possessive rights for which mankind has constantly struggled: homes, livelihood, and individual security. The road to these values is the way of progress. Neither you nor I will rest content until we have done our utmost to move further on that road.

We should honor our fathers and our mothers. We should honor this important social insurance, honor this protection that keeps our fathers and mothers from these darkening shadows of approaching night. We should do so not just for them, we should do so also because it will help their children. It will help the economy to go well for us. It will help us to live better lives, all the days we are on this good land that the Lord has given us.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. BINGAMAN. Mr. President, I ask unanimous consent that I be permitted to speak as in morning business.

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

Mr. BINGAMAN. Mr. President, I first commend my colleague from Montana for his statement about Social Security and his leadership on that issue. He has been the leader in the Senate in

trying to keep us focused on the real importance of maintaining Social Security and avoiding a privatized proposal, and I commend him for it. It is an honor for me to serve with him on the Finance Committee and follow his leadership on this issue.

As we all know, Social Security and proposals to change Social Security are very much the priority today in Washington, and particularly this President. The President just yesterday, I believe, announced that he will take the next 2 months to do a 60-city tour or to at least have events in 60 cities to try to promote his suggestion or his proposal for privatizing Social Security. Of course, this is a decision he has made about how to use the political capital that he saw himself coming out of the last election with.

Social Security is clearly an issue that deserves attention. There will be serious difficulties with Social Security. I believe 38 years from now, with current projections, the system will not be able to pay full benefits. I favor trying to find something that can be done to head that off. I do not believe the President's proposal is the right solution, and I have spoken out on that before.

#### FIRST THINGS FIRST

What I want to do today is speak very briefly on a couple of other issues that I believe are more urgent and more priority issues that we in the Congress should be addressing and that the President should be addressing. If we are looking to how to spend the next 60 days, let us focus on first things first. I remember reading a book Peter Drucker wrote many years ago called "The Effective Executive." According to Peter Drucker, one of the attributes of an effective executive was that he or she would work on first things first.

In my view, first things first today in our circumstance is not changing Social Security. First things first is dealing with our budget deficits and dealing with our trade deficits. Unfortunately, I believe we are failing to deal with either of those issues in a responsible way.

First I will talk about the budget deficit. In 2004, we had a record deficit of \$412 billion. That was a turnaround from the \$128 billion surplus we had 4 years ago. In 2005, this year, the deficit is projected to grow to \$427 billion, and clearly this is an unsustainable course. We need to look carefully at the decisions we are making in Washington and what those decisions will do with regard to this very large budget deficit.

The first step in addressing the budget deficit is to make some tough choices in this year's budget. The process starts with the President's recently released proposal, and it will conclude with Congress's actions when we actually appropriate funds.

I support the President's stated intention to cut the deficit in half by 2009, although it is also clear to me that we cannot do so if we adopt his proposed budget. The budget claims to

get us to that goal, but, in fact, it falls short because it excludes so many large-ticket items.

The budget does not include the real costs of going forward with the conflicts in Iraq and Afghanistan. The Congressional Budget Office has estimated that cost will be roughly \$383 billion over the next 10 years. The President has put in his budget an estimate for \$81 billion. We are going to be passing a supplemental appropriation for \$81 billion just for current operations in Iraq, to say nothing of the next 5 or 10 years of cost.

The second item the President's budget does not include is anything for these so-called private accounts that the President wants to have us establish in Social Security. Again, the estimate in the President's budget is zero. The phased-in cost of the administration's Social Security plan during the first 10 years is projected at \$754 billion, and over 20 years it is projected at \$4.5 trillion. The Senator from Montana spoke about that issue.

The third item the budget does not include is anything to deal with the alternative minimum tax. Taxpayers must pay the alternative minimum tax if they have too many deductions and credits and, therefore, otherwise are not paying a sufficient percent of their income in taxes. If we made the President's tax cuts permanent, we would go from roughly 3 million alternative minimum tax payers, which we had last year, to roughly 40 million alternative minimum tax payers at the end of the decade. That is a very expensive proposition. If the tax cuts are to be made permanent, reform of the alternative minimum tax is going to cost a very substantial amount of money: \$774 billion is the 10-year cost of reforming the alternative minimum tax during the years 2006 to 2015.

The failure to deal with the short-term cost of our defense budget and the proposal to make recent tax relief permanent is going to leave future generations with no options except to drastically raise taxes or to drastically cut services and benefits. Most of this should be avoidable, but first we need a realistic plan about how to move forward. It is clear that simply cutting discretionary spending accounts, as the President's budget proposes, is not the answer.

To put this in context, the administration estimates that the deficit of 2005 is \$425 billion. That is about the same as our entire nondefense discretionary spending for 2005. So you can eliminate all of these departments whose spending levels we are going to be arguing about here over the next several months: the Energy Department, Education Department, Transportation Department, Department of Commerce, Department of Homeland Security. You can eliminate the Department of Homeland Security and you still do not solve the problem of the deficit. No one is proposing to eliminate all of that, but I think it

gives you a sense of the magnitude of the problem when you look at the fact that we cannot solve this problem strictly by cutting domestic discretionary spending. That is the point.

As we all know, debt matters. There are three obvious reasons why debt matters. First, debt prevents us from dealing with the costs involved with the aging of our population. Second, we need to find other countries to lend us money as long as we are going to keep running this kind of enormous debt.

We have a chart here that shows where we are getting the money we are borrowing every day, every week, every month. These are the top 10 countries that hold our national debt. Over 60 percent of our debt is purchased by foreign government banks. The top 10 countries are Japan, and we owe them \$715 billion; China, \$191 billion; United Kingdom, \$152 billion; "Caribbean banking centers," we owe \$76 billion; South Korea, we owe \$69 billion. This was as of November 2004, so all of those figures are now larger than this chart reflects.

A third reason why debt matters is that high deficit levels will eventually result in higher interest rates. All of us know that higher interest rates depress economic activity, hurt consumers, and clearly it does not make sense for us to take action here to adopt budgets that have the ultimate effect of driving up interest rates.

What we need is a real plan, one that can be supported by a majority of the Members of the Congress, one that can become law. We need a budget that is honest. We need to provide voters with clear choices, letting them know what the real impact of different options is.

One of the areas we need to deal with honestly and not just to demagog is the issue of taxes. I believe there is sufficient bipartisan support to make permanent many of the tax provisions that are now scheduled to expire in 2010. For example, the marriage penalty relief, child tax credit, 10-percent income tax bracket—those are provisions that were adopted at the urging of President Bush which enjoy broad support here in the Congress and around the country. We should find a way to make that a permanent part of the tax package that we have earlier adopted.

Even though the administration requested that we make all of the 2001 and 2003 tax cuts permanent, I do not believe there are sufficient votes in the Senate to do that. There are not enough votes because there are enough Senators who realize we do not have the resources to do that. Overall, making all of the tax cuts permanent will put us an additional half trillion dollars in debt over the next 10 years.

Here is the chart that shows what happens after 2010, if you go ahead and do what the President is urging and make all these tax cuts permanent. You can see essentially that 10-year cost, from 2006 to 2015, is \$1.6 trillion. This is unsustainable. We need something responsible we can negotiate and

on which we can arrive at a consensus. We need a real plan for dealing with our budget deficit.

Let me say a few words also about the trade deficit. As we know, the trade deficit is the difference between what we sell to the rest of the world in goods and services and what they sell to us. On February 10, the Department of Commerce released the trade data for 2004. The trade deficit in 2004 was \$617.7 billion. That is a new record for trade deficits for the United States. It is a new record for any country. There is no other country in the world that has ever had such a trade deficit. It was \$121 billion more than the previous record of \$496 billion we set in 2003.

To emphasize the point a little more, it was a 24-percent increase in 1 year, in spite of 3 straight years of declines in the value of the dollar.

Let me show a couple of charts here. This first one shows what has happened to trade deficits starting in 1992. It went up a little, then sort of leveled off during the mid-1990s, and then it started up again in 1998 and it has been going up ever since and there is no end in sight. I believe this is a major problem. Let me give you the reasons why.

If you look at historical context, in the mid-1980s the Reagan administration found itself in a similar circumstance. This is a more complicated chart, but what it tries to do is show the trade deficit, which is this red line, and also show the value of the dollar compared to other currencies. The trade deficit started up in the mid-1980s, in the Reagan administration. It was a concern then. The Reagan administration was not known for its policies of Government intervention, but the Secretary of the Treasury then understood that something had to be done to deal with this growing trade deficit. The result was the 1985 Plaza Accord, which bound the governments of the then G-7 countries to pursue specific actions related to currency valuations, market access, deregulation, deficit spending, and workforce investment. And the deficit, the trade deficit, came down. The value of the dollar came down relative to other currencies and the trade deficit came down.

What we have now, and this chart makes the point very emphatically, is the value of the dollar went up and in the last 3 years it has been coming down, but the trade deficit continues to go up. This is an unsustainable situation, just as the budget deficit is an unsustainable situation. This affects people throughout the country in very obvious ways.

This chart shows the trade deficit. Again, the red line is going up as compared to manufacturing exports, which have been going down in the last 4 or 5 years. So you have people losing their jobs. You have U.S. companies finding it impossible to export. Accordingly, we have a very serious issue with decline in manufacturing jobs in the United States. It is a long-term decline. It seems to continue unabated.

While the trade deficit continues to grow, manufacturing jobs continue to drop.

These charts speak to a very significant problem I believe needs attention. Let me suggest four concrete actions we could take to address the trade deficit.

First, we need to recognize the importance of research and technology development in our own country. Across the board, we need to have targeted investments in critical emerging technologies. We need to see to it that we remain on the cutting edge of new technologies. Unfortunately the administration's budget actually decreases support for science and technology and engineering research and development. In my view, that is moving us in the exact wrong direction.

This chart shows the budgets, proposed budgets the administration has given us for all of these agencies that are very involved in science and technology. You can see, with the exception of one agency, NASA, everyone else is slated for a cut. That is moving us in the wrong direction.

A second step we can take is to actually step up and begin enforcing our trade agreements in a meaningful way. I think we have assumed that other countries will play by the rules, and the more trade agreements we could enter into, the better off we will be. That has not proven to be the case. The administration has done little to make many of these countries abide by their agreements. China is the most salient example. We have a \$162 billion trade deficit with that country today. It is up 31 percent from 2004 over 2003. We have lost well over a million jobs to China in the last decade or 15 years. China continues to manipulate the value of its currency, continues to subsidize its exports. I believe it is time the administration insists on better treatment. It needs to start by pressing the Chinese to revalue their currency. We have a circumstance now where everything the Chinese send to us is artificially undervalued and everything we send to them is artificially overvalued, and that hurts us badly.

The third suggestion I have is we need to improve our education and workforce training systems. There is no question we need to have people who can fill these jobs if we are going to hope to attract and retain these jobs. Again, I point to the President's budget and say that it is wrongheaded in the extreme in this regard. The administration proposes elimination of these 48 educational programs. I am not suggesting all of those are meritorious, but many of them are, and many of them are helping local school districts and States to improve their education system.

I think there are many things that can be done. I have various recommendations of bills to try to help. I hope we can seriously push back against the administration on these proposed cuts in education and training, job training funds.

The final point I would suggest is the final concrete action we can take to deal with the trade deficit is to encourage foreign firms to contribute to the U.S. economy, to come here and establish here and create jobs here to a much greater extent than we have in the past. What we need is a national strategy to do the very same thing our States are doing and our local communities are doing, and that is they are working hard to attract business and to create jobs. We need an aggressive effort on the national level to do the same. We need a concerted effort to market the United States to other countries as a place to do business, a good place to do business.

I am working on legislation that I will introduce soon that would increase the U.S. Government's efforts in this regard to establish a very visible, assertive entity where the primary mission would be to promote increased foreign investment in the United States.

Once we take these steps, the four I have outlined, then we at least would have some strategy in place to increase domestic investment and to draw foreign investment to our country to a greater extent. Maybe those actions could help shrink the trade deficit.

We should be working on our highest priority problems, our most urgent problems. It is my firm belief that the budget deficit and the trade deficit are those problems.

Let me finish by saying we should not allow politics as usual to prevail in this 109th Congress. The decline in the value of the dollar and the decisions that we have seen in recent weeks by foreign banks to begin shifting their reserves from dollars to other currencies, those are our signals that financial markets want responsible action by this Government to deal with these two problems, the budget deficit and the trade deficit.

I ask unanimous consent an editorial from earlier this week in the Washington Post be printed in the RECORD following my remarks.

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

(See exhibit 1.)

Mr. BINGAMAN. Mr. President, that editorial makes the point that these issues deserve attention, and we cannot postpone action on these issues indefinitely. We in Congress and the administration need to get the message that foreign governments and foreign banks are sending to us. We need to face up to the challenge. We need to begin addressing the budget deficit and the trade deficit as first priority issues, and not push them off while we continue to deal with other matters.

I yield the floor.

EXHIBIT 1

[From the Washington Post, Mar. 1, 2005]

DOLLAR JITTERS

Last week brought a warning to economic policymakers on both ends of Pennsylvania Avenue. A rumor that South Korea's central bank had decided to shift its reserves away from dollars triggered a sharp fall in the

greenback and a retreat on Wall Street. The fact that the South Koreans later denied this rumor is only half-comforting. Economic logic is pushing Asia's central banks to quit propping up the dollar. If a hollow rumor can rattle the currency, what would a real policy change do?

The dollar's vulnerability reflects the nation's trade deficit. To sustain their appetite for foreign goods, Americans need to convert their dollars into other currencies, depressing the greenback's value. This didn't stop the dollar from being strong in the 1990s, because the trade deficit was smaller then and because foreign investors were hungry for American stocks, bonds and other assets, reflecting the U.S. economy's enviable performance. But now foreign investors' appetite for dollars lags behind Americans' demand for foreign goods and services. The gap is being filled by Asian governments, whose central banks have accumulated vast piles of U.S. bonds in an attempt to slow the dollar's slide.

A year or so ago, a fashionable theory held that this Asian government support could continue indefinitely. Asian policymakers, according to this theory, would prop up the dollar to keep their own currencies competitive. It's true that export-led growth is a quasi-religion in East Asia and that China's dictators fear their grip on power might falter if they can't keep growth and job creation humming. But China and its neighbors have proved themselves capable of fast growth even in periods when they haven't been artificially depressing their own currencies. So it seems dangerous to bet that Asian central banks will think it worth the risk of holding ever-expanding dollar portfolios that can falter on a rumor.

The other optimistic theory is that while Asians may not want to prop up the dollar, they are prisoners of their own policy. By now they've bought so many dollars that if they quit buying, the value of their existing reserves would tank. But what if one central bank worries that others will stop buying dollars first? Such fears could trigger a stampede for the exit.

None of this is to say that a dollar crash is inevitable. The dollar may fall gently, as it has over the past year or so, or a renewed appetite for U.S. assets among private investors could even stabilize its value. But the risk of a currency crash grows every day. In 2003, the United States had to attract \$530 billion of foreign capital to finance its purchases of foreign stuff; in 2004 it had to attract \$650 billion; this year, it may have to pull in as much as \$800 billion. Every year of vast borrowing increases borrowing in later years; as Brad Setser of Oxford University notes, just paying interest on the \$800 billion borrowed in 2005 might add \$40 billion to the overall 2006 deficit.

To stabilize this house of cards, Congress and the administration should pull the one lever they have: They should reduce the nation's reliance on foreign capital by cutting government borrowing. This isn't going to be possible through spending cuts alone. It's going to take higher taxes.

The PRESIDING OFFICER. The Senator from Tennessee.

#### FEDERAL CONSENT DECREE FAIRNESS ACT

Mr. ALEXANDER. Mr. President, I thank my colleague, the Senator from Connecticut, for giving me an opportunity to speak, and also my colleague, the Senator from Alabama.

The Senator from Connecticut and I, Senator DODD, on behalf of ourselves, and Senators ENZI, KENNEDY, ROBERTS, and HATCH, yesterday introduced the Caring for Children Act of 2005 which

reauthorizes the Child Care Development Block Grant Program. This is a program that is very important to families across this country. I am pleased that our committee is progressing in a bipartisan way on the very important piece of legislation.

Today I want to talk about a piece of legislation I introduced earlier this week. It is called the Federal Consent Decree Fairness Act. It has to do with federalism, with democracy, with responsibilities of State and local government. It has to do with our effort to try to restrain the growth of the cost of Medicaid so that we can properly fund other programs such as higher education, elementary and secondary education, and research. I introduced that legislation, along with Senator PRYOR of Arkansas, who is the lead Democratic sponsor. Senator CORNYN and Senator KYL joined us at that time.

Since that time, 12 other Senators have asked to join us. I ask unanimous consent that the following Senators be added as cosponsors to S. 489, the Federal Consent Decree Fairness Act: Senators McCONNELL, BENNETT, COCHRAN, CRAIG, DOMENICI, HUTCHISON, INHOFE, LOTT, ROBERTS, SANTORUM, SMITH, and WARNER.

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

Mr. ALEXANDER. I failed to mention an early sponsor and a principal sponsor, Senator BEN NELSON of Nebraska.

Senator NELSON of Nebraska is a former Governor. Senator PRYOR is a former attorney general. Senator CORNYN is a former attorney general. I am a former Governor. That explains part of our interest in this. Congressman JIM COOPER, by the way, a Democrat from Nashville, will be the principal Democratic sponsor of this legislation in the House. It has strong bipartisan support.

As I will show in a few minutes, it strongly supports the idea of limiting what we call democracy by court decree. Limiting the idea of Federal courts running the Government has strong bipartisan appeal. It has strong support from the left and the right, because democracy by court decree interferes with democracy. It interferes with the ability of voters to elect officials who are accountable, and then throw them out if they don't like what they are doing.

Consent decrees, which are judicial orders based on the consent of the parties engaged in civil court action, can be an effective judicial tool when drawn narrowly, and with respect to State and local policy choices. Congress passes legislation and sets conditions on grants that must be followed by State and local governments. When they are not followed, it is important for citizens to be able to turn to the court to see that their rights and the rule of law are upheld. That is the heart of the idea of federalism.

Unfortunately, in many cases, rather than preserving the separation of pow-

ers between the Federal Government and the State government, consent decrees have the opposite effect. What we are seeing in State after State is government policy controlled by courts and judges instead of by Governors, mayors, and legislators.

For example, in Maine in 2003, the Governor had to propose deep cuts to mental health services for children because consent decrees made it almost impossible to restrain other parts of the budget.

In New York City, Latino parents are upset because schools are forcing their children into bilingual education programs when they want them in a different kind of program to learn English. And why is that happening? Because for the last 30 years, bilingual education in New York has been mandated by a consent decree that the schools have no choice but to obey.

In Los Angeles, a consent decree has forced the Metropolitan Transit Authority to spend \$110 million per year on improving city buses. That sounds like a good idea. But that is 47 percent of the Metropolitan Transit Authority's budget spent on just buses, leaving the remaining 53 percent to pay for street and freeway improvements, rail systems, transportation planning programs, and the reduction of debt. Meanwhile, ridership on MTA buses increased only marginally in the first 6 years of judicial management, and residents of Los Angeles complain that other MTA services are suffering, and their elected officials are not able to do anything about it because the courts are running the transit authority.

The State of Tennessee has also become a victim of democracy by court decree. Tennessee, like every State, has to balance its budget. I can speak from experience. I did it for 8 years. I know it involves some difficult choices. Our Democratic Governor Bredesen of Tennessee is making some of those choices. But he can't do it because the Federal Government has refused to let him to do what he feels he needs to do to balance the budget.

Late last year, it became apparent that the costs of the Medicaid program in Tennessee are rising at an unsustainable rate. The Medicaid caseload has gone up 40 percent across this country in the last 5 years. When you combine that with sharp increase in the rate of inflation for health care costs over the regular inflation rate, we get a staggering impact, not only on the Federal Government but especially on State Governors who are balancing their budgets. The inevitable result of that is the Governors reach to find somewhere else to get the money to balance their budget. Where does it come from? It comes from education. It comes from especially higher education. In the last 4 years, Federal spending for K-12 education has gone up about 40 percent. In Tennessee, spending for K-12 education over those same 4 years has gone up about 11 percent.

In other words, Federal spending is going up three times the rate of State spending. The reason is Medicaid is eating up the money, and the Governor is unable to control the growth of Medicaid because the Federal court says it can decide better than the Governor can where those dollars ought to be spent. For example, pre-K education is something on which Governor Bredesen wants to spend the money. He can't charter a preschool program, an important program such as I suppose the distinguished Senator from Connecticut is advocating nationally. His hands are tied. Governor Bredesen has tackled TennCare. He ran for office and said, "I wanted to be elected to fix the TennCare Program." He has come up with a plan that would result in Medicaid spending in Tennessee rising only \$75 million this year instead of the \$650 million it will rise without those changes. But he is constrained by a series of four Federal court consent decrees entered into by his predecessors going back 25 years.

These consent decrees dictate policies on medical screening for children, requiring the States to provide patients with high-cost, brand name prescription drugs, and affecting the ability of States to verify the eligibility of the patients they serve. But most importantly, they deny the voters the opportunity to have a new Governor and a new legislature look at all of their programs and make choices about how and where to spend the money.

In the face of enormous pressures, the Federal courts are going to force Tennessee to maintain programs that the Governor says he would rather not maintain because he would rather spend the money for education.

Governor Bredesen is making painful, difficult decisions. He has proposed cutting 323,000 adults from TennCare and limiting the benefits for the remaining 396,000 adults because he wants to strengthen Tennessee's pre-K and K-12 programs, and have a first-rate system for colleges and universities.

I might emphasize that the services the Governor hopes to limit are not required by the Federal Government. They are optional services that States may or may not offer, according to the Federal law, except they are not as optional as we might think. On January 29, Judge William Haynes, U.S. District Judge, declared he must approve any of those changes. So we have a Federal court judge, not the Governor and legislature, making those decisions.

The Federal Consent Decree Fairness Act contains three main provisions that address many of these concerns. First, it lays out a series of guidelines that will guide Federal courts in approving future consent decrees. Basically, these guidelines follow suggestions which the U.S. Supreme Court made in the year 2004 in a decision in which it expressed concern about the fact that old consent decrees were limiting the actions of newly elected officials and interfering with democracy.

The bottom line of these guidelines is to narrow the consent decrees and encourage the courts to get the decision-making back in the hands of the elected officials as soon as possible.

Second, our legislation creates term limits for consent decrees. Fundamentally, it says any new Governor may go into the court and ask the judge to vacate or modify that consent decree; or a Governor or mayor may do that 4 years after the original date of the consent decree.

Seventy-five of the 100 Senators in this body have served in State or local government before. I am sure they can understand the frustration of being elected to fix the schools, or improve the roads, or repair the prisons, or restrain growth of Medicaid, or improve colleges, and discover they don't have the authority to do it because the Governor or mayor 15 years ago entered into a consent decree and the court approved it, and the newly elected official can't change it.

Finally, the bill shifts the burden of proof from the State and local governments to the plaintiffs in the case.

Under current law, State and local governments must prove that a decree is no longer necessary to protect the plaintiffs' rights. In other words, they must prove a negative. Now the plaintiff will have to prove that the court interference with the decisions of elected officials is still needed.

The court still retains full control of the case. The court still retains the ability to protect the rights of Americans. But the court would have instructions to say that if the parties come to you and say, "Mr. Court, Ms. Court, we can't solve this problem, will you approve this consent decree?" The court will say, "I will temporarily get involved in what is your responsibility, but I will do it under a narrowly defined set of terms and very shortly I will make sure that it gets back in the hands of elected officials."

I have in my remarks, which I will submit in complete form for the RECORD, some of the comments of the Supreme Court in *Frew v. Hawkins* in 2004. The Court took an extraordinary step in inviting the Congress to pass legislation such as this and in suggesting to the Federal courts that they might narrow their consent decrees and as soon as possible get these decisions back in the hands of elected officials.

In other words, the principle here is democracy and whether unelected people or elected people will make the decisions.

This is an especially important piece of legislation at a time when we are considering Medicaid. We are asking States to restrain the growth of Medicaid. We are still spending a lot of money. Over the next 10 years, we propose to spend \$1.2 trillion—new dollars. We are not restraining spending much. But if the caseload is growing by 40 percent, and if the cost of health care is rising faster than the normal cost of

living, and if we still require Georgia, or Connecticut, or Alabama, or Tennessee, to pay for 43 percent of Medicaid, and we haven't changed the eligibility requirements, and we don't give the States much flexibility, and the Federal court tells the Governors they can't do it, we are giving the States an impossible assignment. The only result will be the gradual destruction of our system of higher education, which is principally funded by State governments.

I strongly urge my colleagues to seriously consider this legislation. I am glad to see 17 Senators of both parties have already signed on. I am glad a leading Democrat in the House, Congressman JIM COOPER, will be sponsoring a version of this bill as well.

I will have printed in the RECORD a series of comments about a book, "Democracy By Decree," which is the scholarship on which this legislation is based. This book is by Ross Sandler and David Schoenbrod, professors at the New York Law School. The book is published by Yale University Press. It has been widely praised by columnists as evenhanded. Among those who praise the scholarship are former Senator Bill Bradley, Ed Koch, Diane Ravitch, John Sexton, president of the New York University and Dean of the NYU Law School, and Chris DeMuth, president of the American Enterprise Policy Institute for Public Policy Research. Not many pieces of scholarship have support from such a broad spectrum.

I ask unanimous consent to have printed after my remarks the complete comments of those individuals I just mentioned, as well as a column by George F. Will in *Newsweek* on November 28th, saying that "Democracy By Decree" is one of the most important books on governing in the last 10 years. I ask unanimous consent also to have printed an article from the *Wall Street Journal* on December 31, 2002, by Thomas J. Main, assistant professor at the School of Public Affairs of Baruch College. I ask unanimous consent that a review of the book by Ross Weiner in the *Legal Times* also be printed.

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

(See exhibit A.)

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

Mr. ALEXANDER. Of course.

Mr. SESSIONS. Senator ALEXANDER, I appreciate your remarks, having been a U.S. attorney involved in urging certain consent decrees and having been an attorney general and seeing it from the side of the State.

My question is this: What your legislation would do is provide a mechanism to guarantee a periodic review of a consent decree so it would not continue indefinitely. There are many in this country that are well over 20 years in which judges are intimately involved in details of governing and the local people have to seek approval for any of the most minute changes.

This would not eliminate consent decrees. It would not eliminate their enforcement, but it creates a mechanism by which they are periodically reviewed so as to determine whether they should be extended.

Mr. ALEXANDER. The Senator is absolutely right. Perhaps Congressman COOPER had the best phrase. He said the purpose of this legislation is to keep democracy fresh.

The people are entitled to two things. One is to have their constitutional and Federal rights enforced in the Federal courts. This will continue under this legislation. But they are also entitled to have democratically elected leaders that can make the policy decisions and do the governing, which is what we say to the rest of the world.

We are fighting in Iraq and Afghanistan, sacrificing lives and hundreds of billions of dollars to promote the idea that people have a right to elect their own officials, yet we have drifted into the situation somewhere, as in the Tennessee case, where we have four prior consent decrees that will leave in the Federal courts these decisions and the Governor cannot change them. Even though a previous Governor entered into them, the standards are such he cannot change them.

He has a right to go in there and say, Judge, I hope you will review it. The plaintiff, not the Governor, has to persuade the judge that it needs to be continued. And if it does, the court may continue the consent decree if he considers it to be useful.

Mr. SESSIONS. I say to the Senator, I think that is a very thoughtful and important change he is proposing. We need to give it the most serious consideration. It would strike me that it does go to the heart of what democracy is. We created a legislative and executive branch elected by the people and empowered to deal with certain of these issues. It should be only for extraordinary things that a court would maintain extended jurisdiction over the elected representatives.

Mr. ALEXANDER. I thank the Senator from Alabama.

When the word "judges" is mentioned in this Chamber, we automatically divide, especially during this season. That is why I am so glad Senator PRYOR of Arkansas, Senator NELSON of Nebraska, and Congressman COOPER have joined in this. Former Senator Bill Bradley has praised the ideas found in "Democracy by Decree."

This is not a Democratic or Republican idea. Democracy is everyone's idea in this country. One reason it has such broad support is that it is not just the court's fault that this is happening; sometimes Governors and mayors do not want to deal with the prison problem. They do not want to deal with the Medicaid problem, so they unload it on the courts. That hurts the people who should be helped. It deprives the voters of their right to choose elected officials.

The bill has broad bipartisan support. I hope it continues to have. I am grate-

ful to the Senator from Connecticut for giving me an opportunity to make my remarks today before he made his remarks.

#### EXHIBIT A

##### PRAISE FOR DEMOCRACY BY DECREE

(By Ross Sandler and David Schoenbrod)

"The first book that shows how courts can do their proper job of protecting rights without allowing elected officials off the hook for their proper job of making policy."—Former Senator Bill Bradley

"A fascinating book for someone like me who regretted agreeing to a court-approved consent decree limiting the city's authority in programs involving prisons, welfare, education, homeless shelters, etc."—Ed Koch, former mayor, New York City

"A brilliant, well-written, and brave account of how federal courts have distorted our political system by taking control of complex institutions like schools and prisons—sometimes for decades—instead of enforcing rights, which is their proper domain."—Diane Ravitch, New York University

"With fascinating blow-by-blow accounts, Sandler and Schoenbrod expose how advocates for one interest group inevitably undermine the interests of others and thwart the ability of those in responsibility to balance interests for the common good."—Philip K. Howard, author of *The Death of Common Sense*

"Democracy by Decree is an impressive and thoughtful analysis of the current court-centered rights culture in which it is too easy for elected officials to 'pass the buck' to courts while taking actions that are blatantly unconstitutional."—Nadine Strossen, president, American Civil Liberties Union, and professor, New York Law School

"Democracy by Decree shows how courts can protect rights and still let mayors and governors do their job."—John Sexton, president of New York University and dean of New York University School of Law

"Sandler and Schoenbrod's account—really a discovery—of the existence of a second government in our midst is meticulous, nuanced, and alarming. By showing how unilateral judicial government undermines both democracy and individual rights, they have done a significant service to both."—Christopher DeMuth, president, American Enterprise Institute for Public Policy Research

[From *Newsweek*, Feb. 28, 2005]

##### JUDGES AND "SOFT RIGHTS"

(By George F. Will)

On Feb. 15 the New York Times carried this headline: Judge Orders Billions in Aid to City Schools. The derangement of American government, and the decay of democratic sensibilities under rule by the judiciary, are apparent in the fact that such headlines do not enrage, or even startle.

In a case that began 12 years ago, and will surely run at least 12 more, Leland DeGrasse of the New York Supreme Court has decreed that an extra \$5.6 billion, a 43 percent increase in the school budget, must be spent on the schools every year—presumably until he decides that the schools are delivering a "sound basic" education. And over the next five years another \$9.2 billion must be spent to improve class sizes and facilities.

Why? Because the state constitution says, "The legislature shall provide for the maintenance and support of a system of free common schools, wherein all the children of the state maybe educated" and this has been interpreted to guarantee a "sound basic" education. Those two adjectives are the slender reeds supporting this latest excess by the imperial judiciary.

In 1993 the Campaign for Fiscal Equity, a self-generated group, unelected and accountable to nobody, sued, charging that the constitution's adjectives were not being fulfilled. Between 1997 and 2003 spending on the city's schools rose \$4.8 billion—54.5 percent. But DeGrasse, who apparently thinks he learned in law school how to fix urban education, believes the canard that in primary and secondary education there is a clear causal connection between financial inputs and cognitive outputs—that the best schools are the ones on which the most money is spent. Actually, New York ranks third among the states in per-pupil spending (\$11,218; the national average is \$7,734). The highest per-pupil spending is in Washington, D.C., which probably has the nation's worst schools.

DeGrasse's ruling is just the latest of thousands of such instances of judicial overreaching involving schools, prisons, hospitals, transportation, environmental policies and other matters. Constitutional or, more often, statutory language stipulates praiseworthy but vague goals to be enforced by courts. Then "public interest" groups, eager to wield the power of elected officials without the tiresome matter of running for office, go to courts.

The courts, with an arrogance often tacitly encouraged by elected officials eager to avoid difficult choices, wander beyond their competence. They do not merely enforce compliance with the law, they dictate in minute detail what shall constitute compliance—e.g., the water temperature in prison showers, the soap used to wash prison floors, the frequency with which prison windows are washed. Really.

In 2003 two professors at the New York Law School, Ross Sandler and David Schoenbrod, published "Democracy by Decree: What Happens When Courts Run Government" (Yale), perhaps one of this decade's most important books on governance. They explain how federal standards are attached to federal money by Congress's heroically transmuting aspirations into rights-enforceable claims. Congress has become a bestower of mass-produced rights—to "healthy" air, to "appropriate" education for the handicapped, etc.

These are what Sandler and Schoenbrod call "soft rights": "Traditional common law rights, such as the right against trespass, are typically negative. They tell government what it cannot do. Soft rights, such as the right to healthy air, are typically positive. They tell government what it must do." In practice, judges—unelected, unaccountable and inexpert—often dictate what it must do.

Some political activists have decided that, the dismantling of segregation proved that the primary means of social improvement should be through judicially enforceable rights. And many liberals, frustrated by the public's increasing conservatism, are unwilling to have the patience required by democracy—the politics of persuasion. They know that rights claims can truncate debate and trump policy considerations about the community's conflicting imperatives and priorities. And "public interest" groups have become skilled at getting themselves entitled to control a sphere of public policy. They negotiate consent decrees, many of which have empowered courts-as-legislatures to formulate public policies for 20 or 30 years. All of which confirms Sandler and Schoenbrod's central point: Not all that lawyers do in their various venues amounts to the rule of law, as a democracy ought to understand that.

In responding to DeGrasse's hubris, New York might consider Andrew Jackson's strategy. In 1832 the Supreme Court rendered a decision favoring two imprisoned missionaries in Georgia, a decision Jackson disagreed with, vehemently. He reportedly said:

“[Chief Justice] John Marshall has made his decision, now let him enforce it.” Marshall could not; the missionaries remained in prison.

New York’s Supreme Court can neither tax nor spend. The state legislature is not a party to the suit, so it cannot be held in contempt. Perhaps it should just ignore the court’s ruling as noise not relevant to the rule of law. Which happens to be the case.

[From the Wall Street Journal, Dec. 31, 2002]

CLOSED DOORS, OPEN SEASON

(By Thomas J. Main)

Ten prisoners in a Philadelphia prison sued Mayor Wilson Goode in the early 1980s claiming that conditions there violated their rights. The result was a consent decree, in 1986, that limited the number of prisoners who could be held in the city’s jails.

And the result of the decree itself? “A blood-chilling crime wave,” write Ross Sandler and David Schoenbrod. In 18 months, “police rearrested 9,732 defendants released because of the consent decree.” They were charged with “79 murders, 958 robberies, 2,215 drug dealing crimes, 701 burglaries, 2,748 thefts, 90 rapes 14 kidnappings, 1,113 assaults, 264 gun-law violations and 127 drunk-driving incidents.” This is only one of the hair-raising stories in “Democracy by Decree,” (Yale, 280 pages, \$30) a critique of astonishing efforts to govern society through the miracle of what the authors call “institutional reform litigation.”

The tactic is simple: A crusading lawyer notices that some public entity—a prison, a hospital, an environmental or child-welfare agency—is performing below expectations, as the lawyer sees it. He then finds “parties” willing to say they have been injured and searches for a legal hook—a statute, regulation or right whose violation offers the basis for a lawsuit.

And legal hooks abound. Congress regularly passes laws with sweeping guarantees vaguely phrased. Did the Americans with Disabilities Act (1990) really require curb ramps at every intersection within just five years? Did the Clean Air Act of 1970 really promise that the air will be entirely clean by the end of the decade? (And when, precisely, is air “clean”?) Can schools immediately offer a free and appropriate education to all children with learning disabilities, as the Education for All Handicapped Children Act (1975) seemed to require?

These may be worthy goals, if they are indeed required by statute. But they are not easily achieved. Indeed, state and local governments are likely to act on them as they act on everything else: incrementally, tentatively and piecemeal. Thus it is often possible for public-interest lawyers to make a *prima facie* case for one violation or another. Not that they need do much more than that. Many public officials—rather than submit to trial and the risk, however slim, of draconian punishment—settle such cases by entering into consent decrees with plaintiffs.

Consent of the sued? Public officials would rather settle than fight.

From this point on, as Messrs. Sandler and Schoenbrod show, the powers of elected officials “are eroded in favor of a negotiating process between plaintiffs’ attorneys, various court-appointed functionaries, and lower echelon officials.” This controlling group, as the authors call it, “works behind closed doors” to draft complicated decrees. Its members bargain, log-roll and cut deals, and the judges before whom the original suit was brought rarely intervene.

Under such circumstances, the concerns of ordinary public managers get short shrift. In *Jose P. v. Ambach*, for instance, a consent decree dictated the terms of “every aspect of

[New York’s] special education; from staffing to teaching and collecting data.” With appendices, it filled 515 pages.

And once a consent decree is agreed on, it is very difficult to change, even in the face of dramatic developments. In 1971, for instance, the New York City Housing Authority was accused of failing to give rent-delinquent tenants due process. The city signed a consent decree that imposed elaborate, court-supervised procedures for eviction. Twenty years later, the crack-cocaine epidemic hit public housing, and everyone—city officials and law-abiding tenants alike—wanted to speed along the eviction of drug-dealers.

The decree’s controlling group, however, objected to quicker procedures. Its members even disputed “whether living next door to a drug dealer actually increased the risk of criminal violence.” It took two years of legal wrangling before the Housing Authority could make its changes, and by then the tenants had hired new lawyers to fight “against the lawyers who theoretically were representing them.”

It should be said that Messrs. Sandler and Schoenbrod do not oppose all public-interest litigation. They note that lawsuits have helped put an end to racial segregation and to the abominable conditions in various prisons and mental institutions. They accept court intervention in even less dramatic cases, as long as some common-sensical reforms are put in place, like opening controlling-group meetings to the public and making it easier to change outdated provisions. They note as well that the rights asserted by Congress are too often “aspirations rather than practical possibilities.” In any case, making minute policy adjustments is best left to the political branches of government, not the courts.

One of the book’s most striking anecdotes illustrates this. In the early 1990s, New York tried to install sidewalk toilets, only to run into the problem of making them large enough for wheelchairs—as required by regulators interpreting federal law—without making them inadvertent criminal dens. At a public meeting, the spokesmen for the toilets’ maker, whose designs were apparently not generous enough, found themselves confronted by angry citizens in wheelchairs. Then in walked another advocate, whose disability, the authors write, “was that he grew to be only about three feet high.”

“I don’t care about wheelchair accessibility,” this man declared belligerently. “I can’t reach the higher toilet seat in the wheelchair-accessible toilets. What about that?”

To this question, the law has no good answer.

[From the Legal Times, May 5, 2003]

THE CORROSIVE CONSENT DECREES

(By Ross Weiner)

*Democracy by Decree: What Happens When Courts Run Government* is a thought-provoking book about the fundamental issues of democracy, federalism, and separation of powers. Authors Ross Sandler and David Schoenbrod put forward a forceful critique of the consent decrees that often result from institutional reform litigation and have, over time, reduced the power of democratically elected state and local institutions to make public policy choices.

Yet *Democracy by Decree* is not a wholesale attack on class actions or the consent decrees that often settle these cases. The authors, who both teach at New York Law School, are content to offer reform proposals, but do not advocate removing the judiciary from its important place in protecting the rights of aggrieved plaintiffs. But they do forcefully attack the habit of using

courts, and class actions in particular, to make public policy decisions that are better left to the democratically elected.

The authors argue that the courts are the proper forum for remedial action or for limited prospective action to ensure that constitutional rights are not violated, but that institutional reform litigation creates many negative unforeseen consequences when it encroaches upon the elected branches of government by instituting widespread oversight of public institutions.

Sandler and Schoenbrod trace the historical development of institutional reform litigation to the civil rights movement. They argue that the heroic achievements of civil rights era attorneys in dismantling segregation inspired a generation of attorneys to become “public interest” lawyers to fight for social change. Many elected Southern officeholders at the time actively worked to subvert the constitutional rights of their African-American constituents, and this massive resistance forced the judiciary to take over the management of several public institutions to ensure that African-Americans could freely exercise their constitutional rights. They note that the difference between the attitudes of local and state officeholders during the civil rights era and the attitudes of later elected officials is often lost on these public interest attorneys.

The authors argue that, in much of the recent institutional reform litigation, the rights at issue and the behavior of elected officials is less stark than that during the civil rights era. While their policies may in fact violate statutory rights, their intentions are far less nefarious. Rather, this litigation often concerns statutory rights or federal aspirations, while local elected officials attempt to balance public policy choices with their constituencies’ own limited financial wherewithal. These officeholders often support the underlying rights being enforced, but are simply unable to muster the public resources to attain those unfunded federal mandates. Such new rights often call for government to provide something to its citizens, unlike a more traditional right, which called for government to refrain from taking something away from the citizenry.

The authors postulate that most of these officeholders are a far cry from the Southern segregationists, but that the public interest lawyers and the judiciary have devised standard remedial actions that do not differentiate between the attitudes of officeholders and the rights being enforced.

*Democracy by Decree* provides many examples of cases that illustrate the perils and unforeseen consequences of institutional reform litigation. *Jose P. v. Ambach*, which began in 1979, shows how the judicial process usurped special education policy in New York City.

This case has its roots in the congressional passage of the Education for All Handicapped Children Act. The legislation contained vague goals, but with no clear mechanism outlining for states and localities the means to achieve the nebulous ends outlined in the statute. The federal right to special education created by this statute begat class action litigation to enforce such a right when New York City could not comply with all the goals outlined in the statute.

The litigation ultimately resulted in a court finding New York City in violation of the statute, and affirming a very broad consent decree among plaintiffs and city officials, which mandated many changes to special education policy in New York City. Over the decades in which this decree has been in place, the court and the plaintiffs’ attorneys have had the authority to reject or approve all changes to the city’s special education program. This has shifted policy-making

power from open forums among the elected City Council and city agencies to closed-door negotiations between attorneys.

The authors show how this has led to many unintended consequences, including the locking into place of special education policy designed more than two decades ago, which now may be outdated; the reduction of money available for students in nonspecial education classes; and the awarding to plaintiffs' attorneys of a significant degree of control over a large portion of the city's budget.

An intended consequence of these types of consent decrees is to limit the variety of policy choices available to elected officials. The authors contend that when public interest attorneys were confronting massive resistance, this was the correct choice for the judiciary. But when confronting public officials who attempt to deal with such issues by balancing the proper amount of funding for special and nonspecial education programs, more flexibility is required.

The authors argue that it is sometimes appropriate to restrain the future actions of private citizens indefinitely in private litigation, but in institutional reform litigation—in the absence of an intent to impede the constitutional rights of individuals—present day officeholders should not be allowed to sign away the rights of the people and their future representatives to make public policy choices.

Sandler and Schoenbrod emphasize sympathetically that they, too, were once public interest attorneys. And they avow their admiration for the efforts of civil-rights lawyers to fight segregation. Thus, the tone of the book feels similar to that of a journalist paying homage to Bob Woodward and Carl Bernstein, while attacking the type of journalism that may have developed in the wake of Watergate. Such rhetorical shields appear to be attempts to protect their work from political criticism by public interest attorneys and the lobbying groups they populate. Their homage to the roots of public interest litigation does bolster the credibility of Democracy by Decree, and it is to their merit that they do not resort to the tired clichs often heard in the political arena about judicial activism.

At its heart, Democracy by Decree is an ode to representative government. The authors demonstrate that the judiciary has an important role in protecting the rights of citizens, but argue convincingly that when it comes to making basic public policy choices, representative democracy may not be perfect, but it is often better than any viable alternative.

**Mr. ALEXANDER.** Mr. President, I am pleased to say that the Senator from Arizona, Mr. KYL, the Senator from Texas, Mr. CORNYN, and the Senator from Nebraska, Mr. NELSON, have joined Senator PRYOR and me in introducing this bill. Congressman JIM COOPER from Tennessee will be introducing similar legislation in the House of Representatives.

This is bipartisan legislation that will help slow down the practice of democracy by decree—Federal courts running State and local governments.

Consent decrees—judicial orders based on the consent of parties engaged in a civil court action—can be an effective judicial tool when drawn narrowly and with respect for State and local policy choices. Congress passes laws and sets conditions on grants that must be followed by State and local governments, and when they are not followed it is important for citizens to

be able to turn to the courts to see that the rule of law is upheld. That is at the heart of the idea of federalism.

Unfortunately, in many cases, rather than preserve the separation of powers between the Federal Government and State governments, consent decrees have done just the opposite. What we are seeing in State after State is government policy controlled by courts and judges instead of by Governors, mayors, and legislatures.

In Maine, in 2003, the Governor had to propose deep cuts to mental health services for children because consent decrees made it almost impossible to cut other parts of the budget.

In New York City, Latino parents are outraged because schools are forcing their children into bilingual education programs when the parents want them in all-English classes. Why? Because for the last 30 years, bilingual education in New York has been mandated by a consent decree that the schools have no choice but to obey.

In Los Angeles, a consent decree has forced the Metropolitan Transit Authority to send \$110 million per year on improving city buses. That is 47 percent of its budget just on buses, leaving the remaining 53 percent pay for street and freeway improvements, rail systems, transportation planning programs, and the reduction of its debt. Meanwhile, ridership on MTA buses increased only marginally in the first 6 years of judicial management and residents of Los Angeles complain that other MTA services are suffering.

The State of Tennessee has also become a victim of democracy by decree.

In Tennessee, like in every State, governments do not have the luxury we have up here of being able to deficit spend. State governments need to balance the budget, and I can speak from experience when I say that is a process that involves making excruciating choices. In Tennessee, however, Governor Bredesen has had fewer choices to make because the Federal court has refused to let him do what he needs to do to balance the budget.

Late last year, it became apparent that the rising cost of providing Medicaid—and in the case of Tennessee, we have a program called TennCare on a waiver from CMS would result in an additional \$650 million in costs to the State of Tennessee in the upcoming 2006 budget. Now, Governor Bredesen has a plan that he says would result in costs only rising \$75 million in the next year, but he can not implement it because he is constrained by a series of consent decrees. These consent decrees prescribe policies on medical screenings for children, require the State to provide patients with high-cost, brand-name prescription drugs, and affects the ability of the State to verify the eligibility of the patients it serves.

On the face of it, it sounds like these are all good things. Of course we want children to get screenings that will help prevent serious illness and of

course we want to make sure patients have prescription drugs. The problem is that whereas the Federal Medicaid laws say one thing, Federal judges are turning that into a whole series of requirements that States are then bound by for as long as a Federal judge decides it is necessary.

For example, regarding medical screenings for children: Medicaid law—section 1905(r)(5) of the Social Security Act requires that children receive “such other necessary health care, diagnostic services, treatment and other measures . . . to correct or ameliorate defects and physical and mental illnesses under the State plan.” Now, from that one line of Federal code, the court entered a consent decree that established a deadline for Tennessee to improve its performance to ensure that 80 percent of eligible beneficiaries were receiving this screening.

Nonetheless, even in the face of enormous budget pressures, the Federal courts are going to force Tennessee to maintain the programs that will keep it on track to meet that 80 percent goal. So Governor Bredesen had to make a painful decision; he had to cut 323,000 adults from TennCare and limit benefits for the remaining 396,000 adults. Let's be clear here—these beneficiaries are people that the State of Tennessee has decided to provide health care services to even though the Federal Medicaid laws do not require the State to do so. These are optional populations and services, and Governor Bredesen was exercising his option not to provide these services.

But hang on a minute. Maybe they are not as optional as we all thought. On January 29, 2005, Judge William J. Haynes, Jr., a U.S. District Court Judge, declared that he must approve any changes to TennCare. So now, the Tennessee State Legislature is waiting for Judge Haynes to make a decision and give the State legislature permission to change the State health insurance program and balance the budget.

In all of these cases, and in many more; we see courts and lawyers making decisions like this. Not just protecting rights, but running the government. Courts are making policy choices that are supposed to be made by elected Governors, mayors, legislators, city councilmen and women, school board members, and any number of other officials.

When courts run the government, that is no democracy. Federal courts are not accountable. They do not have to answer to an electorate for the choices they make. This is not good government.

The Federal Consent Decree Fairness Act contains three main provisions that address many of these concerns.

First, this bill lays out a series of findings that will guide Federal courts in approving future consent decrees. The findings give congressional endorsement to the Supreme Court's call

for limiting decrees to make sure they are not unreasonably broad. The findings also advocate the entry of consent decrees that take into account the interests of State and local governments and give due deference to their policy choices. Finally, the findings also make it clear that consent decrees should contain explicit and realistic strategies for ending court supervision.

Second, the bill creates “term limits” for consent decrees. It provides State and local governments with an opportunity to revisit the consent decree after either 4 years or 6 months after the end of the term of the State or local official who consents to the agreement. Four years is a reasonable amount of time to evaluate the success of judicial management and to determine whether or not it is still warranted. Alternatively, a provision allowing a decree to be revisited following the election of new State and local officials will give these officials the opportunity to bring fresh ideas to the table. I am sure that many of my colleagues who served as State and local officials can attest to the frustration of coming into office and having your hands tied by an agreement that the last mayor, attorney general, or Governor made.

Finally, this bill shifts the burden of proof from the State and local governments to the plaintiffs in the case. Under the current law, State and local governments must prove that a decree is no longer necessary to protect plaintiffs' rights; that is, they must prove a negative. They must also show that they have complied substantially with all the terms of the existing decree. However, as I have already mentioned, the terms of these decrees often go far beyond simply upholding the plaintiffs' rights. By shifting the burden of proof, this bill requires the plaintiffs to show that judicial management is still necessary. It allows parents like those concerned about the New York bilingual education programs to make the point that they do not think they still need judicial management of this program.

Passage of my bill will not immediately end the consent decree problem. We have separation of powers in our government, and there is only so much Congress can do. However, what Congress can do, and what I hope to do with this legislation, is level the playing field so that State and local governments can have a fair shot at getting back the authority that is rightfully theirs.

Judicial management has become a national concern. Federal courts are running police departments, school districts, foster care programs, State health insurance programs, and numerous other programs that are rightfully left to the responsibility of State and local elected officials.

No less an authority than the Supreme Court has recognized the overreaching of the Federal courts. In 2004, the court handed down a decision in

*Frew v. Hawkins* case. Although the court upheld the consent decree in this case, its opinion recognized the dangers of consent decrees and contained some guidance as to how to address these concerns.

I think the Supreme Court's own words say it most effectively:

The state officials warn that enforcement of consent decrees can undermine the sovereign interests and accountability of state governments. . . . The concerns they express are legitimate ones. If not limited to reasonable and necessary implementations of federal law, remedies outlined in consent decrees involving state officeholders may improperly deprive future officials of their designated legislative and executive powers. They may also lead to federal court oversight of state programs for long periods of time even absent an ongoing violation of federal law.

Referencing a previous Supreme Court decision involving consent decrees, the Court went on to say:

‘principles of federalism and simple common sense require the [district] court to give significant weight’ to the views of government officials. . . . principles of federalism require that state officials with front line responsibility for administering the program be given latitude and substantial discretion.

The federal court must exercise its equitable powers to ensure that when the objects of the decree have been attained, responsibility for discharging the State's obligations is returned promptly to the State and its officials. As public servants, the officials of the State must be presumed to have a high degree of competence in deciding how best to discharge their governmental responsibilities. A State, in the ordinary course, depends upon successor officials, both appointed and elected, to bring new insights and solutions to problems of allocating revenues and resources. The basic obligations of federal law may remain the same, but the precise manner of their discharge may not.

The Federal Consent Decree Fairness Act comes at a time when President Bush has called on Congress to offer more flexibility to State governments to manage Medicaid. That flexibility has to in part address the Federal courts' assumption of judicial control of these programs. This bill is one way of doing that. In a broader sense too, this bill is one small piece of the effort to promote federalism in the United States.

In recent years, it has become the trend to treat States as the wayward little brother of the Federal Government. That was never the intent of the Founding Fathers. State governments provide the basic necessities of life that citizens demand. They are the laboratories that can serve as models of good government that the rest of the country can follow. They are our partners, not our wards. It is time we begin to treat them that way.

This bill is the first of what I hope will be many steps toward restoring the relationship between the Federal Government and the State and local governments that do so much.

Mr. KYL. Mr. President, I join Senators ALEXANDER and PRYOR in introducing the Federal Consent Decree Fairness Act. This important legisla-

tion, by placing reasonable limits on the duration of judicial consent decrees, will help restore democratic control over State and local institutions.

Lawsuits against public schools, welfare agencies, and other State and local government agencies and programs often end in judicial consent decrees. Consent decrees are binding, legal agreements between plaintiffs and institutions specifying how a particular problem will be remedied.

Two years ago, two professors at the New York Law School, Ross Sandler and David Schoenbrod, published an important book about the effect of consent decrees on our society: *Democracy by Decree: What Happens When Courts Run Government*. The professors' book describes how unelected and unaccountable judges and attorneys control many State and local institutions by imposing rigid plans through consent decrees and how these decrees prevent newly elected officials from altering policies in response to the changing wishes of voters. These decrees allow plaintiffs' lawyers and judges to assume the power to make policy and dictate in detail what shall constitute compliance with the decree. They reflect a multitude of motives and often are based on considerations of the moment, yet they can bind public institutions for decades.

While plaintiffs must allege violations of rights when filing their cases, the consent decrees that are produced by the litigation often have little connection with the enforcement of those rights. Instead, the decrees in some cases simply reflect the policy preferences of the controlling group behind the litigation, including the plaintiffs' attorneys and special interest groups.

One example from “Democracy by Decree” illustrates the nature of this phenomenon. When Congress enacted the Education for All Handicapped Children Act, it created a Federal right to special education. This new right required that all handicapped children receive “free appropriate public education.” After the law's enactment, local school boards had difficulty complying with the new Federal standards. As a result, parents and children's advocates brought many lawsuits in Federal courts, including a New York case that was titled *Jose P. v. Ambach*.

The *Jose P.* case ended with a consent decree that dramatically shifted control over public education in New York. It transferred power over special education from the board of education and elected officials to the Federal court. Judge Nickerson, the U.S. District Court Judge assigned to *Jose P.*, selected a “special master” and extended to him the enormous power to decide what was “appropriate to provide the requisite public education to handicapped children in New York City.”

In an affidavit to Judge Nickerson, New York City School Chancellor

Macchiarola described how the litigation forced attention to a vast succession of special education and administrative issues, and diverted teachers' attention from the education of children. The special master's orders elevated speed of child placement above all other educational priorities. The mass processing of children with disabilities forced by the order, in turn, directly conflicted with efforts to educate these children. Chancellor Macchiarola wrote:

I believe that however closely the judgment may have approximated the best professional judgment at a particular time, it is a mistake to elevate any set of practices and procedures to the level of an inflexible mandate. Such an approach robs the school system of the flexibility it needs to adapt to changing circumstances, increasing practical experience with alternative approaches to implementation, and a constantly growing understanding of the nature and dimensions of the educational issues we face.

In April 1984, New York City Mayor Ed Koch created the Beattie Commission to review the city's special education programs. Five years after Judge Nickerson issued the Jose P. consent decree, the city's programs had grown to serve 116,000 children at a cost of \$850 million, yet it still did not meet the mandates of Jose P. The Beattie Commission found that special education had been transformed into a program for handling any child who for one reason or another performed at less than expected levels or who caused trouble in the classroom. Eighty-nine percent of all referrals for evaluations were either for poor academic performance, bad behavior, or both. The program had begun to function as a quickly expanding and increasingly expensive general education program.

The New York City Board of Education officials who worked under the decree conceded that Jose P. caused a restructuring of special education, but they emphasized that the scope of the judgment and the detailed procedures that it required shifted attention from what was truly best for the children to a focus on numerical compliance with rigid timelines.

In "Democracy by Decree," Sandler and Schoenbrod explain:

The most notable fact after more than twenty years of court supervision is the size of the special education program. For the 1999-2000 school year, out of a school system of 1.1 million children, 168,000 received special education—three times the number when Jose P. was filed. Public school costs for these services reached \$2.7 billion, 25% of the entire school budget. The board spends in excess of \$26,000 per student in special education, nearly three times more than the resources devoted to students in regular education.

Jose P. failed to produce sound special education because it was premised on a basic misunderstanding of institutional change. The court set about to reform a single program in a vast educational structure—a fool's errand because special education could not be reformed without reforming the entire system. What was needed was to overhaul the system, only part of which was special education. The New York City board of

education could not stop the gaming of special education unless it also stopped gaming in other areas such as seniority, union perks, principal rights, custodial authority, and inadequate programs of all kinds, from athletics to grammar. What the court order did was cause the board to focus effort on one area of institutional performance without altering the culture of which it was a part. That, and the very rigidity of the Jose P. decree and the process it required, made it more difficult for new mayors, new chancellors, or new boards of education to improve the entire system.

In their handling of cases such as Jose P., the courts have moved away from enforcing rights and toward a managerial process of overseeing the pursuit of general goals.

The Jose P. order and its process could conceivably continue without end. The court never described what the board must do to terminate supervision. Sandler and Schoenbrod plead that our conclusion

should not be to fix blame on the individuals in charge of the case. They are superbly trained, well intentioned, and widely recognized as outstandingly successful judges and lawyers. Nor should that attention be fixed on questioning the worthy objective of special education. Rather, the failure of such competent people in pursuit of such a needed objective should compel attention on whether we should continue to rely so readily on courts to manage the complex institutions of state and local governments.

Senator ALEXANDER's bill is an important step in addressing the structural failures behind cases like Jose P. I look forward to the bill's consideration in the Senate.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. Mr. President, before the Senator departs the floor, I commend my colleague from Tennessee for his comments. I will take a close look at them myself.

As usual, the Senator from Tennessee makes an awful lot of sense. The question raised by our colleague from Alabama is an appropriate question. I underscore the last point he made, as well, this idea of dumping on the courts a lot of time to resolve matters which are thorny and difficult. It is a lot easier to do that.

We have learned painfully in the area of education, the area of equalization formulas, 47 States have enacted or required through the courts to provide equalization of funding for elementary and secondary education. I don't know of a single State that has done it yet because the political community has passed the ball on, in a sense, to the courts without addressing the issue in a fundamental way themselves. It is another example of Congress not coming to terms with some of the difficult issues.

My colleague has pointed out the one dealing with Medicaid. I applaud him for his comments. I intend to take a close look at his bill and may join him. I thank him for his comments this morning.

Mr. President, I have been present for most of the votes the past 4 or 5 days

but not engaged in the debate on the bankruptcy bill. The reason for my absence is because my wife and I were very blessed on Tuesday morning, in the wee hours, to become parents again. So for the past 4 or 5 days if I looked a little sleepy to my colleagues it is because we have been up with a wonderful new infant. This child arrived a little earlier than expected. I intended to be much more involved in this debate than I have had the ability to. I apologize to my colleagues and to others who have had a strong interest in this legislation.

This morning I would like to take a few minutes and talk generally about the bankruptcy bill, and also to propose a couple of amendments which I will describe briefly. I realize any votes on these amendments may occur on Monday or Tuesday, depending on conversation with the majority in terms of how they will handle these matters.

The fundamental premise behind the bankruptcy bill, as I understand it and in listening to my colleagues over the last 7 or 8 years who have talked about this legislation, is that more and more consumers across this great country of ours are living rather lavish lifestyles and then filing for bankruptcy to avoid paying the debts which they have incurred as a result of their irresponsibility. This is one of the major arguments for this legislation—that bad actors are depriving credit card issuers of money owed to them as a result of people lavishly using these credit cards to acquire whatever products or services they want. This premise, I argue, is categorically and demonstrably false.

Let me, first, begin with the first chart, if I may, which lays out the statistics of what happens to an individual in America in the two years before they file for bankruptcy. I hope it will give my colleagues some sense of what actually is going on with these families. Who are these families? Are these people living lavish lifestyles, accumulating debts that they should have been more responsible about, and then trying to avoid their obligations by declaring bankruptcy?

Health Affairs, a respected organization in this field, did an analysis of what happened in the 2 years prior for people who file for bankruptcy. The study revealed that sixty-one percent of those who filed for bankruptcy during the previous 2 years had gone without needed medical care, 50 percent did not fill doctors' prescriptions they had been given, 30 percent had their utilities shut off, 22 percent went without adequate nutrition and food, and 7 percent moved elderly parents to cheaper care facilities across the country. These are hardly people who are leading what you would call a lavish lifestyle.

In fact, these are people who are desperately trying to hold their families together, who cannot meet the kind of responsibilities despite their best efforts.

Credit card issuers, I point out, are earning enormous amounts of money in

income from fees, penalties, and interest charges. As one expert said:

The idea that companies are losing their shirts on bankruptcies is [just not true at all].

Mr. President, I ask unanimous consent that an article that appeared this morning in the Los Angeles Times be printed in the RECORD.

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

[From the Los Angeles Times, Mar. 4, 2005]

#### CREDIT CARD FIRMS WON AS USERS LOST

(By Peter G. Gosselin)

WASHINGTON.—In the eight years since they began pressing for the tough bankruptcy bill being debated in the Senate, America's big credit card companies have effectively inoculated themselves from many of the problems that sparked their call for the measure.

By charging customers different interest rates depending on how likely they are to repay their debts and by adding substantial fees for an array of items such as late payments and foreign currency transactions, the major card companies have managed to keep their profits rising steadily even as personal bankruptcies have soared, industry figures show.

As a result, while they continue to press for legislation that would make it harder for individuals to declare bankruptcy, the companies have found ways to make money even on cardholders who eventually go broke.

At the same time, under the companies' new systems, many cardholders—especially low-income users—have ended up on a financial treadmill, required to make ever-larger monthly payments to keep their credit card balances from rising and to avoid insolvency.

"Most of the credit cards that end up in bankruptcy proceedings have already made a profit for the companies that issued them," said Robert R. Weed, a Virginia bankruptcy lawyer and onetime aide to former Republican House Speaker Newt Gingrich.

"That's because people are paying so many fees that they've already paid more than was originally borrowed," he said.

In addition, some experts say, the changes proposed in the Senate bill would fundamentally alter long-standing American legal policy on debt. Under bankruptcy laws as they have existed for more than a century, creditors can seize almost all of a bankrupt debtor's assets, but they cannot lay claim to future earnings.

The proposed law, by preventing many debtors from seeking bankruptcy protection, would compel financially insolvent borrowers to continue trying to pay off the old debts almost indefinitely.

"Until now, the principle in this country has been that people's future human capital is their own," said David A. Moss, an economic historian at Harvard University. "If a person gets on a financial treadmill, they can declare bankruptcy and have what can't be paid discharged. But that would change with this bill."

Debate about the bill continued Thursday, with the Republican-controlled Senate refusing to limit consumer interest rates to 30%. The vote was a bipartisan 74 to 24 to kill a proposed amendment by Sen. Mark Dayton (D-Minn.). Senate passage of the bill is expected next week.

The House has not taken up the issue this year, although it passed a version of the bill last year, as did the Senate. Attempts to reconcile the two bills failed.

Industry officials have sought to minimize the role of credit card companies in pushing

for bankruptcy legislation since 1998. They have argued that the bill introduced last month by Republican Senate Finance Committee Chairman Charles E. Grassley of Iowa and supported by President Bush would affect about 5% of the roughly 1.6 million Americans who file for bankruptcy each year.

They have portrayed the measure's principal target as high-income individuals who are abusing the law to escape their debts.

"The bottom line is that there are people out there who are able to pay their bills who are not paying," said Tracey Mills, a spokeswoman for the American Bankers Assn., which represents most of the major credit card companies.

But consumer advocates, many academics and some judges and court officials argue that the bill would sharply reduce the number of Americans able to file for bankruptcy, even in instances where doing so would buy them time to repay their debts.

The critics argue that people unable to file would be at the mercy of increasingly aggressive efforts by lenders—especially credit card companies—to raise fees and boost collections.

People like Josephine McCarthy, for instance, a 71-year-old secretary at the Salem Baptist Church, less than a mile from where the Senate bill is being debated.

According to papers in her recent bankruptcy, McCarthy discovered at about the time of her husband's death in 2003 that the couple had a \$4,888 balance on a Providian Financial Corp. Visa card and another \$2,020 balance on a Providian Mastercard.

Over the two years from 2002 until early 2004, when she filed for bankruptcy, McCarthy charged an additional \$218 on the first card and made more than \$3,000 in payments, the court papers show. But instead of her balance going down, finance charges—at what the bankruptcy judge termed a "whopping" 29.99% rate, together with late fees, over-limit fees and phone payments fees—pushed what she owed up to more than \$5,350.

In the case of the second card, the papers show that McCarthy charged an extra \$203 and made more than \$2,000 in payments, but again fees and finance charges pushed the balance up.

McCarthy refused to comment on the case. A spokesman for Providian could not be reached last night.

But court papers show that McCarthy eventually paid all the bills in the case, including back taxes. The way she did it, using provisions of bankruptcy law, illustrates one of the problems with the proposed new law, critics say.

McCarthy had been making mortgage payments on two houses. She wanted to sell one of the houses to pay off her debts, but the house was entangled in legal difficulties. By declaring bankruptcy, she was able to stop the clock on her escalating credit card debts and give her lawyer time to clear up the legal problem, enabling her to sell the house and pay off the bills.

Under the proposed new law, McCarthy, who makes about \$55,000 a year, would have had a much harder time qualifying for the bankruptcy protection that allowed her to pay creditors.

"The McCarthy case shows how hard-working people making good incomes can end up in situations that they can't dig themselves out of unless they file for bankruptcy," said Weed, her lawyer.

Credit card companies have come in for harsh criticism in recent years for their penalty fees and the "risk-based pricing" under which they charge customers different interest rates depending on their credit histories and their likelihood of paying.

Consumer advocates have accused firms of not adequately disclosing such controversial

practices as universal default, when a company can jack up a cardholder's annual percentage rate, often to "more than 30%, based on the cardholder's performance with another creditor, not the card company."

Regulators and law enforcement officials have accused companies of deceptive practices. In 2000, the U.S. Office of the Comptroller of the Currency and the San Francisco district attorney's office ordered Providian to pay \$300 million in restitution after customers complained that the company didn't credit their payments on time and then imposed late fees.

A stream of court cases involving credit card companies has produced public outrage in various parts of the country.

In Cleveland, a municipal court judge tossed out a case that Discover Bank brought against one of its cardholders after examining the woman's credit card bill.

According to court papers, Ruth M. Owens, a 53-year-old disabled woman, paid the company \$3,492 over six years on a \$1,963 debt only to find that late fees and finance charges had more than doubled the size of her remaining balance to \$5,564.

When the firm took her to court to collect, she wrote the judge a note saying, "I would like to inform you that I have no money to make payments. I am on Social Security Disability. . . . If my situation was different I would pay. I just don't have it. I'm sorry."

Judge Robert Triozi ruled that Owens didn't have to pay, saying she had "clearly been the victim of [Discover's] unreasonable, unconscionable and unjust business practices."

Efforts to reach Owens were unsuccessful. A spokeswoman for Discover said she could not comment on the case.

Analysts said that lost in the uproar over particular practices and cases is the fact that the credit card industry has almost completely remade itself in the years since it began pushing for passage of the bankruptcy bill—a makeover that has left some analysts wondering why the industry needs the changes in bankruptcy law.

"The idea that companies are losing their shirts on bankruptcies is a lot of bull," said Robert B. McKinley, chief executive of CardWeb.com, a Frederick, Md., consulting group that tracks the credit card industry. "With these rates and fees, the card industry is a gravy train right now."

Mills, the bankers association spokeswoman, said bankruptcies affected all American households in the form of higher costs and lower returns on investments.

As recently as the late 1980s, credit card companies offered a one-size-fits-all card with a fixed interest rate and an annual fee. Virtually all cards went to middle-class borrowers with good credit histories; issuing cards to poor or high-risk borrowers was almost unheard of.

But in the early 1990s, companies such as AT&T and General Motors began issuing cards with variable rates and no fees, increasing competition. And by the middle of the decade, card companies were finding their traditional middle-class markets saturated.

Their response: lend to riskier customers and make up for the danger of more defaults by charging higher rates and then new fees.

McKinley, the industry analyst, said the firms were helped by a 1996 Supreme Court case that gave card companies new protections against state regulation of fees.

"That really opened the flood gates. It set off a fee frenzy," he said.

Mr. DODD. Taking the Bankruptcy Act goes back to the earliest days of our Republic. Article I, section 8 of the U.S. Constitution mandates that Congress pass laws dealing with bankruptcy. I believe our Founders did so

because they realized there was inherent, fundamental value to allowing people who find themselves under difficult circumstances to be able to get out from underneath those circumstances, to discharge their responsibilities to the best extent possible, and then to get back on their feet again. That is a social value from which all Americans benefit.

Now, will there be people who should have been far more responsible? Absolutely. But I happen to believe that the overwhelming majority of people who are forced to file for bankruptcy do so most reluctantly, only because there are no other avenues available to them which they can deal with their problems. We have with a responsibility, to remember what our Founders envisioned in article I, section 8, which calls upon Congress to pass bankruptcy legislation.

I would like to add at the outset of these remarks, if I can, some general understanding of what is happening to American consumers and their indebtedness.

First of all, in terms of household savings, in 1993, the savings rate was 4.3 percent of the gross domestic product nationally. In 2003, it was at 1 percent of gross domestic product. In the third quarter of 2004, savings rates were less than one-half of 1 percent of the gross domestic product. The national savings rate is declining rapidly in this country. At a time when we ought to be doing everything we can to encourage consumers to begin to save more, to participate in their own long-term financial needs, we are going in the exact opposite direction of where we ought to be heading in this country.

Let me add, simultaneously, that according to the Federal Reserve Board, the United States has over \$2.1 trillion in consumer debt. Consumer debt is truly skyrocketing. Almost one-half of that \$2.1 trillion in consumer debt is revolving credit—to credit cards and home equity loans—nearly \$800 billion of the \$2.1 trillion.

Our nation's savings rates are less than one-half of 1 percent of our gross domestic product—down from over 4 percent just a few years ago. Our nation's consumer debt has skyrocketed to \$2.1 trillion, \$800 billion of which is due to credit cards and home equity loans.

We are going in the absolute wrong direction. The questions we ought to be asking as we debate and discuss this bankruptcy bill is: Does this legislation contribute in the 21st century to encouraging more savings? Does it do anything at all to try to reduce consumer debt? Does this bankruptcy bill do anything to reduce the number of bankruptcies and effect the underlying causes of bankruptcy.

Certainly, consumers bear responsibility in terms of how they handle their money and the obligations they incur to those who extend them credit. However, there is a commensurate responsibility, I believe, on the part of

those who extend credit. Creditors must make sure they are extending credit in a responsible way, with prudent underwriting standards. If they extend credit to those who can least afford it, charging them incredibly high rates and packed with hidden fees and costs, and with little or no expectation that they will have the ability to repay the debts incurred, then it seems to me that their charges of personal responsibility is wholly inappropriate.

If we are going to try to increase savings rates and reduce consumer debt in this country, then we ought to ask ourselves whether or not this bill before us contributes to those important goals.

Now, again, proponents of this legislation have wrapped themselves, if you will, in the flag of personal responsibility. The real purpose of the legislation, they argue, is to punish those who abuse our bankruptcy system, who raise costs to all consumers. The creditors are being forced, they argue, to raise prices on a variety of goods and services because of so-called bad actors who abuse the Bankruptcy Code. They would like us to believe that those bad actors are the real culprits behind why creditors, such as credit card issuers, are charging these incredibly high rates, using hidden, undisclosed fees and engaging in deceptive predatory practices.

I would like to dispel, if I can, these myths. Nothing in this bill, in my view, is going to help consumers. Let me repeat that. Nothing in this legislation will help consumers. The legislation, I would argue, will only help creditors recover more money from debtors, most of whom have been forced to declare bankruptcy because of emergency medical expenses or due to the loss of a job or as a result of a divorce.

Let me put up the second chart, if I can, to make that point for my colleagues and others who may be interested in this debate. We are told, again, that 46 percent—almost half—of the 1.5 million bankruptcies taken annually are as a result of illness. Mr. President, 46 percent as a result of illness, alone.

I mentioned briefly at the outset the reason I have not been as engaged in this debate over the last 4 days is because of the arrival of my new daughter in the wee hours of Tuesday morning. As I went to the nursery to see my new daughter I looked across the hall of the hospital, located in Northern Virginia. I saw where the premature infants were being cared for in incubators, and I saw the families with their premature infants. Many of the families did not strike me as people living lavish lifestyles at all, struggling with a new infant who is in a very fragile condition inside an incubator.

I do not need to tell anyone the costs associated with those type of medical challenges. I suspect, unfortunately, that a lot of these people do not have health insurance. As I watched them come in and out of that nursery to be with their newborn child in an incu-

bator, I suspected that many of them are going to have costs far beyond anything they ever imagined. The idea, that somehow, we ought to penalize people because of a newborn in their life, who are going to have incredible increased costs, seems to me to be terribly wrongheaded.

As I stated earlier, 46 percent, of the 1.5 million bankruptcies annually occur because of medical causes. Of the remaining 54 percent, we know the majority of that 54 percent is due to job loss and divorce in the country—not the lavish lifestyles of bad actors that the credit card companies would suggest.

This legislation will injure honest, hard-working Americans, in my view, who fall on hard times through no fault of their own.

Let's just take a few steps back, if we can. What is the reason we have bankruptcy laws? The reason we have a Bankruptcy Code is because life, sometimes, just deals people all across our country, regardless of who they are or where they come from, a bad hand. People get dealt a bad hand every now and then. And we happen to believe, as a society, it is important to give people a fresh start in our Nation, an opportunity to overcome the financial misfortunes that have struck them, such as those families I have just described that I watched with premature infants.

This principle is so fundamental to our Nation that our Constitution expressly lists the establishment of uniform bankruptcy laws as a congressional responsibility. It seems that the Framers understood that society is better off if we can find an orderly way to allow people to pay off their debts to the best degree possible. It is critical to helping people to get back on their feet as productive citizens. Regrettably, that principle seems to suffer, in my view, at the hands of this legislation.

Recent evidence supports the idea the vast majority of people who file for bankruptcy do so because of some financial crisis beyond their control that has plunged them into debt they cannot avoid.

A recent study, conducted in early 2005 by a team of researchers at Harvard University, confirmed that nearly half of all people who file for bankruptcy protection do so because of medical or health reasons.

The evidence shows that abusive filings are the exception, not the rule. The median income of the average American family filing for chapter 7 bankruptcy—what do my colleagues think it might be? What is the median income of the average family filing for bankruptcy, these lavish-lifestyle people out there? It is \$20,000 a year. That is the average annual income of a person filing for bankruptcy—hardly people living lavish lifestyles. That is according to the General Accounting Office.

The majority of the people who file for bankruptcy are single women who

are heads of households, elderly people trying to cope with medical costs, and people who have lost their jobs or families whose finances have been complicated by divorce. For the most part we are talking about working people or elderly Americans on fixed incomes who have fallen on hard times and who need the protection of the Bankruptcy Act to help put them and their lives back together.

It is also worth noting that based on the first three quarters of 2004, the personal bankruptcy rate actually decreased by 2.6 percent. According to the American Bankruptcy Institute, there were actually 50,000 fewer cases from September 2003 to September 2004 than there were in the previous 12-month period, which, of course, begs the question: If bankruptcy rates are falling, why is this legislation necessary?

There is no smoke and there is certainly no fire except for maybe the millions of consumers who are being burned by abusive creditor practices.

The impact this legislation would have on single-parent households is of particular concern to me. Single parents have one of the hardest jobs in America. Most work all day, prepare meals, keep house, help children with their homework, schedule doctor appointments, parent-teacher meetings, and extracurricular activities. Life is very hard for working single parents, and often financial assistance they receive in the form of alimony or child support is critical to keeping their families from falling into poverty. I believe sincerely that this legislation, if enacted, is going to frustrate the efforts of single-parent families to collect child support payments.

I understand that the proponents of this bill believe they have treated single-parent families fairly. But what I worry about is the unintended but perfectly foreseeable consequence of allowing more debts to survive bankruptcy. Let me explain why and what is in this bill today.

For more than 100 years, the Bankruptcy Code has given women and children an absolute preference over all others who have claims on a debtor's estate. Under the well-established rule, if a divorced person files for bankruptcy, the court doesn't require the person's ex-spouse or children to compete with creditors for the funds needed to pay child support and alimony. Instead, for 100 years, alimony and child support have been taken out of the debtor's monthly income first, and if there is anything left over, it is made available to commercial creditors. If there is nothing left over, the commercial or consumer debts are discharged, and the debtor's only remaining obligation is to the ex-spouse and his or her children.

This legislation changes those rules for the first time in 100 years. For the first time we are going to make credit card and other consumer debts essentially nondischargeable so that while a

divorced spouse would still be obligated to pay alimony and child support, his or her other unsecured debts remain intact. The proponents of the bill will say this does no harm to the divorced spouses or children because the ex-spouses are still at the front of the collection process. But there is, in my view, a huge practical difference between being first in line and being the only one in line.

Under current law, nonsupport debts are often discharged and debtors can focus entirely on meeting their obligations to their children and current spouses. If this legislation becomes law, that will change for the first time in 100 years. Debtors will not be able to focus on their children; they will, as a matter of law, have to divert limited financial resources to pay back consumer creditors. I believe this change will inevitably lead to conflicts between commercial creditors and single parents who are owed support and alimony payments. Sure, they are going to be first in line, but single parents will be competing with large creditors, creditors who have teams of lawyers who are hired to use every imaginable tactic to see to it that they get their money first. That is what they are going to do. I promise, it is going to happen.

I believe it is a mistake to make single parents compete with teams of lawyers from very well-heeled creditors for the money they need to clothe and feed and educate their children. That is a mistake, and we will regret it.

I understand the perspective that says that all debts incurred should be paid. I don't fundamentally disagree with that. But when debtors simply cannot pay all of their debts, I believe that our laws should protect the interests of children and families first. Under this legislation, child support payments could very well be reduced in order to satisfy an unsecured commercial creditor. In my view, that change will place the well-being of children at a disadvantage and elevate the status of the unsecured creditor. Low-income children and families will be put at a practical disadvantage by this bill and will ultimately suffer greater economic deprivation because they cannot afford to compete with sophisticated creditors.

I have talked a bit about who will be hurt by this legislation. Let me take a few minutes to focus on the big winners, if the legislation passes. The big winner, of course, is the credit card industry. Let me describe the current state of the credit card industry. In a time when access to credit is the easiest and cheapest, credit card companies are making more money than ever, bilking millions of American families by charging what would have been only a few years ago usurious rates and fees, engaging in a series of abusive and deceptive practices which will have drastic long-term consequences. At the same time they are getting more and more Americans deeper and deeper into debt.

I have cited these statistics previously: \$2.1 trillion, almost half of that coming from credit cards and home equity loans—the same creditors pushing bankruptcy legislation in Congress to make their debts non-dischargeable in the event of a bankruptcy. In effect, we are becoming the collection agency for these companies. The old expression never had a more apt example: the credit card industry wants to have its cake and eat it, too.

Credit card companies are charging consumers higher fees than ever before.

In 1980, credit card fees alone raised \$2.6 billion. In the year 2004, credit card fees alone raised over \$24.4 billion—\$2.6 billion 24 years ago to \$24.4 billion. Fees alone. Proponents of this legislation argue that because of increasing default rates, the supposed work of those bad actors, the ones making \$20,000 a year on average, credit card companies are being forced to charge more fees.

In fact, the exact opposite is the truth. Consumer bankruptcies actually went down last year by nearly 3 percent, and default rates actually decreased.

A recent American Banker article cites industry expert Robert Hammer, chairman of R.K. Hammer Investment Bankers, who said that the biggest factor in industrywide credit card industry improvement was the 20-basis-point drop in chargeoffs from the year 2003. So I ask again: If default rates are decreasing, why is this legislation necessary?

The truth is, this is the best time in history to be in the credit card business. Last year over 5 billion solicitations were offered to consumers, which is nearly twice as many as only 8 years ago. Despite the assertions that the credit card industry is struggling because of bad consumer behavior, credit card companies have more money than they know what to do with. They are pumping out solicitations in search of new people who will only acquire more and more debt.

Credit card companies are making record profits. Credit Card Management reported in May 2003 that it was the most profitable year ever for credit cards. At a time when interest rates are at historic lows, credit card rates have not followed suit. The industry is engaged in a series of deceptive and abusive practices to take advantage of consumers.

Let me take a few moments to describe a few of these practices. I am not making this up. Credit card companies are finding more ways to effectively increase their income from rates and fees. Abusive practices such as misleading teaser rates which employ bait-and-switch tactics, hidden fees and penalties, and the universal default provisions buried in the fine print are standard operating procedures in the credit card industry today.

One of these abuses, the so-called "universal default", which could more accurately be described as a predatory

retroactive interest rate hike. This practice forces a credit card consumer in good standing—one who is paying his or her credit card bills on time—to have his interest rates retroactively jacked up 25 to 30 percent because of an unknown, irrelevant change in his or her spending patterns.

The idea that credit card companies can charge an initial interest rate that would have in the past been outlawed as usurious, and then double or triple that rate for any reason it so chooses is plain wrong, in my view. If a phone bill is inadvertently mailed to the wrong address or you are disputing an amount of a bill and it is not paid on time, does the mortgage rate on your house go up? Of course not. But it does with the credit card industry.

We should stop this practice. At a minimum—and I will offer an amendment shortly—we should make any increase in the rates prospective, not retroactive.

Let me explain why. If you enter into a agreement with a credit card company, and the established rate is set at 15 percent. Despite the fact that you continue to make your monthly payments on time, without exception, you can have your interest rate unexplainably raised. This inexplicable rate hike can occur for whatever reason the creditor sees fit. You have an argument with your automobile company and you decide to withhold a car payment, or you are having a debate with the utility company, so you hold back on your utility bill—under the law today, the credit card company can automatically increase your rates. And to add insult to injury, this new rate retroactively applies for the goods you have already purchased.

I think this practice is completely uncalled for. But if you are going to allow for rates to go up, at a minimum they ought to be prospective, on future purchases,

I would, frankly, like to eliminate it altogether, but I don't think enough people here would support that. At the very least, if you entered into a contract at 15 percent and if you are suddenly forced to pay a higher interest rate, it ought to be on prospective purchases, not to things that you may have bought 1 or 2 years ago. That is patently wrong, and I will offer an amendment to implement this policy.

There is a second practice: credit card companies are focusing on customers who pay their bills on time. Credit card issuers are now providing incentives or rewards to customers for not paying their bills. They get a reward for not paying their bills. They offer up to 3 percent cash back on all credit card purchases, but only during the month when the credit card holder doesn't pay off his or her monthly balance. We have this consumer debt mounting by the hour, and we have credit card companies offering rewards to those who don't pay on time and they are cutting off the card for those who do. It is absolutely incredible.

That underscores how important it is to the credit card industry that consumers get in debt and stay in debt. There are 51 million households that carry balances on the credit cards at an average balance of \$11,944. That is the average amount of debt families carry on their credit cards. The current average interest rate is running at about 13 percent. This is at a time when we have the lowest interest rates at 3, 4 percent and we have 13 percent credit card charges. Each of those families is paying credit card interest, on average, of 15 percent a year. Some are having their credit cards cancelled because they simply pay all of their outstanding debt every month. Imagine that. You are paying your bills on time and the credit card company triples your interest rate or cancels your card.

In fact, the credit card industry calls you a "deadbeat" if you pay off your entire balance every month. Why do they call you a deadbeat? The credit card industry has a vested interest to keep you in debt. Failure to do so affects their bottom line. They don't like people to pay off their monthly balances. You could lose your credit card for doing that.

As I have said earlier, the real purpose of this legislation is to help credit card companies make more money. I am not opposed to them making their money, but I think we have a higher obligation here to see that these companies are prevented from engaging in abusive and predatory practices that run contrary directly to stated national goals of increasing savings rates and reducing consumer debt.

I have given you some brief insight into some of the abusive practices of the credit card industry. I would now like to focus on what I believe to be the most egregious trend in the industry, which is targeting our Nation's most vulnerable customers. One of the most troubling developments is the hotly contested battle between credit card issuers to sign up new customers, and the aggressive way they have targeted people under the age of 21, particularly college students. Solicitations going to this age group have become incredibly intense. First, it is one of the few market segments in which every year 25 to 30 percent of the undergraduates are fresh faces entering their first year of college. Second, it is an age group in which brand loyalty can be readily established. Most people hold on to their first credit card for up to 15 years, which, by the way, is probably the amount of time it takes to dig out of the amount of debt they have incurred while in their teens.

Let me share this with my colleagues. It is somewhat amusing, but it is also rather sad. This is a letter that was sent to a 7-year-old child of one of the people in my office. I have crossed out the family name. He has a 7-year-old son. He was amazed to find a brand new American Express card being issued to his son. The card came as a result—according to the offer—of this

young elementary schooler's "excellent credit history." It says: You should know about this milestone that you have achieved. With your excellent financial record, our decision was very simple. We want you as a card member. Imagine, a 7-year-old. It reads: "You have the flexibility of a no preset spending limit"—a 7-year-old. There are no limits on how much you can spend on this credit card. He has amply demonstrated his financial responsibility, according to this letter. He has earned this recognition to receive an American Express card at age 7. This type of solicitation happens more and more every single day and yet we need to focus on personal responsibility and not corporate responsibility.

There are 5 million solicitations that go out every year, many going to young children in our society. Obviously, we are talking not just about 7-year-olds here but also to college-age persons. They are vulnerable, these younger people in our society. To extend them large amounts of credit, with no limits, is an act of incredible irresponsibility. Again, I agree that consumers have a duty to be responsible. I will take a back seat to no one in arguing that ought to be the case. However, there needs to be a sense of balance about this. If you are expecting the consumer to be responsible, the issuer of the credit card also has to be responsible. They lack total responsibility when it comes to these solicitations.

I have an amendment that I will offer shortly that places new requirements on credit card companies who solicit to persons under the age of 21. It requires if you are under the age of 21, either demonstrate that you can pay—a lot of people under 21 can pay because they hold jobs, they have made money, and they have saved. Or have somebody cosign—a parent, guardian or other responsible party—the application to get the credit card. Or lastly, the completion of certified credit counseling course. Any one of those three, not all three. It is a very simple and prudent requirement to ask for before issuing credit cards. This ought to be plain common sense, in my view.

We have an obligation to protect and educate our young people. The next generation of American leaders deserves no less than reining in the irresponsible practices of the credit card industry that just pushes these cards out. In fact—and I will touch on this later—universities actually get money into their coffers if they will promote students signing up for credit cards. There are actually fees that come to the universities as a result of the indebtedness of their students. It seems to me we ought to be thinking twice and thinking hard about those practices. Credit card companies are running roughshod over millions of Americans and their families. We should be passing legislation that prevents these types of practices, not padding the credit card industry's pockets, in my view.

The credit card issuers seem to have forgotten the correlation between high interest rates and unsecured debt. Traditionally, unsecured credit issued without collateral and relying only on the integrity of the borrower has a higher default rate. As a result, credit issuers are allowed to charge a higher interest rate in order to make up for expected losses from those higher default rates.

However, this legislation begins to change this deal, changing the Bankruptcy Code to make unsecured debt nondischargeable in the event of a bankruptcy. Record fees, record abuses, record profits, and a record number of Americans are being taken advantage of. I urge my colleagues to reject this legislation.

## AMENDMENT NO. 52

Mr. DODD. Mr. President, I wish to call up two amendments. I believe the first, amendment No. 52, is at the desk. I ask that it be called up.

The PRESIDING OFFICER. Without objection, the pending amendment is laid aside. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD] proposes an amendment numbered 52.

The amendment is as follows:

(Purpose: To prohibit extensions of credit to underage consumers)

At the appropriate place, insert the following:

## SEC. \_\_\_\_ . EXTENSIONS OF CREDIT TO UNDERAGE CONSUMERS.

Section 127(c) of the Truth in Lending Act (15 U.S.C. 1637(c)) is amended by inserting after paragraph (5), the following:

## “(6) APPLICATIONS FROM UNDERAGE CONSUMERS.—

“(A) PROHIBITION ON ISSUANCE.—No credit card may be issued to, or open end credit plan established on behalf of, a consumer who has not attained the age of 21, unless the consumer has submitted a written application to the card issuer that meets the requirements of subparagraph (B).

“(B) APPLICATION REQUIREMENTS.—An application to open a credit card account by an individual who has not attained the age of 21 as of the date of submission of the application shall require—

“(i) the signature of the parent, legal guardian, or spouse of the consumer, or any other individual having a means to repay debts incurred by the consumer in connection with the account, indicating joint liability for debts incurred by the consumer in connection with the account before the consumer has attained the age of 21;

“(ii) submission by the consumer of financial information indicating an independent means of repaying any obligation arising from the proposed extension of credit in connection with the account; or

“(iii) proof by the consumer that the consumer has completed a credit counseling course of instruction by a nonprofit budget and credit counseling agency approved by the Board for such purpose.

“(C) MINIMUM REQUIREMENTS FOR COUNSELING AGENCIES.—To be approved by the Board under subparagraph (B)(iii), a credit counseling agency shall, at a minimum—

“(i) be a nonprofit budget and credit counseling agency, the majority of the board of directors of which—

“(I) is not employed by the agency; and

“(II) will not directly or indirectly benefit financially from the outcome of a credit counseling session;

“(ii) if a fee is charged for counseling services, charge a reasonable fee, and provide services without regard to ability to pay the fee; and

“(iii) provide trained counselors who receive no commissions or bonuses based on referrals, and demonstrate adequate experience and background in providing credit counseling.”.

## AMENDMENT NO. 53

Mr. DODD. Mr. President, I ask that amendment No. 52 be laid aside, and I call up amendment No. 53.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD] proposes an amendment numbered 53.

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

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

The amendment is as follows:

(Purpose: To require prior notice of rate increases)

At the appropriate place, insert the following:

## SEC. \_\_\_\_ . PRIOR NOTICE OF RATE INCREASES REQUIRED.

Section 127 of the Truth in Lending Act (15 U.S.C. 1637) is amended by adding at the end the following:

## “(h) ADVANCE NOTICE OF INCREASE IN INTEREST RATE REQUIRED.—

“(1) IN GENERAL.—In the case of any credit card account under an open end consumer credit plan, no increase in any annual percentage rate of interest (other than an increase due to the expiration of any introductory percentage rate of interest, or due solely to a change in another rate of interest to which such rate is indexed)—

“(A) may take effect before the beginning of the billing cycle which begins not less than 15 days after the obligor receives notice of such increase; or

“(B) may apply to any outstanding balance of credit under such plan as of the date of the notice of the increase required under paragraph (1).

“(2) NOTICE OF RIGHT TO CANCEL.—The notice referred to in paragraph (1) with respect to an increase in any annual percentage rate of interest shall be made in a clear and conspicuous manner and shall contain a brief statement of the right of the obligor to cancel the account before the effective date of the increase.”.

## SEC. \_\_\_\_ . FREEZE ON INTEREST RATE TERMS AND FEES ON CANCELED CARDS.

Section 127 of the Truth in Lending Act (15 U.S.C. 1637), is amended by adding at the end the following:

“(i) FREEZE ON INTEREST RATE TERMS AND FEES ON CANCELED CARDS.—If an obligor referred to in subsection (h) closes or cancels a credit card account before the beginning of the billing cycle referred to in subsection (h)(1)—

“(1) an annual percentage rate of interest applicable after the cancellation with respect to the outstanding balance on the account as of the date of cancellation may not exceed any annual percentage rate of interest applicable with respect to such balance under the terms and conditions in effect before the date of the notice of any increase referred to in subsection (h)(1); and

“(2) the repayment of the outstanding balance after the cancellation shall be subject

to all other terms and conditions applicable with respect to such account before the date of the notice of the increase referred to in subsection (h).”.

Mr. DODD. Mr. President, I briefly mentioned this amendment before. This amendment focuses on a abusive practice that I have to believe all of my colleagues would want to see done away with, this universal default practice. Let me explain what this means.

Under a universal default, which almost all these companies now engage in, it says that credit card companies have the right to raise fees and rates, whenever they want, for any reason I choose. That language actually is included in some of the small print. Again, I believe that consumers have an important responsibility for the debts they incur. However, I think it is patently unfair, that if you are paying your minimum monthly balance to the credit card company, and for whatever reason you are not meeting your obligation to the car payment, the house payment, or the utility bill that you be subject to a universal default clause. And while I think the practice should be banned, if it is part of the credit card agreement, credit card companies are allowed to raise your rates even though you are meeting your obligation to them.

This amendment simply restores some basic fairness in this arrangement. You can raise interest rates—but only prospectively on new purchases. However, it prohibits retroactively rate hikes, that is, raising the interest rate on purchases you may have made a week, a month, a year, or 2 years earlier.

Let me make the point again. I understand why the credit card companies would like to do this. Obviously, they make more money doing it. But I think we have an obligation to see to it that there is a sense of fairness about all of this.

That is what I am trying to do with this amendment. That is all this amendment does. It just says here you cannot apply these rates retroactively. On future purchases, fine. Again, I think the practice of universal default is unfair. If I have a contract with my friend from Alabama at a certain rate and I am meeting my responsibilities to him, he is lending money at 15 percent, and for whatever reason I have a contract with my friend from Georgia, and we have a dispute about my payment obligations to you, my friend from Alabama then can automatically raise my rate to 20 percent, 25 percent, or 30 percent because of my dispute with the Senator from Georgia.

The idea that a credit card company can charge an initial interest rate that would have in the past been outlawed as usurious and then double or triple that rate for any reason it chooses is just plain wrong, in my view.

If a phone bill is inadvertently mailed to the wrong address, you are disputing the bill that is not paid on time, does the mortgage rate on your

home go up? No, but apparently your credit card interest rate can.

Record number credit card companies have built-in universal default clauses in their agreements. "Universal default complaints are definitely on the increase at a disturbing rate," says Paul Richard, director of the nonprofit Institute of Consumer Financial Education. More than one-third of all major credit card issuers now say they act on these clauses regularly. A recent survey found that a staggering 39 percent of credit card issuers apply this universal default rate to consumers even if they have no late payment on their credit cards.

A recent New York Times article entitled "Plastic Trap, Soaring Interest Rate Compounds Credit Card Payments for Millions" illustrates the point.

Ed Sweibel was whittling down his mound of credit card debt at an interest rate of 9.2 percent. The MBNA company had a happy and profitable customer. But this past summer when MBNA suddenly doubled the rate on his account, Mr. Sweibel joined the growing number of irate card holders stunned by lenders' harsh tactics. Mr. Sweibel, 58 years old, a semiretired software engineer in Gilbert, AZ, was not pleased. His minimum monthly payment jumped from \$502 in June to \$895 in July. But what really made him angry, he said, was the sense he was being punished despite having held up his end of the bargain with MBNA. "I paid the bills the minute the envelope hit the desk. All of a sudden in July they swapped it to 18 percent, no warning, no reason. It was like I was blindsided."

Mr. Sweibel had stumbled into the new era of consumer credit in which thousands of Americans are paying millions of dollars each month in fees that they did not expect and that strike them as unreasonable. Invoking clauses tucked into the fine print, lenders are doubling or tripling interest rates with little warning or explanation.

What truly astounds me is the fact that credit card companies view the practice as completely legitimate. In fact, when in fine print they disclose they engage in this practice, the language they use is incredibly brazen. One credit card issuer states in its standard disclosure:

We may change the rates, fees, and terms of your account at any time for any reason.

Rates, fees, and terms—is there anything left in the credit card contract that a consumer can count on staying the same? I understand why they would want to do this, but, again, I do not understand why the Congress should continue to allow them to continue this practice.

As I pointed out at the outset of these remarks, I carry a copy of the U.S. Constitution with me. In Article I, section 8 of the Federal Constitution—the Framers decided—that it is our job to write the Bankruptcy Code. In the initial draft of the Constitution, the Framers thought this was a significant enough issue. It is hard to find any more complicated or difficult issue than bankruptcy, and yet the Framers said do it.

Why did they do it? Again, the point I tried to make at the outset: The

Framers wanted to give people a chance to get back on their feet. If we allow these credit card companies to constantly raise the bar—we will force future generations into never ending indebtedness. In the article I just read, Mr. Sweibel was trying to get rid of his debt and meet his obligations. No matter how diligent he was in paying his bills, his credit card company jacks up his interest rate—almost doubling it in one month because of a disagreement he had with some other obligation.

That is wrong. Again, I understand why the credit card companies may want to get away with it, but we should not let them get away with it. We have an obligation to people, to make sure that people play fair, play by the rules, and act responsibly. It is irresponsible for a credit card company to be able to double and triple the interest rates on someone when they are meeting their obligations of that creditor. I think it is wrong and unfair. If we do not put our foot down and say it is wrong and unfair, they are going to continue to get away with it, and we are never going to see consumers get beyond the mountain of debt they are accumulating.

Almost one-half of the \$2.1 trillion in debt is consumer credit-card-related debt. The savings rate is down to less than 1 percent in the country. Consumer debt is skyrocketing, and we are handing these credit card companies a gift they could never have imagined when the Framers of the Constitution were around.

We should not be allowing credit card companies to use farcical excuses to penalize unaware consumers who pay their bills on time.

If a credit card company wants to change the rules of the game, they should not be allowed to reach back and set new terms and conditions to purchases made under previous agreements. This is just plain, basic fairness.

If for some reason a credit card issuer views a customer as an increased credit risk, which is the purported justification for the universal default practice, then it can decide to only lend future credit at a higher rate or with different terms. Also, consumers must be given ample notice of this new credit decision so they can fully understand the changes in the new contract.

This amendment is a necessary addition to the bill. It will not solve all the problems, but it will solve a major one, the universal default clauses.

#### AMENDMENT NO. 52

I call up amendment No. 52 at this point, the one that was set aside.

The PRESIDING OFFICER. The amendment is already pending.

Mr. DODD. As I touched on briefly before, this amendment seeks to protect the most vulnerable of our nation's consumers—persons under the age of 21. According to Dr. Robert Manning, a professor at Rochester Institute of Technology, one of the fastest growing groups of bankruptcy filers are people under the age of 25.

In fact, the number of bankruptcies among those under the age of 25 is more than 6 times that of only 5 years ago, according to the American Bankruptcy Institute. One of the most troubling developments in the hotly contested battle of credit card issuers to sign up new customers has been the aggressive way in which they target people under the age of 21. Solicitations to this group have become more intense for a variety of reasons which I have mentioned already.

Obviously, we know about consumer loyalties. It is also an age group in which brand loyalty can be established. However, some credit card issuers have gone too far. Again, I am not opposed to people under the age of 21 having credit cards.

Credit cards, are a great asset to a lot of people. I am not opposed to them, but they must be issued and used responsibly.

I mentioned the letter earlier of the 7-year-old, which is just plain ridiculous. What also worries me is what is happening with these younger people on college campuses around the country.

Credit card issuers are deeply involved in the business of enticing colleges and universities to help promote their products. Many colleges receive as much as 1 percent of all student charges from credit card issuers in return for marketing or affinity agreements. Even those colleges that do not enter into such agreements are making money.

Robert Bugai, the President of the College Marketing Intelligence, told the American Banker that colleges charge up to \$400 per day for each credit card company that sets up a table on campus. That can run into tens of thousands of dollars by the end of just one semester.

A "60 Minutes II" piece a number of years ago vividly illustrated the impact that credit card debt is having on college students. A crew from the show was on a major public university, and with the use of hidden cameras filmed vendors pushing free T-shirts, hats, and other enticements for credit applications. The "60 Minutes" program revealed that the university was being paid \$13 million over 10 years by a credit card company for the right to have a presence on campus and to use the university logo on its cards.

This public university was making money off its students who used credit cards, the report said. As part of the agreement, the university receives four-tenths of a percent of each purchase made with the cards. Unbelievably, this university has a vested interest in getting their students into as much debt as possible.

Again, we have kids who are going—the anecdotal stories of the debt they are incurring is just staggering. We have watched it actually almost double. Debt among this group has gone from around \$1,800 a year to over \$3,000 a year.

Again, this amendment requires one of three things. Firstly, it requires that one can prove that they have the financial resources to repay debts incurred. That is simple enough. Or have someone cosign the application, or just agree to take a short course in credit counseling. Any one of those three things and a person gets their card.

To push these cards out with no spending limits on them at all, knowing what is inevitably going to happen—bankruptcy—is irresponsible. Again, I understand why the credit card companies want to do it. I do not understand why we want to allow them to do it in such an unfettered way, knowing what we know now. If they were doing this for the first time and we did not know the implications or the effects of their actions, I could understand maybe why some people would be willing to go along with it. But we now know what is happening. We are watching consumer debt among young people double over the last several years.

Why would we not just say, look, prove you can pay your debts, prove you have some financial means, have someone cosign with you, or be willing to take a credit counseling course? These are not heavy burdens to make. It seems to me the very least we could do, again, acting responsibly. If this bill says consumers must act more responsibly, should we not commensurately ask the industry to act responsibly as well?

When universities are collecting \$13 million over 10 years in fees to allow a credit card company to be on their campus, and they are getting four-tenths of 1 percent on every purchase made by a student on campus, that is a university encouraging debt among its kids. That is just wrong, in my view.

So we are requiring a cosigner, proving a person has a source of income, or take some counseling so the kids have some idea of what they are getting into.

Again, just some basic statistics, and I will wrap up. Our personal savings rate is at an all-time low. The last quarter in the year 2004, less than one-half of 1 percent was the national annual savings rate. That is down from 4½ percent 10 years ago. It was at 1 percent last year. We are going in the wrong direction in terms of encouraging people to save. Consumer debt is now at \$2.1 trillion, and almost half of that, \$800 billion, is credit card debt—\$2 billion alone in the month of December. The consumer debt is mounting, and there needs to be a commensurate sense of responsibility by these credit card companies. They are making incredible profits with interest rates at 18, 25, 30 percent, when one can borrow money to buy a home for 4½ or 5 percent. Yet credit card companies are charging these incredibly high rates, making staggering profits.

The average income of a person taking the bankruptcy act is \$20,000 a year. The reason they are taking the

bankruptcy act is because of medical expenses, job loss, or divorce. These are not people living lavishly. Default rates are actually dropping. What is the justification and rationale for a bill that makes it easier for these credit card companies to collect and prevents consumers from getting back on their feet again?

Particularly disturbing to me is this change, after 100 years of law, where we sought to protect single women raising children with child support and alimony payments by allowing the discharge of these other obligations and seeing to it that they would focus on meeting their family obligations. We are now going to have the credit card companies competing with these children and these families, and I do not even have to say who is going to win that battle.

A team of lawyers representing very rich credit card companies are always going to beat that family out there. They are going to get that father, that husband, or that woman, to pay their unsecured debts to that credit card company, and that child and that family will lose. Why, after 100 years, are we changing the law protecting families and children? I think that is a huge mistake. I think it is going to come back to cause us a great deal of pain. This bill needs fundamental change.

I wish people would take time and look at these things. I understand there is a sentiment to reject all amendments, but we ought to ask these companies to act more responsibly. We are not going to do it, but I think, in time, we are going to pay an awful price. When we ought to be encouraging more personal savings, and when we ought to be reducing consumer debt, we are getting more consumer debt and less and less personal savings. We are allowing credit card companies to gouge consumers and never let average people who get into trouble—and, again, a lot of them, through no fault of their own—to get back on their feet again. That is what we ought to be trying to do.

When it is the appropriate time I will ask for votes on these amendments. I realize it will not be until next week. I have taken a lot of time, and I express my appreciation to my friend from Alabama who has been very patient, listening to me going on about this bill, and I thank the Presiding Officer for his patience as well in listening to this, and I yield the floor.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. SESSIONS. Mr. President, I want to express my congratulations to Papa DODD on his new daughter, born this week to join her sister Grace. We wish Jackie and the family well. I know how excited he has been over young Grace. I know how excited he is over this one. He said he lost a lot of sleep this week, he is a little tired, but he looked pretty vigorous to me in debate. I wish my sincerest best to you, and my wife Mary sends her regards, too.

I am disappointed Senator DODD is not supportive, as I understand it, of this bill. It is essentially the same bill we passed during the 107th Congress, 83 to 15. It came out of committee with a strong bipartisan vote again this year. This is the fourth time it has come up. It passed one time 97 to 1 in the Senate. This is the fourth time it is up. I believe it will become law this year.

I want to say there are some things here that my good friend has stated that are just not correct. I hope really he will think about and reevaluate some of his conclusions on the legislation. I have to say, there is a small group of leftists who are determined to block this bill. They seem to believe there is something wrong if a corporation, even a credit card company, gives money to an American citizen for them to want to be paid back, and if they don't pay it back, it is the credit card company's fault. They lose their money and they are an evil force here. This is really an odd argument, I suggest.

I also argue, flatly state, that I disagree with the statement that the only purpose of this bill is to help the credit card companies make money. That is absolutely not correct. It is really offensive to suggest that to the 83 Members of this Senate who have been working on this bill for quite a number of years.

Let me say a couple of things that I believe are indisputable. Philip Strauss, attorney for San Francisco Child Support Services, for 28 years enforcing child support obligations, testified before our Judiciary Committee, of which I am a member. I want to deal with some allegations that have been floated by—I think primarily it is the Elizabeth Warren view of this bankruptcy bill. In an effort to smear the bill and defeat the bill, they have conjured up this idea, somehow, that children and spouses are going to be harmed by this bankruptcy bill. It is absolutely incorrect. It is abysmally wrong. Let me tell you what this expert said.

It is my opinion and the opinion of every professional support collector with whom I have discussed the issue that the support amendments contained as part of the bill, contained in section 211-219 of S. 256, the bankruptcy bill, will revolutionize enforcement of support organizations against debtors in bankruptcy.

Child support obligations will be revolutionized.

This legislation has been endorsed by the National Child Support Enforcement Association. Maybe some of those who have been saying this hurts children ought to interview the professionals—the National Association of Attorneys General, the National District Attorneys Association, both of which have important roles to play in collecting enforcement obligations for children—child support.

Mr. Philip Strauss, the attorney who spent 28 years in bankruptcy court collecting these debts for women and children against spouses and deadbeat dads

who bankrupt against their debts, had this to say. The provisions in the bill are “a wish list for child support attorneys.” That is what he has been looking for.

Under the current law, if we don’t change it by passing this bill, the law that will remain in effect has alimony and child support payments No. 7 on the list of priorities for paying non-security debt—No. 7 in the list. We moved it up to the top. Everybody who knows anything about this bill knows that women and children and their alimony and child support is going to be secured in a way it never has been before. It is offensive what Professor Warren is saying about this bill. This college professor keeps writing things that are not so. I don’t know how—I guess she has tenure.

She also is the one who has gone around this country and promoted the idea, and had a press conference a few weeks ago, to announce that medical bills are the cause of everything. She says that all the people filing, half the people plus, 54 percent of the people who file bankruptcy are in bankruptcy court because of medical bills.

What do we know about that as a fact? She had a survey that indicated that. Do you know what we discovered, when you read the fine print of her survey? It includes gambling debts. It includes alcoholism and drug problems.

This is what the United States Trustee Program found in a much more extensive survey. Hers I believe had 1,700 people. This one has 5,203 cases. U.S. trustees are involved in bankruptcy courts in 48 States. They deal with these cases. They were asked to survey the filings in their districts to find out what you list on your filing as your debts, who you owe. You actually list who it is. So, if it is a doctor bill, it is on there. If you don’t put it on there you don’t wipe out that debt and you remain obligated to pay it, so everybody puts every debt they have on the list so it can be wiped out when they file bankruptcy. What they found was, this professional study of 5,000 cases, not interviewing debtors but looking at what they put on their form, they found that only slightly more than 5 percent of the total unsecured debt reported in those cases was medically related. Only 5 percent was medically related. This is not 50 percent of the cases in bankruptcy being caused by medical—only 5 percent of them, of the total debt, was medical.

It also revealed that 54 percent of the debtors, when they list all their debts, and they have a long list of them, listed no medical debts whatsoever. And of the people who listed some medical debts, 90 percent of those who listed a medical debt listed a medical debt of less than \$5,000.

For some people there is no doubt that medical debts are a cause for bankruptcy. I do not doubt that. But this idea that we ought not reform bankruptcy, that we ought to assume that there is no fraud and abuse in

bankruptcy and the idea that everybody is in bankruptcy because of medical debts is just not so.

It is just not; it is a fiction. We need to get it out of our heads.

There is another suggestion that poor people are going to have to pay back some of their debt. This is “pressure on poor people,” they say; “this is class warfare.” Poor people now are going to have to pay back their debt, and they are going to be harmed. We discussed the problem in bankruptcy.

The most offensive, clearly wrong thing about the current bankruptcy problem in America is that people making \$200,000 a year, if they run up a couple hundred thousand dollars in debt, those people do not have to pay a dime. They can wipe out the entire debt. Shouldn’t they pay some of it back? The average American citizen works hard to pay his or her debts back. They save; they do not take vacations; they do not buy a new car, they buy an older car so they can pay their debt. Some doctors, lawyers—we have examples of them—know how the bankruptcy works. They do not want to pay their debt. They wipe them out when they could easily have paid them back.

We reached a bipartisan consensus to have a means test which received 83 votes on the floor of the Senate the last time. If you make below median income your State, then you don’t have to pay anything back. Eighty percent of the people make below median income. Some people who make above median income have special expenses, and we allowed them to take an exception. It really looks as though maybe only 10 to 13 percent of the people who file bankruptcy would be impacted by the means test.

The wealthy, why shouldn’t they pay? I ask you, why should somebody not pay the local hospital when they have plenty of money with which to pay their debts?

What happens if you make median income and you don’t have special circumstances? What should happen? I think you ought to pay some of it back. That is what the American people think, and that is what this Congress thinks.

What would happen is this: They would move into chapter 13, the bankruptcy chapter, which allows for repayment of a portion of the debt. The judge would look at the person’s income, how much he believes they can pay back over a period of no more than 5 years, and order them to pay back some portion of those debts. What is wrong with that?

I hear my colleagues complain about the bill saying: I don’t mind rich people paying back. That is what the bill does. It creates a safe harbor, an absolute wall for lower income people, people making below median income in America. Eighty percent of the filers of bankruptcy don’t have to go into chapter 13. They don’t have to pay a dime back.

Let’s just say this: Chapter 13 is not so bad. It has a lot of sanctions. You can keep your car and “cram down” the value of that car, hold on to your house better, and other things that sometimes are an advantage. A lot of States use chapter 13 a lot. In Alabama, almost half of the filers are chapter 13 filers.

Just because somebody is going into chapter 13 and pays some back does not mean they are being oppressed.

“Oh, you know.” Well, we are going to complain about credit cards today. A couple of days ago, it was about health insurance, we need to reform health insurance. If we reform health insurance, they argue, we wouldn’t have bankruptcy.

If we don’t fix credit cards and interest rates and truth in lending and banking issues—they are not part of the Judiciary Committee but part of the Banking Committee’s financial lending portfolio of issues—we have to deal with them. We can’t deal with bankruptcy. This is a bankruptcy bill.

This bill would create a workable process for filing bankruptcy in Federal court, so fairness occurs based on the debt that people have incurred. If you want to deal with the debts being incurred and giving more money, or have a welfare increase, whatever you want to do, let us propose that somewhere else to give people more money. But once they choose to file bankruptcy, let us create a system that is fair.

Let us say that people who have higher incomes and can pay back some of it, why don’t they pay it back?

That is what I think we ought to do.

It has been suggested. We have a lot of complaints. Members of this body like to talk about some minor child getting a credit card.

Let me say that any minor in America who gets a credit card and goes down and runs up \$5,000 worth of bills on that credit card does not have to pay a dime. The company that wrongfully sent them that credit card eats the \$5,000 loss because you can’t sue a minor on such a debt. They can’t be made to pay it. Who is the loser, if they sent a credit card to some young person and they used it, but the credit card company itself? That is not the issue before us.

Let us fix this bankruptcy bill that allows too much abuse, too much legal cost for people who go to court. Let us keep the legal fees down. Let us make the system fairer. Let us make sure the great protections of a fresh start for Americans is still alive and well. And for those median income and below, there is no change fundamentally in this bill whatsoever except they have to have some financial counseling, some credit counseling, and they can start all over again and wipe out all of their debt. But if they make above that and can pay some of it back, let us have them pay some back.

I don’t think that is unfair or unusual or upsetting to most people who

considered the bill, and that is why we have had such good support for it.

There was some suggestion that we have seen some reduction in filings. I hear 50,000—50,000 off a number of 1.6 million. About a little over 20 years ago, in 1980, there were 287,000 bankruptcy filings a year. Now they hit 1.6 million, and there is the suggestion that because it has dropped to 1.5, that somehow we ought not to fix this system that we know from experience—and we have been watching it for some time as a problem. Let us fix this problem. Whether it is 1.2 million in bankruptcy, 2 million in bankruptcy, we have a problem with the system. Let us fix it.

Let us treat people fairly. If you can pay some of it back, you shouldn't get off scot-free. If you make below median income, you get to wipe out all of your debts and not pay a dime to the people you owe unless you intentionally and deliberately inflict harm on that.

It is the same law we have always had. Those debts are not dischargeable in bankruptcy.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the Department of Justice on the data they have obtained from the U.S. Trustees on the issue of medical debts, and I commend to my colleagues the February 10, 2005, testimony of Philip Strauss before the Senate Judiciary Committee on the benefits of the bill to women and children which he states is indisputable and represents a wish list of items of those who collect child support for women and children.

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

U.S. DEPARTMENT OF JUSTICE,  
OFFICE OF LEGISLATIVE AFFAIRS,  
Washington, DC.

Hon. CHARLES E. GRASSLEY,  
U.S. Senate,  
Washington, DC.

DEAR SENATOR GRASSLEY: This responds to your letter, dated February 5, 2005, requesting information from the Executive Office for United States Trustees (EOUST) concerning medical debts of those who file for bankruptcy protection and the recently published study in the Health Affairs journal ("Market Watch: Illness and Injury As Contributors to Bankruptcy").

It is the practice of the U.S. Trustee Program (USTP) not to comment on data collected and analyses performed by outside researchers for reasons that include difficulties in verifying their data and research methodologies. It is noted in the cited study of 1,771 filers that very broad definitions of "medical bankruptcies" are used. The authors considered a "Major Medical Bankruptcy" to include cases in which debtor reported any of the following: illness or injury as a reason for filing bankruptcy, uncovered medical bills exceeding \$1,000 in the past two years, loss of two weeks of work-related income due to illness or injury, or mortgage of home to pay medical bills. The authors considered "Any Medical Bankruptcy" to include cases containing any of the factors above or birth or death in the debtor's family or birth or death in the debtor's family or addiction or uncontrolled gambling.

Enclosed in a description of related USTP data and a summary of findings from anal-

ysis of a similar but larger sample of bankruptcy cases (5,203) utilizing data from official records during approximately the same time period as the study cited above. It should be noted that reported credit card debt also may reflect medical-related debts, but are not shown in these findings.

In general, the data describing medical-related expenses contained in official documents filed by chapter 7 debtors reveal that slightly more than 5 percent of their general unsecured debt is medical-related. The conclusion that almost 50 percent of consumer bankruptcies are "medical related" requires a broad definition and generally is not substantiated by the official documents filed by debtors.

We hope this information is responsive to your inquiry. If we can be of further assistance, please do not hesitate to contact this office.

Sincerely,

WILLIAM E. MOSCHELLA,  
Assistant Attorney General.

Enclosure.

SUMMARY OF USTP DATA AND FINDINGS ON  
MEDICAL DEBT  
USTP DATA

The USTP database contains 5,203 no asset chapter 7 cases that were closed between 2000 and 2002. The database includes cases filed in 48 States, Washington, DC and Puerto Rico proportionate to chapter 7 filings in each location. The database contains no cases from North Carolina and Alabama, because those States are served by Bankruptcy Administrators. Nearly all of these cases had been filed about 4 months prior to closing.

On each petition we reviewed Schedule F of the petition to see if any medical debts were listed. This would include where the creditor was a doctor, hospital or other treatment facility, medical collection agency, or if the debt was in any way identifiable as being medical in origin.

This accounting would not have identified medical debts charged on credit cards, placed with certain collection agencies, or paid prior to the bankruptcy filings.

FINDINGS

All Debtors (N=5,203):

54 percent listed no medical debt.

Medical debt accounted for 5.5 percent of the total general unsecured debt.

90.1 percent reported medical debts less than \$5,000.

1 percent of cases accounted for 36.5 percent of medical debt.

Less than 10 percent of all cases represent 80 percent of all reported medical debt.

Cases Reporting Medical Debts (N=2,391):

Among the debtors reporting medical debt, the average medical debt was \$4,978 per case.

78.4 percent reported medical debts below \$5,000 (average of \$1,212 for this group).

21.6 percent reported 80.9 percent of the total medical debt.

Medical debts accounted for 13.0 percent of the total general unsecured debt for those reporting medical debt.

Mr. SESSIONS. Mr. President, I thank the Chair. I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mr. CORNYN. Thank you, Mr. President.

First, let me say to my friend, the Senator from Alabama, how much I appreciate his eloquence on this bill and his very successful attempt to explain to the American people, as well as to us, what is at stake here, and to knock down some myths that are being used

to try to worry people when, in fact, there is no reason for people to be worried about this legislation.

Indeed, as has been reflected before, this bill will pass as it has previously, and will pass by a large bipartisan majority, and for good reason.

FREE SPEECH

Mr. CORNYN. Mr. President, I want to turn to another subject briefly.

The reason I changed the subject from bankruptcy to this is provoked by an op-ed piece that I read today, and that others in this body may have read, published in the Washington Post. This article is called "Nuking" Free Speech," certainly an attention-grabbing headline.

As it turns out, reading the op-ed, it is what I can only describe as a breathless statement made in writing by one of our distinguished colleagues, claiming there are efforts to reinstate majority rule when it comes to the procedures that govern our advice and consent function; that is, the procedures by which we evaluate Federal judges sent to the Senate for our consideration under our advice and consent function.

Somehow, the opponents of reinstating the 200-and-more year tradition of majority rule when it comes to confirming Federal judges have been able to convince the press and others that this represents a nuclear option. Hence, the title and, hence, the first sentence in this op-ed.

It says:

A "nuclear option" is targeting the Senate.

That is unfortunate because it suggests people who want to reinstate majority rule when it comes to advice and consent on the President's judicial nominees are somehow doing something radical, something dangerous, something potentially catastrophic when, in fact, that is not the case.

As many know, we have seen use of a tactic which has been labeled obstructionist, it is fair to call it; that is, the use of the filibuster, to block the President's judicial nominees from getting an up-or-down vote. Indeed, it is that obstructionist procedure that has never been used in the history of this country before the last Congress. If there is a nuclear tactic being used here, I submit it is the use of that obstruction where a willful minority blocks a bipartisan majority from voting on the President's judicial nominees. That radical change from Senate tradition over the 200-plus years this body has existed is the radical change. For those who believe we ought to restore that tradition which has been taken down a very dangerous road these last 2 years with obstruction, I submit we are doing nothing more than trying to restore that Senate tradition and majority rule; and those who oppose reestablishing majority rule are the ones who are taking a radical, a dangerous position.

The senior Senator from West Virginia, the author of this op-ed, claims

that 20 men and women have been renominated by the President to the Federal bench where 7 of those were rejected last year. Plainly, that is false. How can it be said the Senate has rejected a nominee when we were prevented from having an up-or-down vote? Clearly, that is not true.

This op-ed piece goes on to suggest that as a result of those who believe we ought to reestablish this 200-year-long tradition of majority rule when it comes to confirming judicial nominees, this op-ed goes on to say it starts with shutting off debate on judges, but it will not end there. Ultimately, he says, if Senators are denied their right to free speech on judicial nominations, an attack on extended debate on all other matters cannot be far behind.

The distinguished senior Senator from West Virginia has been in the Senate a long time. Much of his service he is justly proud of. But one of the dangers of being in the Senate for a long time is that you go on record making statements which have the potential of contradicting one's current statements. Indeed, that has been the case when it comes to the senior Senator from West Virginia.

For example, the very procedure which he now decries as nuking free speech, he himself championed in 1977, in 1979, in 1980, in 1987. Hardly can it be true that today trying to reinstate majority rule as he himself did on those four occasions on the dates of the years mentioned, hardly can that be nuking free speech. In fairness, he ought to concede what we are doing is nothing radical. Indeed, it is doing the same thing he himself did four times earlier.

The other thing that is unfortunate about this claim made in this op-ed is that it represents the latest in a continuing series of arguments being made in the Judiciary Committee. I am thinking now of the senior Senator from New York, Mr. SCHUMER, who asked the Attorney General, then nominee, Alberto Gonzales, of his opinion on this "nuclear option." Later we heard speeches in the Senate from the distinguished senior Senator from Massachusetts, Mr. KENNEDY, and together the three Senators making speeches, raising fears of alarm about the so-called nuclear option have raised the concern, at least on my part, that if left unresponded to, if the record is left uncorrected, people might indeed begin to believe what we are suggesting by restoring this 200-year tradition of majority rule is radical when it is not.

One of the dangers of being here a while is you may have been on record directly and diametrically opposed to what one is saying today. That is the case with the senior Senator from West Virginia.

In 1979 on this same issue, he said:

This Congress is not obliged to be bound by the dead hand of the past . . .

He said:

Any Member of this body knows that the next Congress would not heed that law . . .

He is talking about a hypothetical law where a Congress would pass a bill

that says to change this you need a two-thirds majority requirement.

He said:

Any Member of this body knows that the next Congress would not heed that law and would proceed to change it and would proceed to change it and would vote repeal of it by a majority vote.

The senior Senator from West Virginia was correct in 1979. He is plainly incorrect today in claiming now that a 60-vote threshold is required in order to get an up-or-down vote on the President's judicial nominees.

The senior Senator from Massachusetts, Mr. KENNEDY, spoke on this same matter in 1975—quite a time ago—when he served in this body as a much younger man. He said on this same subject:

The simple fact is the two-thirds majority required . . .

under the filibuster, under the cloture rules

is too difficult to obtain. Too much Senate business is too often obstructed. The will of the majority is too easily thwarted. And it is not the Senate, but the Nation's people who suffer the consequences.

I agree with the senior Senator from Massachusetts, speaking in 1975. I disagree with the senior Senator speaking in 2005 on the same subject. He made the case very clearly back then. It is the same case that applies today. He said that the immediate issue is whether a simple majority of the Senate is entitled to change the Senate rules. Although the procedural issues are complex, it is clear this question should be settled by majority vote.

So it is clear from the record that what Senator KENNEDY, Senator BYRD, and Senator SCHUMER himself back in the year 2000 suggested, which was the majority should govern, should be the rule today. It should be the rule when Republicans control the White House and control the Senate. It should be the case were there a Democrat in the White House or the Democrats controlled the Senate. In other words, what we are talking about today is an important principle. And principles should not change with political convenience, which apparently is the case today.

For those who took the same position back then as I and others believe should be applied today, then somehow it is suggested that this majority rule option—which is what I would prefer to call what they refer to as the nuclear option or the constitutional option—that is all we are asking for, a return to that majority rule, which they championed years ago and which they, unfortunately, are obstructing today in suggesting that somehow it is a violation of our rules and of our precedents.

Unfortunately, we learn, those of us who run for office, those of us who are engaged in the rough and tumble of debate in the political arena, we know that an unresponded to allegation or attack is often an attack or an allegation believed. That is why it is so important, to set the record straight.

One of the concerns Senator BYRD expressed in this op-ed, if I can sort of get down to the bottom of it, is he thinks what we are suggesting, the return to majority rule, is somehow going to stifle debate. Well, the fact is, we have had more than 2 years, going on 3 years, to debate the President's judicial nominees who have been filibustered. Surely, any reasonable person would agree that 2 or 3 years is enough debate on any nominee, when all we are asking for is simply an up-or-down vote.

One other distinction I think is noteworthy. What we are talking about is not restricting debate in any way on legislative business, which, of course, is exclusively within the purview of the Congress. And if we want to pass a rule that says we are not going to have an up-or-down vote on legislation unless 60 Senators agree that we should close off debate, I think that is exclusively within our purview because it does not speak to the constitutional authority of power of any other branch of Government.

But when we say—and the President is given the constitutional responsibility to nominate people to the Federal bench—that our advice and consent function cannot occur unless 60 Senators agree to close off debate so we can have an up-or-down vote, that does not merely infringe on our authority as the Senate, it infringes on the constitutional power of this President to nominate good and qualified people to the Federal bench, and then to have a debate, to have a searching inquiry into their qualifications and background, but ultimately then to have a vote, if a majority stand ready to confirm these nominees.

Surely, everyone would agree that it would be wrong to say it takes a 51-percent vote to elect a Democrat to office but it somehow should take a 60-percent vote to elect a Republican to office. In a very odd sort of way, that is an analogy to what Senator BYRD, Senator KENNEDY, Senator SCHUMER, and others on their side of the aisle have suggested.

Why in the world, after more than 200 years, when the practice has been not to filibuster judges but to allow an up-or-down vote when a bipartisan majority stand ready to vote on them, should the rules change when this President is elected to the White House and when Republicans have a majority in the Senate?

Well, of course, that is an unprincipled approach. It is merely a way of saying we have an argument for why we ought to be able to obstruct this President from getting the nominees he wants voted on to the Federal bench. No one is suggesting, of course, that any Senator do anything other than vote their conscience. If any Senator feels there is just cause for them to vote against a nominee, then they should do so. And I trust they will. But no Senator and no group of Senators has the authority to block a bipartisan

majority of this Senate from doing its solemn duty under the Constitution. Yet that is precisely what has happened time and time and time again by an obstinate minority who last Congress filibustered 10 different judges, preventing that up-or-down vote from occurring.

We have tried to work with our colleagues on the other side. I remember the Democratic leader, when asked whether his approach to leadership on this and other issues would change with the change of Congress and with his ascension to Democratic leader, said: I would rather dance than fight. What it suggested to me was he was going to be amenable to working together. I know he is a tough advocate for his side of any argument, and as leader has a responsibility to his caucus to represent the views of his caucus. But it suggested to me perhaps we would have a fresh start and a new attitude when it came to judicial filibusters.

But, indeed, time and time again we have seen that is not apparently the case. And while we have not yet had to go to a vote on the floor on these judges who have been filibustered in the past, we will very soon. We know also that in addition to these circuit court nominees, we are likely to have a vacancy to the U.S. Supreme Court before very long, where, believe me, all this will have been merely a prelude to what will be a vigorous debate, which will consume virtually everything else we do, because people understand that those who are unsuccessful in getting their views enacted into law through the political process know that having judges who are confirmed who believe that a judge should be an umpire and enforce political decisions rather than make political decisions from the bench represents a threat to their agenda.

But none of us have the right to use unconstitutional means, which these filibusters are, to prevent the people of this body, to prevent this President, from doing our constitutional duty. For them to suggest trying to restore 200 years of tradition, trying to restore majority rule, doing the very things they themselves have advocated and done in the past, is somehow a nuclear option is blatantly false.

So, unfortunately, it is necessary, for me and others to lay the record straight. I trust that fairminded people, looking at the record, looking at the facts, will realize what we are suggesting is not a nuclear option. What we are suggesting is perhaps a constitutional option. What we are suggesting is a restoration of the majority rule option, but it is nothing radical, and it is, indeed, in keeping not only with the traditions of the Senate but also in keeping with the Constitution and laws of the United States.

The Constitution is abundantly clear when supermajorities are required in order to perform a certain function. For example, to amend the Constitu-

tion, it talks explicitly about the requirement of a two-thirds majority and ratification by three-quarters of the States. It is also very clear that a supermajority is required to ratify treaties. But nowhere within that document, that foundation of our laws, the Constitution, is it suggested that more than a majority rule is required in order to provide advice and consent when it comes to the President's judicial nominees.

I appreciate the opportunity and the patience of my friend, the Senator from Georgia, who I know is going to speak next, allowing me to correct the record and I hope better inform the American people and our colleagues about exactly what is going on. What is going on is that we are required to do what the people of our respective States have sent us here to do, and that is to vote. We have a tradition of lengthy debate and opportunity for any Senator to speak their mind on any subject that they care to speak on, but ultimately we are obligated by our oath and by the Constitution that governs all Americans to have an up-or-down vote, especially when a bipartisan majority stands ready to confirm, which is the case here. No Senator, no person, no collection of persons has any right to demand anything more.

Unfortunately, this has gone on for too long. Good and distinguished nominees of this President have not only been denied the opportunity to have an up-or-down vote but unfortunately have been smeared as part of the process far too often. I believe what we need is a fresh start. We need a fair process, one that will apply to Democrats as well as Republicans, and one that will reflect the kind of honor that should be reflected on this institution. Unfortunately, that has not been the case. We have somehow allowed ourselves to veer off the path that the Constitution lays out for us. But we do have a chance, if necessary, if the Democratic leadership is going to persist in this unconstitutional blockade and obstruction of the President's nominees, for us to correct what has gone on for too long. Indeed, I hope that will not be necessary. Ultimately the decision is going to be theirs.

We have been patient. We have explained our position. We have listened carefully to their arguments. We have listened to their objections. Frankly, we find them to be firmly planted on both sides of this issue.

I hope those listening and colleagues in the Chamber will now understand a little bit better about why it is so important for us to reinstate this more than 200-year tradition, indeed this constitutional mandate that binds all of us as Americans to majority rule restoration.

I yield the floor.

The PRESIDING OFFICER. The Senator from Georgia.

Mr. ISAKSON. Mr. President, I ask unanimous consent to address the Senate as in morning business.

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

TILLIE FOWLER

Mr. ISAKSON. Mr. President, at this precise minute and this precise hour in Jacksonville, FL, countless friends and admirers are gathering to pay tribute to Tillie Fowler. It is only fitting and proper that in this Chamber this Congress do the same.

For me personally, it is more than just the loss of a colleague. I served with Tillie's dad, Culver Kidd, a State senator in Georgia for years when I served in the legislature—colorful and distinguished, a leading citizen. Her brother Rusty is a warm and trusted friend. Her daughter Tillie worked for me the first 4 years I served in the House of Representatives. I honor, admire, and respect her loving husband Buck who, together with Tillie, has meant so much to me personally in my career.

I know the bible teaches us in the book and chapter of Ecclesiastes that there is a time for everything, a time to live and a time to die. But there are some times that it is so difficult to accept, the loss of one so vibrant and so important, not only to their community but to their country. Such is the case with Tillie Fowler.

I know that her family, gathered today at this moment in Jacksonville, FL, would want us in the Senate and in this Congress, in this building today, to pay tribute to the legacy of Tillie Fowler: an accomplished attorney, a loving wife, a devoted mother, a committed servant of the people she represented, an honored Member of the United States House of representatives, a lady who became the highest elected woman in leadership in the Congress of the United States at the time she ascended to the position of vice chairman of the Republican conference in the majority of the House, respected by both sides of the aisle as the most formidable and knowledgeable member of the Armed Services Committee in the House, one who had the temperament and the ability to calm the waves of partisanship and point to the direction that we all knew we should go, and one that would also stop to help, regardless of the need of an individual.

In fact, on Tuesday of this week, just one day after she was stricken, I was to have had an appointment in my office in the Russell office building with Tillie Fowler. Obviously, because of her illness, she could not come. But the person she was going to introduce me to could. Only a Tillie Fowler would have sent to me the new director of the largest public and charitable hospital in Georgia and the largest trauma center in our State because she was spending part of her time trying to see to it that those that help others got help themselves.

It was an honor for me to serve in the House with Tillie Fowler. It is a privilege for me to stand here today in the Senate and pay tribute to our colleague. On behalf of all the Members of

this Senate, we extend our deepest sympathy and condolences to her husband Buck, her daughter Elizabeth, her daughter Tillie, and all of her extended family.

Mr. NELSON of Florida. Mr. President, it was with great sadness that I learned of the passing of Tillie Fowler, a great friend, dedicated public servant, and remarkable woman.

It is difficult to think about Florida politics without thinking about Tillie Fowler. She was a woman with strong values, political acumen and honor. I was lucky to have known her and, more importantly, Florida was lucky to have had her represent us in the U.S. House of Representatives.

She is an inspiration to Floridians and all Americans, and she will be greatly missed.

#### MORNING BUSINESS

Mr. ISAKSON. Mr. President, I ask unanimous consent that there now be a period of morning business with Senators permitted to speak for up to 10 minutes each.

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

#### LOCAL LAW ENFORCEMENT ENHANCEMENT ACT OF 2005

Mr. SMITH. Mr. President, I rise today to speak about the need for hate crimes legislation. Each Congress, Senator KENNEDY and I introduce hate crimes legislation that would add new categories to current hate crimes law, sending a signal that violence of any kind is unacceptable in our society. Likewise, each Congress I have come to the floor to highlight a separate hate crime that has occurred in our country.

Late last year, two gay men were attacked when attempting to leave a night club in Tampa, Florida. The men were repeatedly punched and kicked in the head by two assailants. Authorities in Florida have designated this case as a hate crime because the apparent motivation for the vicious attack was the sexual orientation of the two victims.

I believe that the Government's first duty is to defend its citizens, to defend them against the harms that come out of hate. The Local Law Enforcement Enhancement Act is a symbol that can become substance. I believe that by passing this legislation and changing current law, we can change hearts and minds as well.

#### THE MONEY FOLLOWS THE PERSON ACT OF 2005

Mr. SMITH. Mr. President, yesterday I introduced the Money Follows the Person Act of 2005, along with Senator HARKIN.

My job as a Senator is to help protect and defend the freedoms of all Americans. One of the most important freedoms we enjoy is the freedom to choose where we live. For example, many people overlook the importance of being

able to choose to live among family and friends and not among strangers.

All too often this basic freedom is denied to older Americans and Americans with disabilities. Currently, we are unnecessarily isolating people with disabilities from their communities, friends, families and loved ones by placing them in institutional care facilities. Many of these Americans should not be in a nursing home or institutional setting. A disabled person can often be better served and integrated into their community by living in community-based homes.

However, recent data indicates that 70 percent of Medicaid dollars are spent on institutional care and only 30 percent are spent on community services for the disabled. This is because Medicaid currently requires that States provide nursing home care for Americans with disabilities, but does not require the same for community-based services. Due to this inequity in Medicaid law many individuals with disabilities and older Americans are forced to live in isolated settings.

In order to preserve the freedoms of our friends and loved ones in the disabled community, we must do something to reverse this trend. It is my privilege today to join my distinguished colleague from Iowa as a co-sponsor of the Money Follows the Person Act of 2005. Under this legislation, Oregon's effort to help an individual move out of an institutional facility and into a community home would be 100 percent federally funded for one year. After that first year, the Federal Government would pay the state's normal Medicaid rate.

These incentives can help reintegrate countless older Americans and Americans with disabilities into a setting where they can be more active citizens. Americans everywhere realize the value of integrating persons with disabilities into their communities. It is unfair and unjust to needlessly isolate productive citizens from their communities, regardless of their condition. It is time we work to reintegrate disabled Americans back into our communities. I urge my colleagues on both sides of the aisle to support this important bill and to support the freedom of choice for Americans with disabilities.

#### THE ‘‘DECADE OF ROMA INCLUSION’’

Mr. BROWNBACK. Mr. President, last month, the Prime Ministers of eight Central and Southern European countries met in Sofia, Bulgaria, for their first meeting in what has been dubbed “the Decade of Roma Inclusion.” This initiative is designed to spur governments to undertake intensive engagement in the field of education, employment, health and housing with respect to Europe’s largest, most impoverished and marginalized ethnic minority, the Roma. The Open Society Institute, the World Bank, the European Commission and the United Nations Development Program—all

supporters of this initiative—hope that this effort will result in meaningful improvements over the course of a 10-year period.

In December, a donors’ conference pledged \$42 million for a Roma Education Fund. But the real goal is to get governments to give more help to their own people from their own budgets, as well as to make better use of the funds already available from organizations like the EU.

The fact is, Romani riots in Plovdiv, Bulgaria, in 2002 and in eastern Slovakia last year should be a wake up call for governments with significant Romani communities. These countries cannot afford to ignore the crushing impoverishment and crude bigotry that so many Roma face on a daily basis. The Decade of Romani Inclusion is all well and good, and I commend the governments that are participating in this initiative. But much more needs to be done to truly advance Romani integration. It must start with a message of tolerance and inclusion from the highest levels of government.

Unfortunately, too often the voices that are heard are those spreading crude stereotypes and inter-ethnic hatred. I am particularly alarmed by what appears to be an increase in anti-Roma statements in Bulgaria.

Last summer, the head of one of Bulgaria’s leading trade unions, Konstantin Trenchev, broadly characterized all Roma as criminals—and then called for the establishment of vigilante guards to deal with them. More recently, Ognian Saparev, a Member of Parliament from the Bulgarian Socialist Party, dismissed the significance of reports that the Mayor of Pazardzhik has trafficked Romani girls for the benefit of visiting foreign diplomats. Saparev reportedly claimed that the statutory rape of these girls shouldn’t be considered a crime because Romani girls are “mature” at age 14. Significantly, Saparev also gained headlines last year for publishing an inflammatory article about Roma in which he argued they should be forced to live in ghettos.

Even worse statements have come from Russia. Yevgenii Urlashov, a city official in Yaroslavl, recently characterized all Roma as drug dealers and called for them to be deported. Not to be outdone, fellow municipal legislator, Sergei Krivnyuk, said, “residents are ready to start setting the Gypsies’ houses on fire, and I want to head this process.”

Although nongovernmental human rights groups have condemned this anti-Romani rhetoric, other leaders in Bulgaria and Russia have largely remained silent. But it is critical that public leaders, from all walks of life, speak out against such hate mongering.

Speaking on the occasion of the 60th anniversary of the liberation of Auschwitz, Polish President Kwasniewski noted that “complete extermination