

the exemption levels. That means every person who had been hit by the AMT would continue to be hit by the AMT but be hit harder.

Then we had the same title, but in 1993 we had the Omnibus Budget Reconciliation Act. The exemption level was increased to \$33,750 for individuals and \$45,000 for joint returns, but that was accompanied by yet an additional rate increase. In 1993, the tax increase passed this Senate with just Democratic votes for it. No Republican voted for it.

Once again, graduated rates were introduced, except this time they were 26 percent and 28 percent. By tinkering with the rate and exemption levels of the alternative minimum tax, these bills were only doing what Congress has been doing on a bipartisan basis for almost 40 years, which is to undertake a wholly inadequate approach to a problem that keeps getting bigger and bigger and bigger.

Aside from this futile tinkering that has been done every few years, Congress has, in other circumstances, completely ignored the impact of the tax legislation on taxpayers caught by the alternative minimum tax. In the 1990s, a series of tax credits, such as the child tax credit and lifetime learning credit, were adopted without any regard to the alternative minimum tax. The alternative minimum tax limited the use of nonrefundable credits, and that did not change. In other words, because of the AMT, we did not accomplish the good we wanted to with those credits for lower middle-income and lower income people. Congress quickly realized the ridiculousness of this situation and waived the alternative minimum tax disallowance of nonrefundable personal credits, but it only did it through the year 1998.

In 1999, the issue again had to be dealt with. The Congress passed the Taxpayer Refund and Relief Act of 1999. In the Senate, only Republicans voted for that bill. That bill included a provision to do what I would advocate we ought to do right now: repeal the alternative minimum tax. If President Clinton had not vetoed that bill, we would not be here today. But we are here today with a worse problem.

Later, in 1999, an extenders bill, including the fix, to fix it good through 2001, was enacted to hold the AMT back for a little longer; in other words, not hitting more middle-income people.

In 2001, we departed from these temporary piecemeal solutions a little bit—at least a little bit—for 4 years with the Economic Growth and Tax Relief Reconciliation Act of 2001. That 2001 bill permanently allows the child tax credit, the adoption tax credit, and the individual retirement account contribution credit to be claimed against a taxpayer's alternative minimum tax. While this certainly was not a complete solution, it was a step in the right direction.

More importantly, the 2001 bill was a bipartisan effort to stop the further in-

trusion of the alternative minimum tax into the middle class. The package Senator BAUCUS and I put together that year effectively prevented inflation from pulling anybody else into the alternative minimum tax through the end of 2005.

Mr. President, I ask unanimous consent for 3 more minutes.

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

Mr. GRASSLEY. Our friends in the House originally wanted to enact a hold harmless only through the end of 2001, while Senator BAUCUS and I were trying to do it through 2005. We got the final bill the way Senator BAUCUS and I wanted it. So it was not a problem then until the year 2005.

Since the 2001 tax relief bill, the Finance Committee has produced bipartisan packages to continue to increase exemption amounts to keep taxpayers ahead of inflation, with the most recent being the Tax Increase Prevention and Reconciliation Act of 2005, which increased the AMT exemption to \$62,550 for joint returns and \$42,500 for individuals through the end of 2006.

These packages put together since 2001 are unique in that they are the first sustained attempt undertaken by Congress to stem the spread of the AMT through inflation and hitting more middle-income taxpayers. Admittedly, these are all short-term fixes, but they illustrate a comprehension of the AMT inflation problem and what needs to be done to solve it.

So this leads us to the present day and the situation we currently face. In 2004, the most recent year for which the IRS has complete tax data, more than 3 million families and individuals were hit by the AMT. And those figures for each State are shown on this chart behind me. You can see a breakdown by State of families and individuals who paid the alternative minimum tax, even with our hold-harmless provisions in place.

This does not even begin to hint at what will happen if we do not continue to protect taxpayers from the alternative minimum tax. Barring an extension in the hold harmless contained in the 2006 tax bill, AMT exemptions will return to their pre-2001 levels. At the end of 2006, provisions allowing nonrefundable personal tax credits to offset AMT tax liability expired. If further action is not taken, it is estimated that the AMT could claim 35 million families and individuals by the end of this decade. That is just 3 years away. Think of it: a tax originally conceived to counter the actions of 155 taxpayers in 1969 could hit 35 million filers by the year 2010—a well-intentioned idea 40 years later with unintended consequences. Some analyses show that in the next decade, it may be less costly to repeal the regular income tax than the alternative minimum tax.

Aside from considering the increased financial burden the AMT puts on families, we also should consider the op-

portunity cost. Because the average taxpayer spends about 63 hours annually complying with the requirements of the alternative minimum tax, that is an awful lot of time that could be more productively used elsewhere.

As I have illustrated, the AMT is a problem that has been developing for a while. Thirty-eight years down the road are we now. On numerous occasions, Congress has made adjustments to the exemptions and rates, though not as part of a sustained effort to keep the alternative minimum tax from further absorbing our Nation's middle class.

Despite these temporary measures, the AMT is still a very real threat to millions of middle-income taxpayers who were never supposed to be subjected to a minimum tax. That the alternative minimum tax has grown grossly beyond its original purpose—which was to ensure the wealthy were not exempt from an income tax—is indisputable and that the AMT is inherently flawed would seem to be common sense.

Despite a widespread sense that something needs to be done, there is still disagreement on what needs to be done. Over the course of a few more remarks on this floor, in days to come, I will address some of those things we ought to do. But this is a case where well-intended legislation not being paid attention to has turned out to be a major tax problem in this country.

Mr. President, I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from North Dakota is recognized under the consent for 20 minutes.

CONTINUING APPROPRIATIONS

Mr. DORGAN. Mr. President, I rise to talk about two issues today. First, I will talk about the continuing resolution that will be on the floor of the Senate that we will likely finish this week.

I know there is some consternation about the fact that a continuing resolution is being done, but there was no choice. We were left with an awful mess. This Congress was left with a mess where 10 appropriations bills were completed by the Senate Appropriations Committee but never brought to the floor of the Senate. They should have been done by October 1, signed by the President. We are now months into the new fiscal year, and those appropriations bills, done by the previous majority here in Congress, were not completed, and so we are left with a mess.

We have put together, as best we can, a continuing resolution. We have made some adjustments to that continuing resolution. Earmarks are gone. These are adjustments to avoid some catastrophic things that would have happened without adjustments.

I wish to mention with respect to the energy and water chapter of that resolution that we have done a number of

things to try to preserve some funding for renewable energy. We have an energy issue that is very compelling in this country. We need to stimulate more renewable energy, so we are trying to keep the accounts which do that intact. We have tried to find the funding to preserve the Office of Science, which is the cutting-edge science that keeps us competitive in the world. That office would have had to lay off people had we not made some adjustments there. In the energy supply and conservation account, which is ongoing and very important, we have made some adjustments.

The fact is, we have tried to find a way to address the mess we were left. We are doing it the best way we can. I believe the best approach is to pass this continuing resolution. It is true there are no so-called earmarks or what is, in effect, legislative-directed spending. But it is also the case that adjustments have been made in a number of areas, including the energy and water accounts, that will try to remedy some of the otherwise very significant changes, in some cases catastrophic changes to the issues we care a lot about—energy independence, energy conservation, renewable energy, science, and so many other areas.

I am pleased to support this continuing resolution. I wish we were not doing it this way. If I had my druthers, we would have passed the appropriations bills last year on time. That did not happen. So we are now faced with this mess of fixing a mess that was created by last year's majority. We do not have a choice. We have to do that. The Government would shut down if the funding were not available for the agencies, so we have a responsibility, and we will meet that responsibility.

ACCOUNTABILITY IN GOVERNMENT CONTRACTING

Mr. DORGAN. Mr. President, I also rise to talk about a piece of legislation dealing with contracting. The Federal Government is the largest contractor in the world. The U.S. Federal Government contracts for a lot of things. I am going to be introducing a piece of legislation that is entitled the Honest Leadership and Accountability in Contracting Act. There are some 23 Senators who have joined me as cosponsors on that bill, and I will return to the floor to speak about this later in the week. But I wish to talk a little today about what this means and why we are introducing it.

I held 10 oversight hearings in the Democratic policy committee, as chairman of that committee, on the issue of contracting abuses in Iraq. I held two oversight hearings on the issue of contracting abuses with respect to the response to Hurricane Katrina. We have put together, as a result of the abuses we have seen with this contracting, a piece of legislation which will do the following: It will punish those who are war profiteers. And

there are some. It will crack down on contract cheaters. No more of this slap on the wrist, pat on the back, have another contract. It will force real contract competition for those who want to do contract work for the Federal Government. And it will end cronyism in key Government positions—having unqualified political appointees put in positions that require people who know what they are doing.

Let me talk about some of the things we have found. I do this knowing, last week, there were some oversight hearings on the House side chaired by Congressman WAXMAN. I commend him. There has been a dearth of oversight hearings, almost none in the last couple of years—I guess the last 5 or 6 years, actually—because a majority of the same party as the President do not want to hold hearings that embarrass anyone. So there have been very few oversight hearings. But the hearing held this past week in the House that caught my eye is one that followed a hearing I held in the Senate with the policy committee. They talked about the fact that \$12 billion in cash—most of it in stacks of one-hundred-dollar bills—had been sent to Iraq; 363 tons of U.S. cash currency flown in on wooden pallets on C-130 airplanes. That would be, by the way, 19 plane-loads of one-hundred-dollar bills; 363 tons.

Nearly half of that cash was sent in the final 6 weeks before control of the Iraqi funds were turned over to the Iraqi Government. These were Iraqi oil funds, funds with frozen Iraqi assets here in the United States. The last shipment of \$2.4 billion was the largest shipment. It was the largest shipment ever in the Federal Reserve Board's history. And that was 1 week before the government was turned over to the Government of Iraq.

Cash payments were made from the back of a pickup truck. One official was given \$6.75 million in cash and told to spend it in 1 week, before the interim Iraqi Government took control of the funds.

I had a person testify at my hearing who said it was similar to the Wild West. Our refrain was bring a bag because we pay in cash. That is the way we do business.

In fact, I have a photograph of a fellow who testified at the hearing I held. These are one-hundred-dollar bills wrapped in Saran Wrap in brick form. This was in a building in Iraq. This is the fellow who testified. He said people used to play catch with them like football. He said it was the Wild West. Bring a bag, we pay in cash.

We know a substantial amount of cash disappeared—some American taxpayer money, some belonging to the people of Iraq—with almost no accountability.

I wish to talk about accountability. If there was a lack of accountability—and there certainly was, with respect to what happened in Iraq and also here at home with Katrina—what will be the accountability going forward? How

do we ensure accountability? How do we ensure that someone is in charge going forward?

Let me talk about Halliburton and Kellogg, Brown and Root, its subsidiary. I know the minute you mention Halliburton, someone says you are criticizing the Vice President. No. He used to be president of that company. He has been gone a long while. This has been Halliburton that gets big contracts from the Defense Department and then doesn't perform.

Bunnatine Greenhouse is a woman who rose to become the highest ranking civilian official in the Corps of Engineers in charge of all the contracting, the highest ranking civilian official who always got great reviews on her performance evaluations, until the point when the Pentagon decided to award a massive no-bid, sole-source contract to Halliburton's subsidiary called RIO, Restore Iraqi Oil. She protested that this was done in violation of proper contracting procedures. She was appalled when Halliburton was found by auditors to have overcharged nearly double for fuel purchases. And then the Defense Department, the folks in charge of that, instead of being concerned about it, rushed to provide the company with a waiver. This waiver was provided without the approval of the contracting officer who was responsible, Ms. Greenhouse. She was kept in the dark about that decision. She learned about the waiver when she read it in the newspaper.

When she did speak up, she was bypassed, ignored, and ultimately forced to resign or face demotion. Here is what she has said publicly, the highest ranking civilian official in the Corps of Engineers who blew the whistle on the good old boys network for contracts awarded, she felt, improperly:

I can unequivocally state that the abuse related to contracts awarded to KBR represents the most blatant and improper contract abuse I have witnessed during the course of my professional career.

For saying this, this woman was demoted. She lost the job she had for being honest. And she, by all accounts, was a top-notch contracting official. So this 20-year contracting official, responsible for all this, was ignored and then demoted when she was critical of people whom she felt were violating the rules. What happened then to fill her job? The Corps of Engineers decided to replace her with a Pentagon official who had 40 years of Government experience but none of it in Government contracting. At a hearing of the Senate Energy Committee, General Strock admitted the person who replaced Ms. Greenhouse was not certified as an acquisition professional. He stated that Ms. Riley required a waiver in order to apply for her new position. Ms. Riley has now "gone to school" and has been brought up to speed about what she needs to know as a contract official. Sound familiar? It does to me. It is happening all too often.

Let's take a look at what I found in some of the hearings. Yes, it is about