In 1938, almost 70 years ago, the U.S. Supreme Court set forth, in what I believe is seminal language, a standard of conduct that should govern the actions and decisions of U.S. attorneys. In that decision, the U.S. Supreme Court said the following:

The United States Attorney is the representative not of an ordinary party to a controversy, but of a sovereignty

''but of a sovereignty''—

whose obligation to govern impartially is as compelling as its obligation to govern at all; and whose interest, therefore, in a criminal prosecution is not that it shall win a case, but that justice shall be done. As such, he is in a peculiar and very definite sense the servant of the law, the twofold aim of which is that guilt shall not escape or innocence suffer.

''guilt shall not escape or innocence suffer.''

He may prosecute with earnestness and vigor—indeed, he should do so. But, while he may strike hard blows, he is not at liberty to strike foul ones. It is as much his duty to refrain from improper methods calculated to produce a wrongful conviction as it is to use every legitimate means to bring about a just one.

I believe these words the U.S. Supreme Court said in 1938 are equally as applicable today; that is, we are a nation of laws and we must understand that no person is above or below the law. If we are going to be a nation of laws, we must make sure those individuals in whom we repose the authority to prosecute and to enforce the laws of the United States do so in an appropriate way that meets the standards that were set forth by the U.S. Supreme Court in 1938, and also which meets the standards that are set forth in the manual that governs the conduct of the U.S. attorneys. For many of us who have watched what has happened in Iraq and other places around the world, what we see is a failure of nations to develop a rule of law. That is what sets America apart from many of these other countries that so struggle to create a safe and secure society: they do not have the rule of law which is so important to us in this country. Therefore, I believe the legislation I will be introducing will make sure that the Department of Justice and the U.S. attorneys within the Department of Justice are always in a position to uphold the rule of law for our Nation and make sure that their ability and their decisions are not compromised by any political influence.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Under the previous order, the Senate will be in recess until 2:15 p.m.

RECESS

There being no objection, the Senate, at 12:45 p.m., recessed until 2:15 p.m. and reassembled when called to order by the Presiding Officer (Mr. CARPER).

Mr. REID. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2008

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to the consideration of S. Con. Res. 21.

The clerk will report the concurrent resolution by title.

The assistant legislative clerk read as follows:

A concurrent resolution (S. Con. Res. 21) setting forth the congressional budget for the United States Government for fiscal year 2008 and including the appropriate budgetary levels for fiscal years 2007 and 2009 through 2012.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Mr. President, I ask unanimous consent that during further consideration of the concurrent budget resolution today, the first 3 hours be for debate only, the time equally divided and controlled by the chairman and the ranking minority member of the Budget Committee, and that at the end of that time, the majority leader then be recognized.

The PRESIDING OFFICER. Is there objection?

Mr. GREGG. Reserving the right to object, is the majority leader being recognized for purpose of an amendment?

Mr. CONRAD. That is correct, Mr. President.

Mr. GREGG. Mr. President, I make a point of order a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. CONRAD. 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. CONRAD. Mr. President, I repeat the unanimous consent request.

The PRESIDING OFFICER. Is there objection?

The Chair hears none, and it is so ordered.

Mr. CONRAD. Mr. President, let me begin, if I may, by thanking the ranking member, Senator GREGG, for the way in which he has conducted the work of the committee on the minority side and the fairness with which he has conducted it when he was in the majority. I wish to say to him that we will endeavor to approach this in the same way with him. There will not be surprises. We will try to organize this in a way that gives each side a fair opportunity to make their points and to offer their amendments. I wish to again thank Senator GREGG for his courtesy and professionalism throughout both the times when he has been in the majority and the times he has been in the minority.

Mr. President, the budget resolution that has now passed the committee has these key elements:

It restores fiscal responsibility by balancing the budget by 2012, it reduces spending as a share of gross domestic product, it reduces debt as a share of gross domestic product after 2009, and it adopts new disciplines, spending caps, and restores a strong pay-go rule. At the same time, it meets the Nation's priorities by rejecting the President's cuts in key areas and provides increases for children's health care, for education, and for our Nation's veterans.

It also seeks to keep taxes low by protecting middle-class taxpayers with 2 years of alternative minimum tax relief, the old millionaire's tax that has rapidly become a middle-class tax trap. It also includes a deficit-neutral reserve fund for new tax relief and extensions of expiring tax provisions.

Our goal is to be fiscally responsible but to do it in a way that keeps tax rates low and addresses some of the other things we have seen that have been brought before the committee, things that are serious problems. We find abusive tax situations that have grown up around the country. We see the use of tax havens. We also see the tax gap growing geometrically—the difference between what is owed and what is paid—and that is not fair to the vast majority of American taxpayers who pay what they owe.

So we try to keep taxes low, and we include no assumption of a tax increase.

We also try to prepare for the long term by including a comparative effectiveness fund to address rising health care costs, looking at those procedures and those disciplines and those technologies that work to hold down health care costs in one part of the country and to adopt them in other parts of the country. We also adopt a new budget point of order against long-term deficit increases.

The budget resolution that came out of the committee and which we bring to the floor today starts with a $249 billion deficit and reduces it each and every year. In fact, we almost balance in 2011 under this proposal. We do achieve balance in 2012 with $132 billion to the plus side. One might say this is a surplus. I always hesitate to use that term because the only reason it is in surplus is because of Social Security. Nonetheless, in terms of the way deficits are calculated and reported by the press, there is a $132 billion positive balance in 2012.

One of the most important things we have to stop is the growth of the debt. All the economists tell us the most important thing we have to do is to reverse the debt growing faster than the size of the economy. I am proud to report this budget does so. This shows the debt, gross debt of the United States, as a share of gross domestic product. You can see that after 2009, each and every year we are bringing down the debt in relationship to the size of our economy. That is, by all accounts, the single most important thing we can do in terms of returning fiscal responsibility.

In terms of a spending comparison, the green line is the spending in the budget resolution, the red line is the President's spending. You can see there is a very close fit. We do spend more money than is in the President's budget, but when you put it on a comparison basis and you look at 5 years in which the United States will be spending just over $15 trillion, the difference between our spending and the President's is almost indecipherable.

As a share of gross domestic product, our spending is going down. In 2008, we will be at 20.5 percent of GDP. Each and every year, spending as a share of GDP will be going down, so that by 2012 we have spending at 18.8 percent of gross domestic product.

The budget resolution has lower spending as a percentage of gross domestic product than the average during the period of Republican control. From 2003 to 2007, the average spending in Republican budget resolutions was 20.1 percent. Under our 5-year budget plan, the average will be 19.7 percent, four-tenths of 1 percentage point below what the Republican spending was in the years in which they controlled.

On the question of defense spending and war spending, we have matched the President dollar for dollar. The President has total defense spending, and we are spending $2.9 trillion during this period. We match that amount. We have the same amount for defense and the same amount for the war.

But there are other areas in which we do better. Perhaps the signature proposal of this budget is to fully fund children's health care, to say to every child in America: You are valued, and we want you to have health insurance. We believe this is substantively right, that this is a good investment. Our children are the least expensive to cover, and you have the biggest payoff because you have an entire lifetime of return if you are able to safeguard a child's health. So we have made a major commitment—up to $50 billion over the 5 years—to provide the opportunity to provide America's children with health coverage. The President only had $2 billion for this purpose. He couldn't even cover those who have existing coverage. If there is one thing that unites our caucus, it is a vision of being able to extend health care coverage to every child in America. Our budget resolution will help make that prospect a reality—if it is adopted.

This is from the Akron Beacon Journal in Ohio. Earlier this month, they wrote:

> The State Child Health Insurance Program arguably is the best thing going for children in families with annual incomes too high to be eligible for Medicaid but not high enough for them to afford private health insurance . . . Statehouses across the country consider the SCHIP a winner. . . . At issue is President Bush's budget plan changing aspects of the funding and direction of the program, forcing States to scale back or scratch up more funds to keep their programs at current levels. Why scramble something that is working well?

We have asked that question. Why is the President turning his back, in his budget, on millions of American children? Why is the President saying we won't even provide coverage to those who already have it? Why isn't coverage being extended to the millions of young people in this country who have no health care coverage at all?

Another major area of priority in this budget is for education. The President provides in his budget, for just the fiscal year 2008—and I wish to emphasize that the previous numbers I have talked about were 5-year numbers. I am now talking about just the year 2008. The President's budget for education is $56.2 billion. We are proposing $62.3 billion. Why? Because we believe education is an absolute priority. Education is our future. Education is what allows us to maintain a competitive edge in this world. Education is what gives children in America the chance to make the most of their God-given talent.

This is a year in which we reauthorize the Higher Education Act. This is a year in which we reauthorize No Child Left Behind. This is the year in which we have to put the funds up to keep the promises that have been previously made and, unfortunately, all too often were broken. Our funding level meets those needs in education and gives an opportunity to improve things such as the Perkins loan program, things such as title I, No Child Left Behind, and the other education programs that are critical to America's role and position in the world.

A third area of priority after children's health care and education is our Nation's veterans. We have all read the stories about what has gone on at Walter Reed. I do not think there is a Member on either side of the aisle who was not outraged to see what was happening to veterans. I think we all know there are problems in our VA system as well. We have increased the President's proposal for veterans health care from the $39.6 billion he provided to $43.1 billion.

I am especially proud of this because we have matched the independent budget in every area but one. In fact, we have either matched the independent budget, which is the budget put together by our veterans organizations themselves—this is what they have told us is necessary, and we have either matched them or exceeded them in every category but one. The only category in which we didn't match or exceed them was in an area in which the Veterans' Committee tells us they couldn't spend the money in 2008 if we gave it to them.

In medical care, the independent budget called for $36.3 billion. We have provided $36.9 billion. I might add, that is at the recommendation of the Veterans' Committee.

The independent budget called for $1.3 billion for information technology. We have provided $1.6 billion—again at the recommendation of the Veterans' Committee—because they have analyzed the information technology systems in the VA and determined there would be a significant advantage by this additional expenditure. As you know, the VA system is now developing a world-class system, one that provides information in real time on each patient's condition. This makes a profound difference in the medical treatment to our Nation's veterans.

On medical and prosthetic research, the independent budget called for $480 million. We have provided $481 million.

On operating expenses, the independent budget called for $2.23 billion. We have matched that amount.

On construction—this is the only area in which we did not match the independent budget. They called for $2.14 billion. We provided $960 million, the amount the Veterans' Committee tells us could actually be efficiently spent this year. If we were to provide them more money, the Veterans' Committee tells us that money could not be effectively or efficiently deployed. I don't think any of us want to waste money or to spend money that cannot be efficiently or effectively employed.

Other priorities in the budget resolution include restoring the cuts to the COPS Program. The President proposed cutting the COPS Program, which puts police on the street, by 94 percent. What sense does it make to eliminate police on the street at a time when crime is rising, at a time when we face a continuing terrorist threat? It makes no sense to this Senator, and I don't think it makes sense to most Senators. I held a hearing on this in Fargo, ND. I had the police chief there and I had the sheriff of Cass County there. They told me how important this has been to my State. Over 250 police officers have been added to the streets of North Dakota because of the COPS Program. We should not be cutting it, as the President proposed, by 94 percent. So we have restored that cut.

On heating assistance, the President cuts the Low-Income Home Energy Assistance Program by almost 20 percent. We have restored that cut.

Community Development, CDBG—I think we all know how important community development block grant funds are to this Nation's mayors. If there is one thing we have heard loud and clear, it is that the President's cut there makes no sense.

Finally, with respect to transportation and Amtrak, we have funded this at $1.78 billion that the committee requested. The President had a deep cut there, threatening transportation service not only in the Northeast corridor but all across the country, including my own State.

With respect to revenues in the resolution, I wanted to emphasize the following points:

The budget resolution protects middle-class taxpayers with 2 years of alternative minimum tax relief, and that is fully offset, it is paid for. What is the alternative minimum tax? Remember, years ago they found out that some very wealthy people were paying no taxes. It was a handful of people—as I recall, in the hundreds—very-high-income people who were paying no taxes. So they put in place something called the alternative minimum tax. It is an alternative tax structure to try to make certain that very wealthy individuals, high-income individuals, pay something in terms of taxes.

Unfortunately, it was not appropriately adjusted for inflation. The result is more and more people are being caught up in it. Last year, some 3.5 million people were affected by the alternative minimum tax. If we fail to act, there will be over 20 million people caught up in the alternative minimum tax this year. We have prevented that from occurring, and we have prevented it from occurring again the next year.

We also provide a deficit-neutral reserve fund for tax relief, including extension of expiring provisions, a deficit-neutral reserve fund that says you can extend current tax cuts if you pay for them.

Next, we provide for new measures to close the tax gap, shut tax shelters, and address the burgeoning growth of offshore tax havens. I will have more to say about those in just a minute.

We also called for fundamental tax simplification and reform. We had tax reform a number of years ago. Since that time, we just keep adding complexity, we just keep adding regulations, and we just keep adding new and more provisions that make the Tax Code more and more complex.

I am a former tax commissioner. I used to be the elected tax commissioner of my own State. I couldn't do my own taxes today. I happen to have a very good accounting firm back in my hometown of Bismarck, ND, prepare my taxes. Unfortunately, I think that is true of most of us. That should not be. Certainly, the vast majority of people should be able to do their own taxes. It should be far more simple than we have allowed it to become, so we think it is important to call for tax simplification reform.

We also have no assumption—I wish to emphasize this—no assumption of a tax increase. We do not believe a tax increase is necessary to achieve the revenue levels we have outlined in this resolution.

Let me show why we believe that is the case. The red line is the President's revenue line. The green line is our revenue line. There is a 3-percent difference. In other words, on the same scoring basis, same projections by the Congressional Budget Office, who are the ones who evaluate these things, our revenue line would produce 3 percent more revenue over the 5 years than the President's plan. Our plan would produce some $15 trillion of revenue over the 5 years; the President's, 3 percent less.

Seeing it another way, here is what the President called for in his initial budget. In his beneficial budget proposal, the President said his plan would raise $14.8 trillion over the 5 years. Our plan, as I have indicated, raises $15 trillion. That is a difference of 1.2 percent. So our budget contains revenue over and above what the President proposed of 1.2 percent.

I know my colleague will jump up and say: But that is OMB scoring, the Office of Management and Budget scoring for the President, and you are using CBO scoring. That is true. But what is also true is the President controls the Office of Management and Budget. That is his office. It is his office that said he was going to raise $14.8 trillion over the 5 years. I am constrained to use Congressional Budget Office scoring. The Congressional Budget Office said our proposal would raise $15 trillion. So that is a difference of 1.2 percent. We think that can be achieved by going after the tax gap, by going after these tax havens, by going after these egregious tax abuses I will get into in a minute.

AMT relief. I indicated that over 3 million people were affected in 2006. In 2007, there will be over 20 million—in fact, it is 23.2 million.

In 2008 it would be 25.7 million if we failed to act. This budget resolution will prevent that explosion of people being subject to the alternative minimum tax, the middle-class tax trap.

This is what the head of the General Accounting Office said, General Walker said in August of 2006: If we are looking into the future and face the facts, we will see that our problem is not just on the spending side and entitlements, it is also on the revenue side.

General Walker is telling the truth. Here is what happens if we extend all of the President's tax cuts without paying for them. If we extend all of the President's tax cuts without paying for them, debt as a share of the economy will reach over 200 percent. Debt as measured by the gross domestic product of the economy will reach over 200 percent in coming years.

The red part of this bar is the additional debt if tax cuts are extended without offsets, without paying for them. The green part of this bar is what happens to the debt if tax cuts expire or are offset, are paid for. That is an important fact to keep in mind. We simply cannot extend all of the tax cuts without paying for them, without pushing this country right over the cliff into massive debt.

I want to talk a minute about the tax gap because I have indicated we believe we could get this additional revenue—remember our revenue is 1.2 percent more than what the President said his budget would raise. How do we get it? Well, one of the first places we ought to look is the tax gap. The tax gap is the difference between what is owed and what is paid.

The Internal Revenue Service tells us for 2001 the tax gap was $345 billion for that 1 year alone. That is based on an estimate of the tax gap back in 2001. Surely the tax gap has grown significantly since that time.

I believe this was a conservative estimate to begin with in terms of what the tax gap was in 2001, $345 billion for that year alone. Again, this is the amount of money that is owed under the current Tax Code but not paid. If we could eliminate this tax gap, we would eliminate the budget deficit. The budget deficit would be gone.

All of us know we cannot collect it all. All of us know we cannot collect it all. But over this 5-year period, the tax gap is probably in the range of $2 to $2½ trillion. If we just collected 15 percent of it—15 percent—that would be over $300 billion. That alone would come close to meeting the revenue needs under our budget resolution.

But we don't just look to the tax gap, even though that is important, and even though the National Taxpayer Advocate finds the tax gap is adding more than $2,000 to the average household's tax bill in this country.

This is what the Taxpayer Advocate said this year: Compliant taxpayers pay a great deal of money each year to subsidize noncompliance by others. Each household was effectively assessed an average tax of about $2,680 to subsidize noncompliance in 2001.

That is not a burden we should expect our Nation's taxpayers to bear. What an outrage. What an outrage. The vast majority of us who pay what we owe are getting stuck with the bill from those who do not. Those individuals, those corporations that do not pay what they legitimately owe under the current Tax Code, an amount back in 2001 that was $345 billion in 1 year alone, that has now grown substantially—I am certain—since then.

Some are saying, well, we cannot collect most of it. Why not? I used to be a tax commissioner. We went after it aggressively, and we collected tens of millions of dollars on that tax gap in the little State of North Dakota. We can do it. If we could do it there, we certainly can do it here in the Nation's Capital. If we can go after big corporations in North Dakota, from the capital in Bismark, ND, with the power of the Federal Government, we can go after these companies and these individuals who are abusing and avoiding what they legitimately owe. I don't buy that we can't. I don't buy it.

It is not just the tax gap, the difference between what is owed and what is paid, it is also the explosion of tax havens. This is a building in the Cayman Islands, a five-story building that is the home to 12,748 companies. Let me repeat that. This modest building in the Cayman Islands, a five-story building, is the legal home of 12,748 companies. They say they are doing business out of that building. Really? They are doing business out of that building?

They are not doing business out of that building. They are doing monkey business out of that building. What they are doing is avoiding taxes in the United States and other jurisdictions. That is what they are doing.

When I was tax commissioner, I went after a company doing business in North Dakota. I found them engaged in one of these tax dodges in one of those tax haven countries. They wound up sending us big chunks of money because they were hiding their profits in these tax haven countries. We should go after them.

We went on the Internet to find out what we could find there. We punched in ''offshore tax planning.'' Offshore tax planning, that is the euphemism used by these tax haven countries. You know how many hits you will get on the Internet? You will get 1,260,000 hits on the Internet, 1,260,000. What do they talk about? They talk about offshore tax planning, basic techniques of international tax planning.

International tax planning. What they are really talking about, what you find when you go to the individual Web pages—because tax planning, that is the euphemism. What they are really engaged in is tax avoidance, tax evasion. That is what is really going on.

Here is my favorite: Live tax free and worldwide on a luxury yacht. Moving offshore and living tax free just got easier. You bet it got easier. You transfer your money to one of these offshore tax haven accounts, and they say very clearly: Do not worry about paying taxes any time in the future. We will shield you from it because we do not have taxes that apply to earnings in these offshore accounts, and we will not report back to your home country that you have stuck your money here and are earning big chunks of change on it and owe taxes on it. We will help you shield that from your Government.

It says in one of these: Your money belongs to you, and that means it belongs offshore. That means it belongs offshore because you put it offshore, and it will be tax free.

That is not fair to all of the rest of us who pay the taxes we owe. This is from USA Today, a story from September of last year: ''Offshore Tax Havens Aggressively Targeting U.S. Taxpayers.''

This is the quote from the UofMoney.com:

''I am going to show you how to protect your money and all you own so nobody, not even the Government, can get at it,'' says University of Money dot-com.

Well it does not end there. This is, again, from USA Today, that same story, ''Offshore Tax Havens Aggressively Targeting U.S. Taxpayers.''

''Once your assets have been transferred to the offshore entity they are safe,'' says website Carib-offshore.com. ''You cannot be taxed on them.''

Now, what could be more clear? This is a giant tax dodge. It is growing. It is a cancer on the vast majority of people and companies that pay what they owe.

How big is this? Well, this is from the State Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations. That is a committee of ours. That is a committee of the Congress of the United States from February of this year: Experts have estimated that the total loss to the Treasury from offshore tax evasion alone—this is not the tax gap, this is tax evasion—approaches $100 billion a year, including $40 to $70 billion from individuals, another $30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.

If we got a chunk of this money and a chunk of the tax gap money, the two of those, if we got 15 percent of those, we would meet the revenue requirement in the budget resolution before the body.

Now, some will say, well, that is impossible to do. I do not believe it. I do not believe that is impossible to do. I was a tax commissioner. I know what can be done if we put the effort into it, if we put the resources into it. We can make enormous progress. Will we ever get it all? No. Obviously, no. We are not going to get it all. But can we get some fraction of it? Goodness knows, this country, if it puts its mind to it, can make significant progress.

One hundred billion dollars a year in these offshore tax havens—this is according to the Senate Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations. They say tens of billions more in abusive tax shelters. What kind of tax shelters are they talking about?

Here is the kind of tax shelter they are talking about. Here is the Dortmund, Germany, subway system. What has that got to do with U.S. taxes? Well, as it turns out, it has got a lot to do with U.S. taxes because wealthy U.S. investors bought the Dortmund subway system from Dortmund, Germany. They went out and bought it. You know what they did? They depreciated it on their books for U.S. tax purposes to lower their U.S. taxes, then they leased it back to Dortmund, Germany, to continue to run their own subway system.

Now, that is a ripoff, I think. What are we doing? We are allowing people to depreciate and reduce their U.S. taxes by buying the Dortmund subway system over in Germany, a system that was paid for by German taxpayers, and then to lease it back to Dortmund, Germany, to run. Are we really going to let this kind of thing go on?

It does not stop there. Here is the city hall in Gelsenkirchen. Wealthy investors in the United States bought that, too, depreciated that on their books in the United States for tax purposes, then leased it back to Gelsenkirchen for their city hall.

Shame on us for allowing this kind of thing to go on. It does not end here. Here is a European sewer system. This is my favorite rate of all. European sewer system, wealthy investors in the United States bought it and depreciated that on their books to reduce their U.S. taxes and leased the sewer system back to the European city that built it in the first place. Come on. Come on. How are we allowing this to go on?

And we cannot get 1 percent more revenue than the President does in his budget? I don't believe it. Close down this tax gap, tax havens, these offshore tax havens. Go after these kinds of scams.

It does not end there. Closing loopholes and abusive tax shelters are not tax increases. Some are going to come out here and say, well, you have got more revenue, it is a tax increase. Is it a tax increase to close these loopholes, to close these abusive tax shelters? I do not think so. I am not alone in that. The former chairman, Republican chairman of the Senate Finance Committee, said this last year: Just in the period of time since 2001, our committee has raised $200 billion in revenues by shutting down tax shelters, by closing inversions and other abusive tax schemes.

Now, in the year 2004 alone, the Finance Committee fully offset a $137 billion tax bill at no expense to the American taxpayers—$137 billion in 1 year.

Hallelujah. If we do that each of the 5 years of our budget, we would more than meet the revenue called for with no tax increase.

The budget resolution also addresses some of our long-term fiscal challenges. We provide $15 billion in Medicare savings. We have program integrity initiatives to crack down on waste, fraud, and abuse. I will talk more about that in a minute.

We have new mandatory spending and tax cuts that must be paid for under pay-go. We have a long-term deficit increase point of order. We save Social Security first with an amendment that was adopted in committee.

We have a health information technology reserve fund the RAND Corporation says could save hundreds of billions of dollars a year if implemented, and we have a comparative effectiveness reserve fund to look at those changes we could make in health care to dramatically improve the cost effectiveness of our system.

We all know what is driving our budget challenges. Right at the heart of it is health care. Rising health care costs are driving Medicare cost growth. If we look to the years ahead, the red part of this chart is what health costs are doing to raise the cost of Medicare. The green is the effect of demographics. The green is the change of the numbers of people in the baby boom generation. The red is the increase in projected health cost. That is where we have to focus like a laser. That is what this budget resolution does. We have this comparative effectiveness reserve fund that will jump-start an effort to bring down health care costs. It provides a new initiative to provide research on effectiveness of different treatments, medical devices, and of drugs so we can identify those things that work where we make an investment and it is paying off.

The Secretary of Health and Human Services, Secretary Leavitt, said this in February of this year in testimony he provided:

> It's evident that there is substantial fraud going on in the Medicare program and we need to be able to have the resources to root it out, to prosecute it, to make certain that it stops. . . . [I]t's a desperate need, we have to have more resources for enforcement.

This budget resolution gives the Secretary the resources he has asked for to go after fraud in Medicare and Medicaid. This chart shows what he is talking about. Because this is part of an ongoing investigation, I can't reveal on the Senate floor where this site is. It is an office building. All these areas blotted out in white are businesses in a building with front operations, scam operations. They are operations that are billing Medicare on average about $1.5 million a year, but they are not providing any services. This is the kind of thing that is going on all across the country. Unfortunately, there are certain parts of the country where it is more prevalent.

The Secretary told the committee there are hundreds of these operations in one State alone, billing Medicare typically $1.5 million a year. He would go to the doors of each of these operations in the middle of a workday, and nothing is going on. Nobody is there. Yet they are billing, billing, billing, billing Medicare for fraudulent devices. This is the kind of scam we have to shut down.

In this budget resolution, we provide important budget enforcement tools as well: discretionary caps for 2007 and 2008; we restore a strong pay-go rule. Pay-go simply says if you want new tax cuts, you have to pay for them. If you want new mandatory spending, you have to pay for it. We also have a point of order against long-term deficit increases, and we allow reconciliation for deficit reduction only. Reconciliation is a big word, a fancy word for special procedures around here that go outside the normal way business is done. It is a fast-track procedure. The only reason it was provided for is to reduce deficits. In recent years it has been hijacked and used to increase deficits. That stands the whole process on its head. We now return reconciliation for the purpose it was intended, to be used to reduce deficits only.

That is a brief summation. Maybe not so brief. I took my colleague's breath away with that ''brief'' reference. That is a relatively brief summation of what is in this budget resolution.

I yield the floor.

The PRESIDING OFFICER (Ms. KLOBUCHAR). The Senator from New Hampshire.

Mr. GREGG. Madam President, I appreciate the Senator's brief explanation of his budget. I look forward to the longer version. We always appreciate his charts, which are well done. I congratulate staff.

Let me start by thanking him and his staff for their courtesy. It has been professional, cordial, and very enjoyable to work with him and his staff on trying to pull this together in a way that is fair, honest, and everybody gets their 2 cents in. Obviously, there are philosophical differences here, but I greatly admire the chairman's commitment to governing fairly and making sure that everybody has a good chance of getting their points across. I admire his ability and his effectiveness as chairman of the committee. I enjoy working with him.

There is a lot to talk about. It is hard to know where to start. I may not be as brief as my colleague, in fact, because there is so much to talk about, although I usually try to be terse and concise.

Let's begin with where we are which is we are now functioning under economic policies put in place by President Bush and the Republican Congress that have produced extraordinary results for the American people. We came out of the 20th century, unfortunately, with the biggest bubble in the history of the world bursting, the Internet bubble of the late 1990s, followed by the attack of 9/11 which threw our economy into a tailspin. Those two events combined should have thrown us into a severe recession or depression. We did have a recession, but it was nowhere nearly as severe as it might have been. Obviously, we didn't have a depression.

The reason primarily was because in the early 2000 period, President Bush, with the support of this Republican Congress, put in place policies which created an atmosphere for economic recovery even in the face of those two devastating events, the bursting of the largest bubble in our history, the Internet bubble—bigger than the tulip bubble, the South Seas bubble—followed, of course, by 9/11, which was an extraordinarily devastating event for all of us. As a result of the policies put in place, the economy has now expanded for 21 straight months. Employment is up 7.6 million jobs. That is people with real jobs, which, of course, is the essence of economic recovery and quality of life. A good job is the essence of a good quality of life. The unemployment rate is lower than it has historically been in most recoveries, which is positive news.

The economic growth has propelled dramatic increases in revenues. I will return to this in more depth in a few minutes.

We have seen in the last 3 years the most significant increase in Federal revenues in the history of the country over a 3-year period. We now have revenues above their historic norm. Historically, they have been about 18.2 percent of gross national product. Now they are about 18.5 percent. During this recovery, real wages have jumped as compared with President Clinton's period, which was a good time economically, and we have had real wage growth that has been more significant than during that period.

To get back to the revenue issue, as a result of the tax cuts put in place by this administration and the Congress, we have seen a dramatic increase in revenues. That is because we have come to a point in our society economically where we put in place a tax law that is fair. We are saying to the American people: Go out and be an entrepreneur. Take a risk, be a marketplace-oriented person, create jobs. If you are willing to do that, we are going to tax you at a fair return on your investment. We have, as a result, dramatically increased revenues so that they are above the historic norm. We have seen the single most significant jump in revenues in our history over the last 3 years, and this chart shows that. So we have as a government actually seen a huge inflow of revenues.

What is the effect of that? The effect is the deficit has dropped dramatically. It was estimated to be about $500 billion about a year and a half, 2 years ago. It is now going to be below $250 billion, and it is headed down. In fact, over the next 5 years, using a CBO baseline, the deficit will continue to go down until we are into surplus and, as a practical matter, under the CBO baseline we reach surplus in late 2011, early 2012. I have said on a number of occasions, it is even humpty-dumpty in the next 5 years to reach surplus. Given what is happening with the revenues of the Federal Government, we are simply in a good time for revenues. Why? Because we are in a good time economically from the standpoint of an expanding economy, creation of jobs and, as a result, the creation of revenue.

It is important to remember that if you have a tax law that says to the American people, go out and invest and take a risk, they will do it. That is the exciting part about our economy. Americans are entrepreneurial by nature. They love to take risks, if they know they can get a return on that risk, because that is the nature of the American people. They will create jobs as a result. When we put in place a dividends rate and a capital gains rate which essentially said: If you want to expand, you want to take a risk, we are going to give you a chance to do it, and you get a reasonable return on your dollars, they have done it. Human nature has produced these huge revenue explosions.

It is also human nature to say to someone: We are going to tax you at such a rate that you are not going to have much incentive to go out and invest because the Government is going to take too much money out of your pocket, so why should you go out and put your sweat equity into trying to build a little business, a restaurant or maybe a small software company or something such as that? Why should you do that if the Government is going to take so much of your income that it doesn't make any sense? So you don't make that type of an adjustment in your lifestyle.

We have created an economy and a tax atmosphere where people know they are going to be taxed fairly—not undertaxed, taxed fairly. As a result, we have seen huge increases in revenue. In fact, because we have created such a fair tax climate, today the top 20 percent of American income tax payers pay a higher percentage of American taxes to the Federal Government than they did during the Clinton years.

Let me explain this another way. During the Clinton years, if you were in the top 20 percent of the income brackets, you paid less in taxes as a percent of the total Federal burden than you do today, if you are in that top 20 percent. So basically high-income people are today paying 85 percent in Federal income tax. At the same time the bottom 40 percent of Americans who have income tax obligations actually don't pay a lot of income tax. They actually get money back through something called the earned income tax credit. They are getting back twice as much, almost twice as much under the system today as they got back under the Clinton period.

So we have the highest income people—those top 20 percent of the American people paying income taxes—paying 85 percent. We have the lowest income people—the bottom 40 percent—getting about twice as much back as they did under the Clinton years.

What does that mean? We actually have—under this new tax law that was put in place which is generating all this revenue, 21 months of economic expansion, 7.5 million jobs, and all sorts of revenue for the Federal Government—we actually have a more progressive tax system than during the Clinton years. In other words, high-income people are paying more, low-income people are paying less and getting more back. That is progressivity, and that is the way it ought to be.

So in light of this situation, where we have seen a dramatic expansion in the economy, a dramatic expansion in Federal revenues, a big increase in jobs for Americans, and a situation where we have a more progressive tax system, what does the Democratic budget suggest?

Well, it suggests putting in place a set of policies which goes in exactly the opposite direction of the policies that got us to this point. The Democratic budget, as proposed, will increase taxes, or revenues, by approximately $916 billion, it will increase nondefense discretionary spending by approximately $140 billion, it will increase the debt by $2.2 trillion, and it does nothing in the area of mandatory savings. I will talk about all four of these areas individually.

I also will mention some of the things it leaves out. It has left out long-term entitlement reform. It has left out long-term AMT relief. Funding for the ongoing costs of the war beyond 2009 is left out. It has left out fixing the physicians payment and unexpected emergency funding, and its spending and taxes in 24 different reserve funds. We will get into more specifics on this issue.

On the spending side of the ledger, this budget increases nondefense discretionary spending by $146 billion, approximately—$18 billion next year. Remember, that is not in a vacuum. That is on top of the budget the President sent up here that would increase spending by almost $50 billion next year. So you are seeing a dramatic expansion in spending.

At the same time, there is virtually no reduction in the amount of spending which is occurring in nondefense entitlement spending, in entitlement spending, or in nondefense discretionary spending. The chairman of the committee said: We need to be tough on spending. But in his budget, there are no spending cuts—none. He said we would need more revenues, so in his budget he put in $900 billion more of revenue.

What you have is a budget that dramatically expands revenue but does not do anything to constrain spending. As a result, what you are going to get is a very significant increase in the debt of the Federal Government. It is going to be up by $2.2 trillion after this Democratic budget has gone forward.

The wall of debt, which we have seen many times on this floor from the chairman of the Budget Committee, is going to grow and get higher and be more difficult for our children to bear and get over.

In addition, the budget, as proposed by the Democratic membership, will significantly use Social Security funds for the operation of the Government. Over $1 trillion of Social Security funds will be used to operate the Federal Government. Now, that is not unusual. I admit to that. Historically, Social Security funds have been used to operate the Federal Government. But in the past we have heard from the other side of the aisle it is not right to do that. Well, if it was not right for us to do that when we were in the majority, why is it right for the Democratic side of the aisle to do that when they are in the majority, which is what they do.

In addition to building the wall of debt, they are also building the wall of spending. There are all sorts of expansions of programs in this budget. In fact, as I listened to the chairman's opening remarks, what I heard most—maybe because my ears are attuned to it; but I also think the majority of the time was spent on two things—one was new spending programs. He listed them—one after another after another after another. We have to spend more money here, more money on agriculture, more money on SCHIP, more money on LIHEAP, more money on CDBG, more money on transportation, and more money on the COPS Program.

My goodness gracious, the COPS Program was put forward by President Clinton back in, I think, 1995. He said it was going to be a 3-year program. At the end of 3 years it was going to go away, if we funded 100,000 cops on the street. That was the program. Well, we funded 100,000 cops. Then we funded 10,000 more. So we ended up funding 110,000 cops.

Three years went by and the program did not go away. It is still there. It is like every other Federal program. They do not go away. They stay on, as has this one, even though that program was specifically designed to go away. But we see it as a high priority for new spending in this budget. So it is spending upon spending upon spending—$146 billion in new spending in nondefense discretionary spending. That is a big number. It compounds. It is not as though it is not a big number to begin with. But when you get out past 5 years, that number becomes the base that everything grows off of, and it gets bigger and bigger and bigger. It is not as though it is a one-time event.

The COPS Program is a good example. It was supposed to go away. It stayed around. It is compounding—got to add to it, got to add to it, got to add to it. In the end, who pays? Well, it goes back to that wall of debt. The $2.2 trillion of new debt that is being put into this system by this bill goes to our children. That is a bill directly to our children. We need to address the fact that this budget, as proposed by our colleagues on the other side of the aisle, is going to do nothing to give our children the opportunity to have a decent lifestyle, to have the lifestyle our generation has had. In fact, it is going to aggravate their ability to afford the Government they are going to be handed because it is going to give them all this new spending, and then it is going to hit them with mandatory spending.

We know if we do not address the mandatory spending accounts in this Government, we are going to bankrupt this country. We are going to send this country into a fiscal spiral, and our children are essentially going to be handed a country which they cannot afford. We know that. Why do we know that? Well, because the chairman has been good enough and, appropriately, has held probably 10 or 15 hearings on this specific point. Every major witness we have had—all the leaders, from the Chairman of the Fed, to the Comptroller General—all of the major witnesses have said the same thing: We are headed toward a fiscal meltdown as a nation because of a demographic tidal wave that is headed toward us. The baby boom generation is going to retire. It is going to double the number of recipients who will get Medicare, Medicaid, and Social Security. As a result, our children are going to be overwhelmed.

This chart shows it so appropriately, the three programs: Medicare, Social

Security, and Medicaid. The spending on those programs is going to exceed what has been spent by the Federal Government historically, which is about 20 percent of gross national product. That is shown by the black line on the chart. It is going to exceed that number by about the year 2025, 2028. Then, it keeps going up. So as a very practical matter, in about a decade and a half from now, it is going to be impossible for the Federal Government to function because three programs will be absorbing all the money the Federal Government traditionally spends. The practical effect of that will be our children will basically have to be taxed into obscurity in order to support this. That, unfortunately, is what is going to happen unless we address this issue.

The total unfunded liability of our Federal Government is about $67 trillion over the next 75 years. Mr. President, $67 trillion—try to put that number into concept. I do not know what $1 trillion is. Try to think of what that means: $67 trillion.

Well, to try to put it into some context—it is still unconscionable; it is such a huge number—if you take all the taxes paid in the United States since the beginning of our Government, we have paid in about $42 trillion. So the unfunded liability—most of which is due to Medicare, some of which is due to Social Security—exceeds the total taxes paid to the Federal Government since the beginning of our country.

To put it another way: If you take all of the net worth of America—everybody's car, everybody's house, all your stocks, all your businesses—and roll it into a ball, that adds up to about $56 trillion. We actually have on the books today a liability that we do not know how we are going to pay for, which exceeds—exceeds—the total worth of America. Yet this budget, which we are presented today, does nothing about that. Even though we had hearing after hearing to talk about the need to address entitlements and the spending on entitlements, it does nothing about it.

It is not as though nothing can be done. We will hear from the other side of the aisle, well, we need to do a global settlement—and I have joined with the Senator from North Dakota to try to accomplish that—that we cannot do anything until we do a global settlement. That is a good idea, and that is the way it should be done, but we have to get started, folks. We have to get started. This budget was the opportunity to start.

In fact, the President sent us up an idea—two ideas, basically, which would have accomplished very significant savings in the entitlement area. His proposals would have saved $8 trillion of the $24 trillion now unfunded in the Medicare fund or essentially 25 percent of the Medicare fund. Twenty-five to thirty percent of the Medicare fund insolvency would have been addressed. How did he do it? He did not affect beneficiaries with his proposals. They were very reasonable proposals.

Essentially, the way he did it was to set up two proposals. One would have calculated correctly the reimbursement cost to provider groups, not counting doctors. The other would have required that very high-income seniors, people making over $160,000 on their joint returns, would have to pay a higher percentage of the cost of their Part D premium and their Part B premium. So 95 percent of the seniors would not have been affected at all by the proposals he sent up here. Remember, these proposals would have reduced the insolvency of the Medicare trust fund by $8 trillion or by about 30 percent.

This type of proposal should have been taken up. It should have been agreed to. There should not be any debate about it. Why, for example, should a person—a mother, maybe a single mother working at a restaurant, who has to pay taxes—why should she be supporting the premium which is being used to support the drug benefit for a retired senior who has an income of over $160,000 filing a joint return?

Let's take, for example, a retired Senator. Why should somebody who is working on a production line or in a restaurant or in a gas station—why should their general taxes have to be used to support a retired Senator's Part D premium for drugs? Because the retired Senator is probably going to be making more than $160,000 jointly or $80,000 individually. It makes no sense.

Just by effecting this one change, you could have dramatically reduced the liability of the trust fund and made our Government more affordable to our children so our children would be able to send their kids to school and not have this huge tax burden. This is another example of that.

But, essentially, this budget, as presented, totally ignores the entitlement storm that is coming—the Medicare storm, the Social Security storm, and the Medicaid storm. It is a failure in policy and a failure in leadership. It is especially unfortunate because when you put it in the context of the fact that this budget significantly increases taxes, taking—we will get into that in a few minutes—the tax burden of the American people from 18.5 percent of gross national product up to 20 percent of gross national product, instead of using those revenues for the purposes of maybe trying to resolve this long-term crisis which is so significant that it truly will cause an economic meltdown—instead of doing that, these tax increases are frittered away. They are frittered away. They are spent. They are used to adjust this program or that program, whereas, they should have been used, if they were going to be done at all—which they should not be at this time—to at least address the liability of the Medicare trust fund. But they didn't. It didn't occur.

So when the Democratic chairman says: ''I have said I am prepared to get savings out of long-term entitlement programs,'' I wish he had done that. Instead of that happening in this budget, there is absolutely no savings that would improve the trust fund situation. There is a $15 billion savings, but that is used to pay for a $50 billion expansion of the SCHIP program, so it is actually a net loser to the tune of $35 billion.

The practical implications of this budget—the practical situation, to clarify, because it is fairly complex, is that by increasing spending by $146 billion and then increasing revenues by $900 billion and then increasing the debt by $2.2 trillion and doing nothing on the entitlement side of the ledger, this budget essentially creates almost what you could call a perfect storm of tax and spend. It is overwhelming, the practical implications of where this is going to go, because of the four priorities as they are set out and the way they have been dealt with. Missed opportunities on the entitlement side, dramatic expansion of revenues on the revenue side, nondefense discretionary spending increases to $146 billion. On the revenue side—on the big red chart—this bill essentially says the revenues increase is going to be about $900 billion.

To put this fairly, if you were to look at the President's budget and compare it to this, the President's budget would be about $400 billion or $450 billion. That basically involves the AMT. So what essentially is being proposed is a $450 billion to $500 billion increase in taxes over what the President might have suggested, or did suggest, which is a half trillion dollars.

The chairman likes to call this 3 percent. We are just 3 percent above the President. He has these two graphs that go together. You remember when you were in junior high school and you did graphs. If you compress the numbers enough, you make everything go together. It is all mushed together. That is what he has done.

Three percent is real money, folks. Even though the graphs go like this, they are all crushed together on his chart. Three percent is a half trillion dollars. A half trillion dollars, that is a lot of money in new taxes. In fact, that represents the single largest tax increase in the history of the country. This budget reflects that. We don't know where it is coming from because we have this representation from the majority leader that it is not going to come from increasing the rates. Well, that is hard to understand because he has claimed he is going to get it from the tax gap, and then he has claimed he is going to get it from closing loopholes.

We had testimony before the committee from the head of the IRS. The Commissioner of the IRS said he might get another $30 billion to $40 billion at most over 5 years—and I am giving him the benefit of the doubt—out of the tax gap. He was close to $20 billion, actually. Regarding closing the loopholes, we have had a lot of people around here chasing loopholes for a long time. Everybody has loopholes they chase all around this place. It is sort of like one of those games when you take your kids to Chuck E. Cheese's and they have those things with the big heads that pop up and you hit them with the club. Everybody is chasing loopholes all over this place, but they don't appear to get them very often. When they do get them, they don't generate a half trillion dollars. It might generate $5 billion or $4 billion. That is a lot of money, but it is not a half trillion dollars.

A half trillion dollars is real money. Where do you get it? You raise rates. This budget is a stocking horse for rate increases. There is no question about it. In fact, all you have to do is read the fine print. In the fine print, there are four—not one, not two, not three, but four new—because I count their pay-go proposal as new—four new—and tax-go proposal—four new points of order against tax rates increasing over their present—tax rates being allowed to stay at their present rate.

Let me restate that because I obviously mixed up the sentence. There are four new points of order against the ability to keep tax rates where they are today.

My colleagues, remember when we started this discussion, we talked about all the good news we were getting as a result of having a tax system that was finally fair and where people were willing to go out and take a risk and invest and create jobs: 7.4 million new jobs, 21 months of expansion, best revenues we have ever had in the history of this country. That is going to go by the board because you are going to have to jump the first hurdle, the second hurdle, the third hurdle, and then the fourth hurdle with very aggressive points of order which will require 60 votes before we are going to be able to maintain those tax rates.

This budget, which increases taxes by $900 billion, which, as a result, has to be focused on driving those tax rates up because there is no place else you can get the money, is a clear attack on things like the capital gains rate, the dividends rate, the death tax rate, and rates in general, plus all the other extensions, whether they are helping kids or not. The practical effect of this is what you have to worry about.

We are on a path under this budget to become France. That is where we are headed, a tax level which is essentially a French tax level. The American people aren't going to want to work very hard. Well, the French people don't want to work very hard. I shouldn't say that. Maybe they do, they just don't act like they do.

As a result, we are going to find that our Nation's productivity drops precipitously because we are raising our taxes. Under this proposal taxes will go up to 20 percent of gross national product.

Remember that chart I showed you. You probably don't remember it, but I will remind you of it. Historically, the tax rate has been about 18.2 percent of gross national product. Today we are at 18.5 percent of gross national product, so we are actually bringing in a lot more than the historical level. This budget assumes—assumes that we are going to go to 20 percent of gross national product in taxes. That is a dramatic expansion in the size of the government.

What do we get? Well, we get more asparagus growing. We get more COPS Programs, more CDBG, more ag payoff. We are not getting something substantive that is going to, in the long term, straighten out our biggest issue, which is entitlement reform for this dramatic expansion in revenues. What we are getting is more government, more government. It doesn't make a whole lot of sense.

In fact, not only do we have a wall of debt, which the chairman has often mentioned to us, we now have a wall of taxes. You can see how, under the chairman's budget, the tax wall goes up and up and up. The problem with this wall is that when people try to climb over it, they run out of energy after a while and they stop climbing. Productivity drops, people who are willing to take risks stop, jobs dry up, and people come to the conclusion that maybe it is not worth working all this hard because they are going to send all the money to the Government in Washington, and they are not all that confident the Government in Washington spends their money all that well.

Now, the chairman—and I just have to respond to this one because the chairman keeps holding up this chart that says—first, he had the 3 percent chart which mushed the lines, but then he has the chart which says, well, our taxes are about the same as the President's taxes.

What he fails to mention is—well, he did mention it actually, but what he fails to point out is that he uses one scoring mechanism and the President uses another scoring mechanism. He uses apples and the President uses oranges. So that chart is a little misleading.

So I decided to do it apples to apples and oranges to oranges. When you compare the scoring mechanisms equally, you end up with the fact that, my goodness, $934 billion in new taxes under the Democratic proposal, apples to apples, that is CBO. That is the number that I think even the chairman of the committee will acknowledge is how much new revenue he is raising, and under the OMB scoring it would be $600 billion of new taxes. Dramatic increases. Dramatic increases in tax revenues, with the implications, of course, with all of these new budget points of order and all—and the failure to be able to—even out of this building in—where is it—the Cayman Islands or Panama or someplace, this one little building, no matter how he squeezes that building down and crushes it into dust, he cannot get $439 billion out of it. He might get $30 billion out of it, but that still leaves him $400 billion to go, or depending on the other scoring, $570 billion. The only place you can go with this type of money is the American taxpayer. We are not talking about the rich. We are talking about Americans trying to make a living, small businesspeople running a small business.

Most people who live off dividends actually are senior citizens. Senior citizens will be hit heavily by this tax increase. Capital gains—that is where people take risks, and they are not going to change their asset mix anymore and, as a result, it will dry up. This is a huge tax increase budget.

So to summarize, although I hate to do that because I haven't taken nearly enough time, the Democratic budget raises taxes by $900 billion, raises spending on the nondefense discretionary side by $146 billion, and most acutely, in my opinion, although the tax number is obviously daunting, the most acute failure of this budget is that it passes all this debt on to our children and then further burdens them by not doing anything of any significance to address the coming tsunami, which is the entitlement costs which the baby boom generation is going to force on to our kids, making our Government unaffordable for our children.

So I have reservations about this budget. As we go forward, I imagine there will be amendments to reflect those reservations.

At this time, I would like to yield to our leader for 10 minutes, if that is all right with the chairman.

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Madam President, I would like to respond, and then I will be happy to yield to the leader.

The Senator has used one of the most entertaining presentations I have seen in a long time. I want to give special praise to his staff for his wonderful new charts. I assume that the creative genius behind these charts was the Senator himself.

Mr. GREGG. No, you cannot assume that.

Mr. CONRAD. Let me say I have enjoyed this. It has tremendous entertainment value. There is not a whole lot of factual value but a lot of entertainment value.

Let me say this. The hard reality is regarding the Senator's chart comparing apples and oranges. The problem with that chart is it is not to scale. It is not to scale. If you do a scale of what the President called for in revenue and what I have called for in revenue, here is what it is to scale. The President said his budget would produce $14.8 trillion of revenue; mine, $15 trillion. That is a difference of 1.2 percent. I don't think civilization is going to cease to exist because we get 1 percent more revenue than the President called for.

How do we say we should get it? We say we should go out and close down the tax gap. That is over $300 billion a year—a year—going after the tax havens, these outrageous scams that are going on that another committee of Congress says is costing $100 billion a year. Then these other egregious tax loopholes where companies and wealthy individuals are buying sewer systems from Europe and using them to reduce their taxes in the United States and then leasing them back to the Europeans.

Now, on this whole question of tax increases, the Senator, to his credit, was square with people about this because when he says I have a $900 billion tax increase, the fact is, the President, in a similar analysis, has a $484 billion tax increase because the President has $328 billion of AMT increase, $104 billion of tax extenders, and $52 billion in this health tax proposal. So the difference between us—both have revenue increases. Both do. The difference in revenue is $439 billion.

As I have indicated, the President called for $14.8 trillion in his budget, and we have $15 trillion in mine, a difference of 1 percent.

The Senator also talked about debt, and he talked about our wall of debt. He didn't mention anything about the President's wall of debt, and he left that out because the President's budget—by the way, our colleague here on the other side has no budget. The only budget from the other side is the President's budget, and the President's budget has $250 billion more debt than our proposal. So when my colleague criticizes our proposal on building debt, you didn't hear him mention a word about the proposal from the President. The only budget we have from the other side has $250 billion more debt than in our proposal.

Here is the wall of debt, not only looking forward but looking to the previous years that their side has built up. The reason, for example, that we still have Social Security funds being used is because our friends on the other side have dug a mighty deep hole. We are on a ladder scrambling to get out, but we are still stuck in a hole they dug, and here is the hole they dug. When they came in, at the end of the President's first year, there was $5.8 trillion in debt. At the end of this year, there is going to be $9 trillion in debt. This is the hole they dug. They controlled the Senate and the House and the White House, yet they put us in this deep chasm of debt. Under the President's proposal, as I have indicated, they would add even more debt—even more debt—taking us to over $12 trillion by 2012.

One of the results of this, because increasingly this debt is being financed from abroad, is that it took 42 Presidents 224 years to run up $1 trillion of our debt held abroad. This President has more than doubled that amount in 6 years. One President, in 6 years, has more than doubled foreign holdings of our debt, a debt which took 42 Presidents 224 years to run up.

On the question of Social Security and who is taking Social Security money, the President's budget is the only budget from their side of the aisle, because our colleagues have no budget. They have presented no budget. They have presented no alternative. The only alternative budget we have from their side is the President's budget. So if we want to talk about Social Security money, their budget uses $1.16 trillion of Social Security money, which is $130 million more than does ours.

So I would ask my colleagues: Where is your budget? Where is your budget? You think we should use less. Where is your budget? The only budget you have is the budget of the President, and it uses more Social Security money, it runs up more debt, and also has massive, or at least large, capped increases associated with it.

So I am a little concerned that the other side hasn't produced any budget other than the President's budget.

When our colleague talks about this big spending increase, there is no big spending increase. It is indecipherable, the difference. It is indecipherable, the difference. On a $15 trillion base, yes, we spend $150 billion more over 5 years. Where does it go? Where does it go? It goes to education, it goes to children's health, and it goes to our Nation's veterans and their health care.

It has been a failure of the other side of the aisle to take care of our Nation's veterans' health care. It has created the scandal that is now here in this town, the Walter Reed scandal. It was a failure on their watch. It was a failure to care for our veterans. We are not going to accept that. We are not going to allow it. So, yes, it requires more money; and, yes, it requires more money for education; and, yes, it requires more money if we are going to provide health insurance for the children of this country.

The Senator also said that under the President's watch, the tax cuts have been very progressive. No, they have not. They have not been progressive. The top 1 percent have income of more than $418,000 a year. They have gotten 71 percent of the benefits of the tax cuts passed by this administration. That is progressive? This is how confused our colleagues have become on the other side, that they think it is progressive when those earning over $400,000 a year get 71 percent of the benefit.

Here is what the average tax cut for a millionaire is in 2006. Those earning over $1 million a year, under their tax plan, got a $118,000 tax cut, on average. They received a $118,000 tax cut, and those earning less than $100,000 got $692. They say that is more progressive? I mean, that is true denial. That is true denial. Those earning over $1 million a year got an average of $118,000 in tax cuts under their plan, and those earning less than $100,000 got $692, and they say that is more progressive. That stands logic and truth on its head.

The drop in the tax rate is the largest for the high-income taxpayers. Those who are in the top 1 percent got a drop of 3½ percentage points in their rates. Those in the bottom 20 percent got three-tenths of 1 percent. That is progressive? I don't think so. That is not the definition of ''progressive'' I learned in school.

Now, he talked about job creation under the Bush administration and he talked about 4.9 million jobs being created. Yes, that is true. In the first 73 months, 4.9 million jobs were created. Let me compare that to the Clinton administration. In the first 73 months of the Clinton administration, 18 million jobs were created. That is over three times as many.

The Senator also held up a chart talking about job creation. Let me make this point. We have gone back to the nine recoveries since World War II, nine major recoveries, and compared this one to those. Here is what we find. This recovery is running 6.7 million private sector jobs short of the average of all of the other recoveries since World War II. This is a success? I don't think so.

It is not just on jobs, it is also on business investment. In business investment, this recovery compared to the nine previous recoveries since World War II, business investment is lagging in this recovery by 68 percent.

What about the median household income under this administration? It has declined. From 2000 to 2005, real median income in constant dollars declined by almost $1,300. Maybe that is why people are working more and earning less. Maybe that is why in the latest Newsweek poll two-thirds of the American people say the economy is not doing well. Two-thirds of the American people say the economy is not doing well.

If we look at the question of recoveries, the Senator held up another chart talking about how well recoveries have done and revenues have done in this recovery. Well, again, if we compare it to previous recoveries, in this recovery we are running $127 billion short of the average of the nine previous recoveries since World War II. Something is very wrong.

On the Senator's revenue chart, he didn't show you the first 4 years of this administration. He only showed you the most recent years. Why didn't he show you all the years? Why did he just show you some of the years? Well, I think here is the reason. It gives a very different conclusion than the one he drew.

When you show all the years, what you see is we have not gotten back to the revenue base we had back in 2000 until 2006. It has taken us 6 years to get back to the revenue base we had back in 2000. He didn't want to show you that. He doesn't want to show you that, after the big tax cuts in 2001, the revenue base went down. It went down again the next year and stayed down the next year and the next year. Only in 2006 did we get back to the revenue base we had 6 years ago.

Maybe that is the reason the debt has exploded under their watch. The deficits grew dramatically under their watch. Increasingly, we are in hock to foreign governments and foreign entities and foreign investors, and our budget says we have to stop it. We have to balance the budget and, yes, we have to look to the longer term.

My own belief is, and I think virtually everyone in this town knows this, the only way we are going to deal with the nagging long-term fiscal shortfalls is with bipartisan agreement, one between Republicans and Democrats, one in which both of us come to the table and compromise. That is what Senator GREGG and I have proposed, a working group, eight Democrats, eight Republicans, with the responsibility to come up with a plan to deal with these long-term fiscal imbalances. My own belief is that is the only way that will happen.

I thank the Chair, and I yield the floor.

Mr. MCCONNELL. Madam President, I always look forward to budget week every year because this debate illustrates the differences between the two parties like no other debate we have in the course of the year. Our budget debate is led by one of our most, if not our most skillful debater and budget expert, Senator GREGG, and I know he will want to respond once again to the observations of our good friend from North Dakota, the chairman of the committee.

Republicans got their first look at the Democratic budget last week. We have been pouring over the details for the last few days, and at this point I can safely say this: If anyone is searching for a political document that reflects the triumph of rhetoric over reality, look no further.

For years, Republicans have politely stood by and listened as Democrats lectured us about the rich—the richest 1 percent is the favorite phrase—while casting themselves as the party of the working class. We have heard from brave Democratic candidates and newly elected Members who tell us we favor the country club set and the CEOs. Many would like to paint us into a modern day Thomas Nast cartoon, chomping cigars and taking care of businessmen at the working man's expense. It is a caricature that has always been wrong and that has persisted so long it has certainly been a nuisance.

Americans usually know better. They look at their paychecks and they ask themselves that simple question: Am I better off now than I was 4 years ago? The answer, for most Americans, is clear: Republican economic policies have lifted tens of millions of working families into the middle class over the last two decades and sparked a general wave of prosperity that few of us could ever have imagined. Americans know it, and so do our colleagues on the other side of the aisle, which is why the budget they are proposing is so disturbing.

Rhetorically, our colleagues on the other side of the aisle have been careful to embrace an appealing script: Keep taxes low, reform entitlements, and control spending. But the rhetoric always meets reality right here in the budget, and this time the collision between the two is straight out of the movie ''300,'' playing right now.

Let's start with the rhetoric. A few months ago, in November, the senior Senator from Delaware was asked whether Democrats planned to raise taxes. Here is what he said: ''Well, the answer is that they will not do that—they won't raise taxes on working and middle class [Americans].''

That was the senior Senator from Delaware on November 5. His Democratic colleagues have stuck to the same script. In early November, voters in Missouri asked the now junior Senator from that State whether Republicans were right to say that she and other Democrats would raise taxes if they took back the majority. ''There's nothing to that allegation,'' she said. ''We're going to cut taxes for the middle class.''

Then there was the now junior Senator from Virginia, who recently laid out a case against Republican economic policies in a Jacksonian-tinged response to the President's State of the Union Address. Talking to the Roanoke Times on November 6, he too denied the Democrats would raise taxes on the middle class. He said he would not ''raise taxes for wage-earning people.'' He would put more burdens on corporations instead, he said.

Well, someone on the Budget Committee isn't conferring with the new Members because the budget the Democrats handed down last week not only contradicts the stated intentions of these new Senators, its passage would represent, as Senator GREGG has pointed out, the greatest tax hike in U.S. history by far, four times greater, in fact, than any previous tax hike. Four times greater.

The last time we saw a tax hike even remotely this big was in the Democratic-controlled Congress back in 1993, and we know what happened the following year. Voter anger over those hikes put Republicans in charge of both Chambers for the first time since 1954. President Clinton himself would lay those electoral losses squarely at the feet of the 1993 tax hike. Speaking later to a group of donors, President Clinton said, ''I'll tell you the whole story about that tax hike. Probably there are people in this room who are still mad at me at that budget because you think I raised your taxes too much. It might surprise you to know that I think I raised them too much too.''

That was President Clinton speaking about his tax hike in 1993.

If President Clinton thought that tax hike was too much, he would choke on this one. The tax hike the new majority party sent down last week is four times bigger than one that he said was too big for Americans—and, ultimately, him—to stomach.

How can the Democrats possibly think the American people will stomach this one?

Do they think Americans are ready to see all the economic gains of the last 5 years washed away by a budget that reinstates every tax we have lowered or repealed over that period?

If this budget passes, those cuts are gone. Extinct. Dead.

And their reimposition would cost working men and women and retirees dearly—nearly $1 trillion over the next 5 years, by our count.

Everyone will take a hit. Despite the Democratic refrain that the tax cuts we enacted in 2001, 2003, and 2005 favor the richest 1 percent, the truth is, the wealthiest Americans continue to pay the lion's share of taxes.

Under the Democrat budget, they would see their share increase even more—disincentivizing the kind of corporate and individual investment that has driven the economic boom of the last several years.

But the wealthiest taxpayers can absorb a hit. They are not the ones this budget hurts the most. That is what is most astonishing about this budget: Working families will take it on the chin.

How? Let me count the ways.

Under the Democrat's budget, 45 million working families with two children will see their taxes increase by nearly $3,000 annually.

The child tax credit is cut in half—to $500, piling one more worry onto the shoulders of parents, not to mention parents-to-be. We should be encouraging and supporting young, growing families in this country, not penalizing them.

Newlyweds are robbed of a measure of their happiness, with the budget cutting the standard deduction for married couples by $1,700.

Far from shifting the burden onto the wealthy, the Democrat's budget would drive up the taxes of an average family of four by more than 130 percent—more than doubling their taxes.

Single parent households would take a hit too. By letting the 2001 and 2003 tax cuts expire in 2010, single-parent families would see their taxes rise by nearly 70 percent.

Senior citizens get hit big.

Again: Despite Democratic grumbling that only the richest 1 percent of Americans benefit from the tax cuts we passed in 2001 and 2003, seniors were a major beneficiary of the capital gains and dividend tax relief. More than half of all seniors today claim income from dividends, and one-third claim income from capital gains.

That's right, this proposed hike will hit more than half of all seniors.

The expansion of the market over the last 2 decades hasn't just benefited the few. It has helped millions of hard-working Americans retire earlier than they could have dreamed of a generation earlier. Democrats see the wealth that more than 15 million American seniors accumulated over that period, and they want a piece of it.

In a sort of perverse politics of inclusion, business owners and executives, middle-class families of four, struggling single-parent households, and millions of seniors—everyone gets slammed by this budget.

Call it fair but cruel.

This budget represents a tax hike four times greater than the previous record, and Republicans cannot support it. We said at the beginning of the session we would not support tax hikes. We certainly will not support what amounts to the biggest one in American history.

Worse still, the Democrats don't even plan to put their $916 billion in new revenue to good use. They don't take back working Americans' tax relief to pay down the debt or lower the deficit—they want it so they can continue to raise spending to unprecedented levels.

Let's take a look at some of the numbers.

This budget increases annual spending on federal programs over the President's 2008–2012 requests by nearly $150 billion.

It spends more than $1 trillion of the Social Security surplus, increases gross debt by more than $2 trillion between 2008–2011, increases the deficit by $440 billion, and it completely ignores the urgent need to address entitlement reform—this, despite the fact that the new Democratic chairman of the budget committee stated flat out on national television just 2 weeks ago, and I quote, that ''We need to reform the entitlement programs.''

Add it all up and you've got the classic stereotype of the Party of Tax and Spend. Only, this time, it is on a level the likes of which we have never seen before. It is hyperbole, really.

Republicans made a pledge to fight tax increases and to rein in spending, and we intend to stick by it. With this budget, the Democrats have guaranteed quite a fight.

I yield the floor.

The PRESIDING OFFICER (Mr. WEBB). The Senator from North Dakota.

Mr. CONRAD. Mr. President, let me indicate we do not want to let people's imaginations run wild here. Let me just make this flatout statement: We have no proposed tax increase in this budget resolution.

The Senator from Michigan is to be recognized for 20 minutes?

The PRESIDING OFFICER. The Senator from Michigan.

Ms. STABENOW. Mr. President, first of all, I thank the distinguished chairman of the Budget Committee for his outstanding work and his commitment day in and day out to putting together a new direction for the country in this budget and meeting our fiscal responsibilities, and thanks to his staff for their hard work as well. Also, to our ranking member, the former chairman, we disagree in approach, but I have great respect for him and his staff and the way in which they conduct business and their professionalism.

Before talking about why this is a good budget resolution, let me start out by, in fact, disagreeing with the distinguished Senator from New Hampshire. He says everything is going great all across the country, everything is going great. But just last week, in the newspaper here, the Washington Post, we had a story about a national survey showing a soaring number of homeowners failed to make their mortgage payments. The number of foreclosures of all homes jumped to its highest level in nearly four decades, according to the survey by the Mortgage Bankers Association. The highest level in nearly four decades? Is that because people just don't want to pay their mortgage? Of course it is not. It is because the average people—middle-class families, people working hard every single day—are not feeling the benefits of what the distinguished Senator was talking about.

It is true that you can show numbers—stock market up 58 percent, real GDP up 32 percent, real corporate profits up 36 percent. But the median household income—the majority of Americans working hard every single day, who care about their families and are trying to make a better life for themselves, have seen their incomes go down—in fact, $1,253 over a 5-year period, from 2000 to 2005.

Why? First of all, we have lost 3 million manufacturing jobs in America under this President and during the previous Congress—3 million manufacturing jobs. What does that mean? Good-paying jobs, good wages, pensions, health care benefits, a chance at the future, the hope of sending your children to college—good-paying jobs, 3 million of them lost. I have a list here of just some of those in manufacturing: computer and electronics manufacturing, 543,900 jobs, good-paying jobs, people who have a very different view than what was presented earlier about how great it is right now economically in America. Vehicle parts, machinery, fabricated metal products and primary metals, and right on down, transportation equipment, furniture products, textile mills—43 percent drop in textiles—leather products, right on down through chemicals.

The reality is too many people in this country, the majority of people in this country, have not benefited from the rosy picture we have heard about and we are going to continue to hear about on this floor. Why? Because they have not been the priority under this administration and the previous Congress. They have not been the priority.

The good news about this budget is that in this budget, they are the priority. We are in a new direction through this budget. We are, in fact, returning to fiscal discipline. Yes, we value paying the bills. No more borrow and spend, borrow and spend, over and over again, borrowing, adding up mounds of debt. We are putting us back on the road to fiscal discipline, and we are putting middle-class families first. That is the value base for this budget. That is what we are looking at in the big picture.

In fact, the budget is our value statement. It is about our values and our priorities. It reflects who we are as a country and allows us to shape who we want to be in the decades ahead. This budget is about making sure everybody has a chance to make it. Folks working hard every single day want to know that they are going to see their lives improve, not just some numbers for some people.

Last November, the American people sent a clear signal that they were unhappy with the way this Government was doing business. They chose new leadership for America. They wanted a new direction, a direction that builds on our common values and places a premium on putting our middle-class families first.

We have already made great strides in delivering on those promises and the potential of last year's election. The Senate has passed an increase in the minimum wage for folks working hard every day, working not one but maybe two or three jobs, probably without health insurance, trying to make ends meet for their families. We finally engaged in an open, important, a critical debate on the war in Iraq, and we have taken concrete steps to implement the recommendations of the 9/11 Commission to make our families and our communities safer.

But in many ways, this budget debate, the budget in front of us, is our first big test about who we are and what are our priorities. We are faced with a very simple question: Will we bend to business as usual and deliver a budget that fails, again, to live up to the mandate the country has asked of us or will we do what the American people have charged us to do—deliver a budget that reflects middle-class values and works for American businesses, farmers, workers, and families? That is what our budget resolution does.

It will not be easy. We have inherited a fiscal mess, quite honestly. We have tough choices to make. I love seeing that the wall of debt, the wall that was actually created by the distinguished Budget chairman talking about where we have come from in the last 6 years—I remember in the Budget Committee when we had the largest surplus in the history of the country, over $5.6 trillion. We at that time, the Democrats, indicated in the Budget Committee that we wanted to see a third of that go to tax cuts, a third of it to investments and opportunity and science and the future—education and health care—and a third to prefund the liability on Social Security. We wouldn't be where we are in the Social Security debate if we had done that back in 2001. But that is not what happened. Virtually all of it was put into supply-side economics, tax cuts for the wealthiest Americans, and then we went into a war that has not been paid for, et cetera. So we are in a hole. We are in a huge hole.

One of the things we always talk about is: If you are in a hole and you want to get out, the first thing is to stop digging. This budget stops digging the hole and puts us on a path of fiscal responsibility. Just like every family in America, the Government has the responsibility to balance its checkbook, and we are committed to putting us in that direction and getting that job done.

We are committed to a return to fiscal discipline and putting a stop to the bad habits of the last 6 years of writing checks the Government cannot cash. Under our budget resolution, we begin to chip away at the problem immediately with the target of 2012, 5 years from now, for completely erasing the Federal deficit.

We know we can do that. It is simply a matter of prioritizing and not spending money we do not have. I was proud to be part of a Congress that balanced the budget in 1997, working across party lines, to keep spending in check. It was not easy. But we understood the long-term health of the American economy and the long-term well being of our middle-class families and our businesses were dependent on making tough choices.

The irresponsible fiscal policies of this administration have gutted our record surpluses and driven us into record deficits. Thank goodness we are beginning now to come out. But it has hurt our families, it has hurt our businesses, and it has put our way of life at risk. We are committed to stopping that.

Second, as we put our fiscal house in order, we need to focus on the priorities that matter to American families, and that is what this budget does. I should mention in talking about that, when we hear about all this spending being talked about, only 17 percent of all the so-called domestic discretionary spending, the money we have the ability to make decisions about, in terms of science and health care and education and environment, public safety, and so on, that the discretionary part of the budget is 17 percent of the whole budget—17 percent. It is invested in the quality of life and the future for the families of this country. Those are critical investments.

What are we suggesting? Well this budget, in fact, focuses on what matters to middle-class families the most. First, people want to know we are going to be investing in education and opportunity in the future for themselves and their children. We commit to health care for every child. We commit to making sure every child who does not have health insurance is able to get health insurance, so that families who go to bed tonight don't worry about what is going to happen—and pray to God, please do not let the kids get sick tonight—they will know there is health care available to them. Frankly, it needs to be step one to make health care available to every American.

Third, we keep our promises to our veterans. This ought to be a given. This budget resolution guarantees that. We provide middle-class tax cuts. We are all for tax cuts; it is about time the middle class got some. That is what this budget resolution does. We restore key investments in law enforcement, health care, technology, protecting our environment. Key investments the President has tried to cut, we have put back and restored those.

Let me speak for a moment about education. Everyone understands the world economy is changing. Our increased reliance on technology and the growing competition in the global marketplace means that today, more than ever, we need to be investing in the best education system possible for our children. We all say that. We all talk about education.

We had a wonderful hearing this morning in the Finance Committee on education. This budget actually does more than talk about it; it takes critical investments and places them as a top priority for us because we know this is the only way we are going to be able to have our businesses competitive and create real financial opportunities for working-class America.

In real-world terms, that means investing more in education and focusing more on innovation. Education policy is economic policy. We understand that. Creating opportunity for everyone who works hard to make it is what America is all about. It is one of the pillars, the foundations of our economy and a huge focus for our families and a huge focus in this budget.

Unfortunately, what did the President do when it came to education last year? Well, he and the Republican Congress, back in Christmas of 2005, cut $12 billion out of student loans. Then the President came back in 2006 with the largest proposed cut in the history of education. Our children deserve better. This budget resolution reflects our commitment to education. Under our budget proposal, we invest $6.1 billion more in education funding than the President's proposal for 2008.

Let me speak for a moment about health care. This is a major priority in this budget. I believe health care should be a right, not a privilege, in this country. We need to be about the job of changing the way we finance it in total and getting it off the back of business. Your ability to remain healthy should not be tied to your employment status or depending upon where you were born or what kind of family you were born into.

In America, we can do better than we are doing, and this budget moves us in the right direction. We spend more on health care, per capita, than any other Western Nation. Yet we have nearly 50 million people with no health insurance. There is something wrong with this picture. We intend to fix it. Americans who do not have regular access to health care also put a strain on our system economically, produce less for society, while at the same time saddling business with the skyrocketing cost of employee health care is making it more and more difficult for our manufacturers and our other businesses to compete globally.

This is an economic issue as well as a quality of life issue. Our budget proposal, this budget resolution, begins to tackle this issue where common sense dictates we should start—America's children. Our children have no choice when it comes to access to health care. They also represent the segment of our population that will reap the most long-term benefits in the introduction of regular, reliable, affordable access to health care.

Programs that exist, namely SCHIP for children, already exist, and it covers millions of American children who do not have insurance otherwise. But this needs to be expanded, and we need to create a priority to say that every child without insurance should have access to this program.

The President's budget designated only $2 billion for children's health care, for SCHIP, $2 billion. To say that this will not get the job done is an understatement. That is why our budget has designated $50 billion, 25 times more than that over 5 years, to fully fund health care for children in America.

Now I might say as an aside because that is a lot of money, we are talking about $10 billion a year to make sure every child in America has access to health care, $10 billion. That is about what we are spending in 1 month in Iraq—1 month in Iraq. We can take 1 month in Iraq for American children. That is what the budget does. It is time to get beyond talking about how children are our future. It is time to walk the walk.

That is what this budget does. Americans also want us to keep our promises to our veterans. The revelation about conditions at Walter Reed Army Hospital over the past few weeks have brought into focus the concerns that many of us in this Chamber have been voicing about the treatment of America's veterans over the past few years. No group of individuals, no group, deserve our respect, support and admiration as Americans more than those who selflessly and voluntarily choose to wear the Nation's uniform.

They put their lives on the line for us every day, and all they ask in return is that when they come home from the battlefield, their Nation, our country, keeps its promises to them, including providing the health care they need and deserve. It is not enough to make statements on Veterans Day or remove military leadership when problems arise. It does not get any simpler than this: If the money is not in the budget then our veterans do not get what they need and deserve.

Now we are not talking about the type of issues that have reared their ugly head at Walter Reed, we are also talking about systematic issues that touch America's veterans in all our 50 States. Inadequate access to doctors and the facilities, extremely long drive times for care, which frequently happens in my State of Michigan, patient backlogs that would make you cringe, our budget addresses what we believe are the shortfalls in the President's plan when it comes to our veterans and their health care.

We have set aside an additional $3.5 billion for veterans health care in 2008 alone. What is most important is that, for the first time, this Senate has a budget resolution that reflects the recommendations of the independent budget, which is the budget of all the veterans organizations about what they believe is needed to adequately fund veterans health care and other critical needs.

Finally, let me say a few words about tax cuts. My friends on the other side of the aisle will try to paint Democrats in this budget as being antitax cut. Nothing could be further from the truth. You know we are going to hear all of this; it does not matter what the document looks like. We also know in advance what the mantra is going to be because it has been that way for years. It has been that way for years. But the reality is very different. I have to say that the—

The PRESIDING OFFICER. The 20 minutes yielded to the Senator from Michigan has expired.

Ms. STABENOW. I would ask for an additional 3 minutes.

Mr. CONRAD. If I can give her an additional minute because we are now down to 9 minutes, and they have got 43 minutes.

Ms. STABENOW. Mr. President, I will take 1 more minute.

The PRESIDING OFFICER. The Senator is recognized for 1 minute.

Ms. STABENOW. We support this budgeting through tax cuts that make sense for middle-class families. That is who needs the tax cuts. We talk a lot about these tax cuts being given. You ask the average family if they feel like they have gotten a tax cut. They tell me: No. Because they did not get it. People are smart enough to know they did not get it.

Well, we have put in place tax cuts for the middle class. We have started with the alternative minimum tax, which is about ready to hit a whole new group of middle-class taxpayers. We make sure that our Tax Code gives middle-class families a leg up and does not punish them for working hard and being successful.

Finally, we go on to make sure we reinstitute, as I said in the beginning, law enforcement, transportation, community development, protecting our environment, which is a very small part of the budget but critical for our families.

The bottom line is this budget works for people. This is about middle-class families, the values of the majority of Americans, and doing it in a responsible way. I urge the adoption of the budget resolution.

The PRESIDING OFFICER (Mrs. MCCASKILL). The Senator from New Hampshire.

Mr. GREGG. Madam President, I ask unanimous consent that an additional 30 minutes of debate time be added to the original 3 hours, equally divided.

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

Mr. GREGG. I yield 40 minutes to the Senator from Iowa.

Mr. GRASSLEY. Madam President, a few minutes before the last speaker, you heard the chairman of the Senate Budget Committee say there is no tax increase in the budget that is before us.

Well, technically that is correct, if you consider allowing existing tax law to sunset on December 31, 2010. If you do that, we are going to have the biggest tax increase in the history of the country without a vote of Congress, without a vote of any of us, the biggest tax increase in the history of the country, January 1, 2011. This budget covers that period of time. I don't know how you can say there is no tax increase in this budget, if we are going to have the biggest tax increase in the history of the Congress without a vote of the people, if you have an opportunity to do something about it and keep taxes where they presently are. That is what is in this budget. There is not going to be an attempt to keep taxes where they are so the existing tax laws sunset and we have the biggest tax increase in the history of the country, January 1, 2011.

We have a budget by the majority party, the Democratic Party, before us because the people spoke in November. For the first time in 12 years, the Democrats are in the majority and, consequently, control the congressional budget process. As ranking Republican on the tax-writing Finance Committee, I was not consulted, nor did I expect to be, by the chairman of this year's budget resolution. Unfortunately, after reviewing this resolution, which was presented 5 days ago, it is abundantly clear it does not realistically address the possibilities of the Finance Committee carrying out what are its supposed responsibilities under this budget resolution.

Despite claims to the contrary, this budget does not provide for even 1 year of alternative minimum tax relief, let alone 2 years, or even a 1-year extension of provisions of various tax laws that expire from time to time and that we normally reinstitute. It does not provide for that as well. So this budget puts the burden on the Finance Committee to come up with the offsets to pay for the alternative minimum tax relief and for what we refer to as extenders, things that are normally extended by the Congress because they are things the economy demands be extended.

Press reports have largely echoed the defenders of this resolution on the needs of the Finance Committee. I strongly suggest the media folks take a very careful look at the claims of the Democratic leadership and see how they stack up against the cold, hard fiscal numbers and the operating history of the Finance Committee in these policy areas. They would find it does not square with the reality of what is possible for the Finance Committee.

I back up that statement with these numbers. Over the 5-year budget window going out to the year 2012, keeping existing policies in place will have a revenue effect of about $916 billion. This includes alternative minimum tax relief, extension of bipartisan 2001 and 2003 tax relief, and extending other broadly supported expiring provisions. In the aggregate, this budget provides no resources for extending these policies over the 5-year window. In so doing, we end up with the biggest tax increase in the history of the country without Congress voting for it. Yet somehow the chairman of the Senate Budget Committee can say there are no tax increases in this budget.

I go back to the grassroots. As a family farmer, which I am, I like to think we country folk can teach city folk a lesson or two by referring to the country's sayings and metaphors. Although I am going to be using numbers, you will recognize some rural touchstones in the chart I am using, which is this chart of a well where you get water. The first chart involves the method a lot of us farmers use to get our water, through the well on our family farm. You will see the well in this chart.

Here is the top of the well. My colleagues can see it is a long well and a very deep well. There is some water way down at the very bottom, but most of this well in between is very dry. At the top of the well we see the number that represents the rough—and it is probably a bit on the low side—amount of the revenue raisers in this budget, and it assumes we on the Finance Committee will be able to find $916 billion. That is revenue we would have to find offsets for over a 5-year period to pay for extending existing tax policies that expire during this period. If we don't do it, that is where I continue to make the point we are going to have the biggest tax increase in the history of the country.

Of course, this is talking about existing tax policy. It doesn't even include any new starters such as tax relief to encourage renewable energy which most Members of this body are talking about, or tax relief to help education which a lot of Members of this body, including this Senator, have talked about, and a lot of new starters such as providing tax benefits to help the health care problem. A lot of us in this body talk about that. It doesn't include renewable energy, education, and health care. So this budget assumes the well of revenue raisers is full to the brim. We can see it is not.

As a farmer, I know something about the predictability of wells. You hope you will get a lot of rain and it will give you a decent level of water. As former chairman and now, because we Republicans are in the minority, ranking member of the Finance Committee, I think I know something about revenue raisers and how difficult or how easy it might be to raise a certain amount of revenue. I have been there. I have done that. When I was chairman of the Finance Committee, I aggressively led efforts to identify and enact sensible revenue raisers and at closing the tax gap and shutting down tax shelters. As ranking member, I continue to look for ways to shut off unintended tax benefits. I consider myself to be a credible authority on what is realistic when it comes to revenue raisers.

This budget is not realistic. From 2001 through 2006, Congress enacted over 100 offsets with combined revenue scores of $1.7 billion over 1 year, $51.5 billion over 5 years, and $157.9 billion over 10 years. That figure is reflected on this chart. That would be the figure of $51 billion enacted over a 5-year timeframe.

To show I am not making this up, I ask unanimous consent to print in the RECORD a table that shows the track record on enacted offsets. These numbers are conservatively high because they include repeal of the FSC/ETI to comply with the ruling of the World Trade Organization which could not have been done without also providing tax relief with the manufacturing deduction.

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

REVENUE RAISERS ENACTED SINCE 2001

(Amounts in millions of dollars)

	# of provisions	1-yr	5-yr	10-yr
Military Family Tax Relief Act of 2003				
Extensions of Customs User Fees	2	619	1,305	1,305
American Jobs Creation Act of 2004				
Repeal of FSC/ETI (to comply with WTO ruling)	1	354	16,411	49,199
Provisions to Reduce Tax Avoidance Through Individual and Corporate Expatriation	6	139	526	1,343
Provisions Relating to Tax Shelters (including SILOs)	21	1,182	10,328	33,236
Reduction of Fuel Tax Evasion	21	625	4,380	9,138
Other Revenue Provisions	30	(1,335)	13,601	38,249
Total	79	965	45,246	131,165
Energy Tax Incentives Act of 2005				
Revenue Raising Provisions	4	2	1,491	3,028
Highway Reauthorization and Excise Tax Simplification (2005)				
Provisions to Combat Fuel Fraud	7	(10)	297	607
Gulf Opportunity Zone Act of 2005				
Interest Suspension Modification	1	50	50	50
Tax Increase Prevention and Reconciliation Act of 2005 (2006)				
Revenue Offset Provisions	14	104	3,086	21,787
Grand Total	107	1,730	51,475	157,942

Source: Finance Committee Staff summary of revenue tables prepared by the Joint Committee on Taxation

Mr. GRASSLEY. The legislation that contains these provisions spans years so they don't correspond on a year-by-year basis. The point here is to look at what Congress was able to accomplish over a 6-year period as evidence of what it might be able to accomplish over the 5-year window of the budget resolution. Some might say it is comparing apples and oranges, because the House was under Republican control during that period. But as we are seeing, Democratic control does not seem to have changed the allergic reaction of the House of Representatives to revenue raisers. Because during the markup, while the chairman of the Budget Committee was holding up his chart, as he did today, with a picture of a German sewer system that U.S. companies are claiming phony depreciation deductions on through abusive leasing transactions, the chairman of the Ways and Means Committee in the other body was holding a hearing and somehow sympathizing with lobbyists about how it is bad tax policy to shut off these tax benefits.

The most significant package of revenue raisers over this period was in the American Jobs Creation Act of 2004. I took a lot of heat on those revenue raisers, as shown in the Congressional Daily article entitled ''Balance of Payments, A Closer Look at Tax Bill Losers.'' This article refers to the revenue raisers in the Senate passed JOBS bill as ''the most significant rollback of tax loopholes since 1986.''

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

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

BALANCE OF PAYMENTS—A CLOSER LOOK AT TAX BILL LOSERS

By now we're well aware of the winners in the Senate's just-passed, $170 billion-plus, corporate tax cut package—they include NASCAR racetrack operators, Oldsmobile dealers and Learjet makers, as well as large manufacturers and multinational companies more generally.

But one almost-overlooked aspect of the bill—and perhaps the one that packs the most significant impact over the long term—is the number of losers the bill would create.

The insistence by Senate Democrats and a few dissenting Republicans that all tax cuts be balanced out by offsetting ''revenue raisers'' has given birth to a peculiar form of alchemy on the Finance Committee. The new tax breaks are offset by provisions shutting down tax shelters and closing a vast array of perceived ''loopholes,'' which will raise upwards of $60 billion for the Treasury over 10 years.

Finance Chairman Grassley said the revenue offsets in his bill are designed to punish tax cheats and corporate criminals. The revenue-raising provisions, if they eventually become law, will be the most significant rollback of tax loopholes since the 1986 law that changed the passive loss rules, observers said. They include new, stiff penalties for failure to disclose tax shelter activities, codification of the economic substance doctrine and an end to abuses brought to light by the Enron scandal.

But skeptics in the House and on K Street believe some offsets are a product of panning in the revenue stream of the U.S. government for tax cut gold. The rocketing cost of Senate bill and the parallel drive to create money-saving offsets have led the Finance Committee to over-reach, they claim.

House Ways and Means Chairman Thomas criticized the Senate approach in a Q&A with reporters last week, saying that the Senate has the tendency to turn striving for revenue neutrality ''into a mechanical exercise.'' He said this led to some situations in which ''the revenue you are reaching for is not the same as the policy you are trying to cover.''

The most significant piece in terms of the money it raises—$42 billion over 10 years—is provisions to curb abusive leasing transactions, under which taxpayer dollars have literally been used to help finance dozens of foreign and domestic infrastructure projects, including sewer systems and subways, while the large financial institutions that structured the deals raked in billions.

Almost no one in Washington argues that no legislation is needed to stop the abusive leasing transactions, but the way the Senate went about it has raised a few eyebrows. By moving back effective dates and other adjustments, GRASSLEY gradually expanded the scope of the provision to squeeze a greater number of transactions as tax cuts were added to the bill, making it more costly.

Particularly galling to some Republicans in the House and Senate was making the new curbs applicable to transactions entered after Nov. 19, 2003, which they argued makes the provision retroactive. But Senate aides said that was done to thwart a ''rush-to-market'' of promoters of the leasing transactions seeking to close deals under the wire.

''The fact that it was moved back continually to pay for various items might suggest that revenue had some kind of relevance,'' said Kenneth Kies of Clark Consulting, who lobbies on behalf of a coalition that wants the leasing benefits preserved.

Hill sources said THOMAS and other Republicans, including some from the Senate, would insist in an eventual conference committee that the Senate language making the leasing provisions retroactive to last year be removed.

Also stirring some controversy are new limits on the amount individuals could deduct for donating automobiles to charity. (Full disclosure: My 1991 Buick was worth a

$950 deduction to me on my 2003 return. I went with the book value for ''good'' condition and wished the American Lung Association best of luck getting that much for it. Under the new rules in the Senate bill, I would have been able to deduct only what the charity reported to me was the actual resale price of the car.)

Most donated used cars are sold at auction, and charities for which car donations are an important part of their fundraising are arguing to lawmakers that it is unfair to limit taxpayer deductions to the liquidation price when many could fetch more for cast-off autos if they found a private buyer themselves.

Charities—including the National Kidney Foundation, the American Cancer Society and the American Lung Association—are shopping alternative language to House tax writers for inclusion in the House FSC/ETI bill.

Business sources say a provision tightening rules on deferral for income derived from contract manufacturing overseas is an example of where the Finance Committee reached for a revenue raiser without fully understanding the policy consequences. The provision was struck from the bill in the hours before final Senate passage.

''The folks that were advocating that as a possible revenue raiser—at a time when people were looking for revenue raisers—didn't appreciate the extent to which most of contract manufacturing is a completely legitimate, appropriate business strategy,'' said Dan Kostenbauder, vice president of transaction taxes for Hewlett-Packard. ''This is not like someone found a fancy tax dodge.''

Mr. GRASSLEY. Looking then at the 5-year numbers, Congress has enacted $51 billion of revenue raisers since 2001. That happens to be only about 6 percent of the amount that is needed to make the budget we are debating now work, without regard to any new relief which will also have to be paid for.

What other revenue raisers have been identified and scored? Because we are always looking for them, because we are always getting scores for them, there is always going to be some need for them. The President's budget, for instance, contained a package of 16 tax gap measures that the Joint Committee on Taxation scores as raising $5.7 billion over 5 years. We can see that figure reflected on this chart. The Democrats have identified raisers that amount to $35.6 billion. So we have $42 billion of identified and scored revenue raisers. Let's look at how that figure compares to the budget before us. That is only about 5 percent of the amount that is needed to make this budget work. Based on these facts, the likelihood that the Finance Committee, the tax-writing committee of the Senate, will be able to come up with revenue raisers of this magnitude is remote at best.

If that is the case, what will then happen? The revenue side of the budget will be ignored, but the spending side will be followed. The net effect will be a massive tax increase, a bigger deficit, or both. I am letting my colleagues know the revenue-raising well is about 5 to 6 percent full, not 100 percent full, as it would take to do it. If we look at the Finance Committee tax staff's aggressive record on revenue raising as a guide, we might be able to fill the revenue of this well a little bit more, but there is no way we can get to where this budget purports to go.

In conclusion, this budget represents a dramatic step backward for the American taxpayer. For the first time in 6 years, this budget is a barrier, not a path, for bipartisan tax relief for virtually every American taxpayer.

I have another chart that uses a farm analogy. We farmers are frequently visited by Canadian geese as they fly south down the Mississippi ''fly-away'' for the winter, and as they come north for the spring. Geese are not like chickens in that they do not hang around to lay eggs. Here is a chart with a goose on it. This chart shows that the budget guarantees a goose egg for tax relief.

City folks know the term ''goose egg'' means zero. For the first time in 6 years, that is what the American public is getting in guaranteed tax relief—a goose egg. That is what they are getting—zero, zip, nothing. So take a look at our track record. Take a look at the revenue offsets Senate Democrats have identified and scored. What you will see is a minimal amount, as the well chart showed. This budget, then, puts an unrealistic demand on the revenue offsets that are possible. The well of offsets cannot be filled to the level the budget assumes. It is so unrealistic as, in my judgment, to be fictitious. It means virtually every taxpayer gets a goose egg.

Now, for 6 years, we have heard the primary reason for partisan opposition to popular bipartisan tax relief is fiscal responsibility. Where is the fiscal responsibility on the spending side of the ledger in this budget? If you take a look, you will see that goose egg again.

So after 6 years of fiscal responsibility arguments, you would think if the American taxpayer was going to get a goose egg in tax relief, the party in power would show us more than a goose egg on the spending restraint side. Not so. As a matter of fact, spending goes up several hundred billion dollars.

As ranking member of the Finance Committee, I am sorry to say this budget does not even attempt to mesh the demands of the Finance Committee with the numbers in this budget. From my Finance Committee perspective, we might as well demand we have 60-vote bills. That is the only way you can ignore the budget resolution. There is no way for offsets of the size that is demanded here that are possible.

I hope deficit hawks on both sides of the aisle pay close attention. The only thing certain is new spending is going to occur. That is the only thing that is going to happen. The deficit impact of not realistically dealing with the tax, trade, and health policy priorities of the Finance Committee disguises the deficit built into this budget.

I am going to have more to say on this disconnect between the Finance Committee policies and this budget as we continue this debate in coming days. Today, I merely wished to show the Senate how the numbers on the revenue side do not work. As we take up amendments, I am hopeful we can make this budget mesh with what is possible for the Finance Committee to do and the policy demands before that committee.

I also wish to discuss another thing that is going to be heavily discussed, in fact to some extent has already been discussed with this budget; that is, the sources of revenue the chairman of the Budget Committee claims will help offset the 5-year $916 billion cost of extending existing tax policy. That happens to be something I like to talk about because I like to do things in this area—shutting down offshore tax havens.

I have been aggressive in combating abusive tax shelters offshore and otherwise. As chairman of the Finance Committee, I worked hard to shut down offshore tax evaders. I already referred in my remarks today to the 2004 JOBS bill, shutting down the tax benefits for companies that enter into corporate inversion transactions and abusive domestic and cross-border leasing transactions.

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

Mr. GRASSLEY. Yes.

Mr. GREGG. On the issue of loopholes, the Senator is a leading expert in this Chamber. Mr. CONRAD, the Senator from North Dakota, the chairman of the committee, has, on a number of occasions, said as to offshore tax planning, when you go on Google and put in ''offshore tax planning,'' you get 1.2 million hits on Google for sites you would go to to find out how to game the tax system.

I was wondering if the Senator was aware, when you put ''Democratic tax increases'' into Google, you get 1.5 million hits.

Mr. GRASSLEY. Well, I could imagine so because they are a party that enjoys increasing taxes. So I can understand that.

Mr. GREGG. I thank the Senator for answering the question.

Mr. CONRAD. Will the Senator yield for a question on this issue?

I was going to ask the Senator, was this on the Republican National Committee Web site?

Mr. GRASSLEY. Of course not. It is on the real Web site.

Well, I referred to this 2004 JOBS bill before in my remarks, shutting down the tax benefits for companies that enter into corporate inversion transactions and abusive domestic and cross-border leasing transactions.

The JOBS bill also contains a package of 21 antitax shelter provisions. That has been law since 2004.

As ranking member of the Finance Committee, I saw to it that the minimum wage and small business tax relief package also contained antitax loophole provisions—and that stuff is still before the Senate—including shutting off tax benefits for corporations that inverted after Senator BAUCUS and I issued a public warning that legislation would stop these deals, shutting off tax benefits from abusive foreign leasing transactions that were not caught by the JOBS bill, and doubling penalties and interest for offshore financial arrangements.

But again, I refer to the Democratic chairman of the tax-writing committee in the other body, the Ways and Means Committee, who does not appear to be supportive of these provisions based upon a hearing he had last week, even though—even though—the same Member of the other body voted for many of them in the public JOBS conference in 2004.

So having studied these issues and having legislated in this area, I consider my views on tax policy directed at tax shelters and tax havens to be credible. From what I can tell, the distinguished chairman of the Budget Committee in the Senate views the problem of offshore tax havens in two categories: One, the ability of U.S. multinationals to shift income to these tax havens; and, two, tax evasion by U.S. individuals who hide assets and income in tax havens.

We have seen Democratic Senators, including the chairman of the Budget Committee, hold up a picture of the Ugland House, a law firm's office building in the Cayman Islands, as home to 12,748 corporations. I would like to give Senators some background on where that picture comes from and at what issue it is aimed.

That picture comes from an article published in Bloomberg Markets in August 2004, and it is titled ''The $150 Billion Shell Game.'' The article focused on the ability of U.S. multinationals to shift income to low-tax jurisdictions through transfer pricing. Transfer pricing is a term for how affiliated corporations set the prices for transactions between them. Transfer pricing is important because it determines how much profit is subject to tax in different jurisdictions involved in related party transactions.

The $150 billion figure is an academic estimate of the annual amount of profit that corporations shift outside the United States with improper transfer pricing. That is what the $150 billion figure is. Let me make that clear. It is an estimate of the annual amount of profit that corporations shift outside the United States with improper transfer pricing.

So this article is aimed at U.S. corporations that artificially shift their income to low-tax jurisdictions through improper transfer pricing practices. To illustrate this point, I have produced a few quotes from that article. The first one says:

> Under U.S. law, U.S. companies can use Cayman subsidiaries and transfer pricing rules to shift sales and profits from other countries, thus reducing their overall tax burden.

Another quote:

> A practice called transfer pricing may be the key to how U.S. corporations avoid taxes in the U.S. and other countries.

That last quote is from my colleague, the Senator from North Dakota, Mr. DORGAN.

One of the Democrats' revenue raisers, then, that is still on the shelf purports to target this transfer pricing problem. But you would not know it by looking at the language of the proposal because it does not make any changes to our transfer pricing rules. Instead, the proposal would eliminate deferral for income of any U.S. multinational's foreign subsidiaries incorporated in certain black-listed jurisdictions. It is called the tax haven controlled foreign corporate proposal. I am going to call it CFC for short.

Part of our Tax Code since 1918, ''deferral'' means that U.S. multinationals do not pay tax on active income of their foreign subsidiaries until that income is repatriated to the United States. Passive income is subject to tax on a current basis. Deferral only applies to active income.

I agree with the premise of this proposal that U.S. multinationals should pay their fair share of U.S. taxes. U.S. multinationals that use improper transfer pricing do so to obtain the benefits of deferral on profits that, economically, should be subject to tax in the United States on a current basis. Here is my quote from the Bloomberg article:

> We have to get on top of corporate accounting and manipulation of corporate books for the sole purpose of reducing taxes.

Nobody is going to disagree with that.

So my view is that stronger transfer pricing rules and stronger enforcement of those rules is the right way to target this problem in our current international tax system. The Internal Revenue Service is taking steps to tighten our transfer pricing rules.

In 2005, that agency proposed regulations that would overhaul the rules for so-called cost-sharing arrangements. These are arrangements by which U.S. multinationals are able to transfer intangible property to subsidiaries in low-tax jurisdictions. Based on the volume of complaining I have seen lobbyists level at the Treasury and the IRS, the proposed IRS regulations would go a long way to prevent artificial income shifting. I hope to see these regulations finalized very soon.

Others have different views. They would eliminate deferrals altogether. So another quote in the Bloomberg article succinctly states this view. This is a quote from Jason Furman, a former aide to Senator KERRY of Massachusetts. It says:

> American companies should pay taxes on their profits in the same way whether they earn them in Bangalore or Buffalo.

Now, that might sound simple enough, but that is where these proposals to eliminate or curtail deferrals on a piecemeal basis are headed—headed in a way that is going to be harmful, to completely eliminate deferral for U.S. multinationals. Without a significant corporate tax rate reduction—and I would be in favor of doing that—eliminating deferrals would have the effect of exporting our high tax rates and putting U.S. multinationals at a competitive disadvantage in the global marketplace. When I said I would be in favor of reducing our corporate tax rates, that is because other countries are doing it and if we don't soon do something along that line, we are going to lose a lot of business and particularly a lot of manufacturing here in the United States.

The Senate is on record as wanting to protect the competitiveness of U.S. businesses in the global marketplace. That is what the American Jobs Creation Act of 2004—an act I referred to several times today which contains several international simplification provisions, and with a vote of 69 Senators, including 24 Democrats, we passed that bill. The Senate version of the JOBS bill passed with a more bipartisan majority—92 Senators, including 44 Democrats.

There has been a longstanding debate about whether our international tax system should be fundamentally changed. Some advocate taxing all foreign income on a current basis; others argue for completely exempting active foreign income under a territorial system, as many of our trading partners do. If we want to have that debate, that is a very fair debate to have, but piecemeal cutbacks on deferral for active foreign income would do nothing but complicate the Tax Code and create opportunities for tax planning around those cutbacks.

The other offshore issue identified by the chairman of the Budget Committee is U.S. tax evasion by individual taxpayers who hide their assets and income in foreign bank accounts and foreign corporations. Since 1913, our Tax Code has subjected U.S. citizens to taxes on their worldwide income. No matter what the Internet purveyors of tax evasion say, this principle cannot be avoided by putting passive assets and income into a foreign corporation. The Tax Code has rules to prevent this. Taxpayers who do that willingly violate these rules and, of course, are guilty of tax fraud and, in some instances, may even be guilty of criminal fraud.

So the problem of offshore tax evasion isn't that our laws permit it; the problem is there are some taxpayers who are intent on cheating, intent on hiding their income from the Internal Revenue Service. The Service has been successful in catching many of these, but more can be done, and I will help do it.

The Service has difficulty detecting tax evasion and obtaining the information necessary to enforce our laws. One important tool for the IRS is information exchange with other jurisdictions. Our double tax treaties contain an article on information exchange designed to help the IRS obtain quality information to enforce our tax laws. In addition, administrations past and present have entered into over 20 tax information exchange agreements with jurisdictions that are often referred to as tax havens. Sensible solutions to this problem should aim to improve on our tax information exchange network and not put it at risk.

Underreported income is the largest piece of the tax gap. We should keep in mind that hiding assets and income from the IRS isn't just an offshore tax haven problem; it may also be an onshore problem. A recent article in USA Today noted that there is:

> A thriving mini-industry that has capitalized on real or perceived gaps in domestic incorporation laws and virtually nonexistent government oversight to promote some U.S. States as secrecy rivals of offshore havens.

The picture of the Ugland House in the Cayman Islands makes for good grandstanding, yes, but there are also office buildings in some States that are listed as addresses for thousands of companies which are incorporated in those States for similar reasons as corporations may be incorporated in the Cayman Islands; that is, secrecy of ownership and a permissive regulatory environment.

Whatever additional solutions the Finance Committee comes up with to shine sunlight on tax evaders will need to consider both offshore as well as onshore evasion.

To conclude, I wish to emphasize that I am all for shutting off inappropriate tax benefits from offshore arenas. The chairman has said he thinks we could get $100 billion a year from this source. I haven't seen any proposals scored by the Joint Committee on Taxation that come even close to bringing in that kind of money. The last score I have seen for the tax havens CFC proposal is $7.7 billion over 5 years. Senators LEVIN, COLEMAN, and OBAMA have recently introduced a bill which contains several proposals aimed at offshore tax havens, but I haven't seen a Joint Committee on Taxation score on it yet.

So once again, it will be the Finance Committee's responsibility to come up with real, sensible, effective proposals to combat offshore and onshore tax havens, and I am glad to do it, as I have over the last several years. But the likelihood that they will be scored by the Joint Committee on Taxation to bring in the kind of money assumed in this budget resolution is remote at best, and it borders on, I believe, blue smoke.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Madam President, first of all, I have previously commended publicly the former chairman of the Finance Committee for the work he has done in this area, and I wish to commend him again because I consider him an ally in this effort and somebody who has been serious about going after tax havens and somebody who has been serious about going after abusive tax shelters. In fact, I have even quoted him, and let me quote him again. Here is what he said last year at this time on the Senate floor:

> Just in the period of time since 2001, our committee has raised around $200 billion in new revenues by shutting down tax shelters, by closing inversions, and other abusive tax schemes.

I believe that is the case.

Continuing:

> Now, just in the year 2004 alone, the Finance Committee fully offset a $137 billion tax bill at no expense to the American taxpayers.

Mr. GRASSLEY. Those are 10-year figures.

Mr. CONRAD. I understand, 10-year numbers. But we are talking about 5-year numbers of $439 billion. Let me say, if they can do that, these extraordinary numbers, and we combine not only tax gap with tax havens and with abusive tax shelters, I believe we could easily get that $439 billion. Again, the President said his budget would produce $14.8 trillion in revenue. We are saying $15 trillion. That is a 1.2-percent difference.

Finally, this is from the Senate Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations:

> Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches $100 billion per year.

I rest my case.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. I know the Senator from Massachusetts is waiting patiently, and I just have a couple of quick questions I wanted to ask the recent chairman, now ranking member, of the Finance Committee, who I think is regarded as an expert in the area of how we get at these people who are avoiding our tax system. He has obviously studied this issue.

Could the Senator from Iowa give us his thoughts as to how much you could raise relative to loophole closing that is legitimate—I mean versus a stated number, which can always be fairly high? But what is the real number one could actually generate over the next 5 years, in the Senator's experience and as a result of his studying this issue?

Mr. GRASSLEY. I am glad to answer that question because I think, if you look at what this budget assumes, raising this much money—

Mr. GREGG. Madam President, $434 billion minimum; $900 billion, actually.

Mr. GRASSLEY. I think it is about like this, maybe $30 billion, $35 billion at best.

Mr. GREGG. That would be a 5-year number?

Mr. GRASSLEY. Five-year number, yes.

Let me say, if I could raise the amount of money which is assumed to be raised here, I would have done away with the alternative minimum tax a long time ago because you need that kind of offset to get that job done over the long haul.

Mr. GREGG. I thank the Senator.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Madam President, the Senator from Iowa is much too modest. I have much greater confidence in his abilities and the abilities of the other members of the Finance Committee—a committee, by the way, on which I serve—to do far better.

Look, we are talking about a tax gap over this period alone of $2 trillion. Fifteen percent of that would be $300 billion. I don't know if we can get that amount, but I would say to the Senator, when we put it all together, when we put together the tax gap, tax havens, tax scams, abusive tax shelters, there is a ton of money there. Just in this offshore area alone, another committee of Congress, the Investigations Subcommittee, says $100 billion a year is being lost.

There is a lot of money here, without any tax increase to anybody, just collecting—let me just give one other example—this is very interesting—on compliance. If we were able to increase our compliance from 86 percent to 89 percent, we would raise the total amount of revenue that is in the budget I have proposed. Again, the President said his budget would raise $14.8 trillion. Here is what he said. He said his budget would raise $14.8 trillion. My budget raises $15 trillion. That is a 1.2-percent difference.

Civilization is not going to end if we do a better job of collecting the revenue that is due. Civilization is not going to end if we successfully go after these abusive tax shelters. We can do this. We need a lot more confidence in ourselves. We need to be a little optimistic. You know what. America can do this. We can do this.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized.

Mr. GREGG. Madam President, I am sorry to delay the Senator from Massachusetts, but it is only because the Senator from North Dakota has delayed him.

It is important to note that the IRS Commissioner testified before the Budget Committee. He said the most we could probably recover over the next 5 years over and above what they have already recovered—because they believe they have done a good job of expanding their actions in this area for owed but uncollected taxes—the most in the last year would be $20 billion, and the most over the entire period would be somewhere between $30 billion and $40 billion. That is the tax gap. There is no $400 billion sitting there.

The Senator from Iowa, who is the expert in the area of these offshore activities, how you get to them, how you can structure better ways to get to them, has said—and I think in a very commonsense way, common sense being one of the things he is most respected for around here—if these type of dollars were available, he would have gone after them in order to take care of some other issues that are very important, such as the AMT.

So I have referred to this budget as the budget from the Land of Oz because somewhere behind the curtain, somebody is supposed to develop all this money. Regrettably, there is probably no curtain and nobody behind it, even though the Senator from Iowa would probably be as close as you could get around here to somebody who has that sort of wizardry. He cannot produce and his committee cannot produce the type of dollars that are being proposed here unless you raise rates.

I would ask the Senator from Iowa if he does not agree with that assessment and if he has any further comment on this issue.

Mr. GRASSLEY. I agree, yes. I emphasize that we are told by the chairman of the Budget Committee time after time that there is no tax increase in this budget. But if you do nothing—and doing nothing is not an excuse to have the biggest tax increase in the history of this country go in without even a vote of Congress. If you are going to raise taxes, you ought to at least vote them up, it seems to me, so you can be held responsible. It seems to me to be very irresponsible to say that you can have the biggest tax increase in the history of the country and not think you can do economic harm and strike a blow against economic freedom for individuals.

Mr. CONRAD. Madam President, when they make this Wizard of Oz reference, I do remember words from the Wizard of Oz: brains, courage, and heart. That is what we need here. I believe we have the brains in this country to go after a tax gap that is well over $400 billion a year now. That is $2 trillion over 5 years, and it should return substantial money to the Treasury of the United States. I believe we can go after these tax havens that another committee of Congress has said are running a revenue loss to this country of $100 billion a year. I believe we can shut down these abusive tax shelters that have the spectacle of wealthy investors in this country buying European sewer systems and depreciating them on their books so they hold down their U.S. taxes and then lease them back to these foreign enemies.

Come on. We can't capture 15 percent—15 percent—of the tax gap and the tax haven abuses and the tax shelter scams? We can't do that? Well, if we can't, they ought to get a new bunch in here. They ought to get a bunch of new Members of the Senate and the Congress of the United States. If we can't increase the compliance rate from 86 to 89 percent, they ought to get some new Senators in here. They ought to get some new Congressmen in here to get the job done, because that is a job the American people deserve to have accomplished.

Mr. GREGG. Madam President, I appreciate the enthusiasm of the Senator from North Dakota for his theory that you can get $434 billion from behind the curtain, but we have to at least acknowledge the fact that experts in this area, including the Commissioner of the IRS, the former chairman of the Finance Committee, the present ranking member of the Finance Committee, have all said you can recover some dollars here, but that type of pot of gold is not there.

The yellow brick road the Senator wishes to follow, and which his bill is basically forcing us to follow, will increase taxes by $900 billion, and we know where it is going to come from. It is going to come from raising rates, raising rates on American workers and Americans generally. There is no other place to get it.

If that were not the case, then we wouldn't have structured within this budget, or he would not, or the Democratic Party would not have structured within this budget all these mechanisms to absolutely guarantee that rates have to be raised. Point of order after point of order after point of order makes it virtually impossible to maintain rates where they are.

You can throw up the smokescreen of, well, we are going to get it from here and there, but we are not going to get it from the place that is obvious. Well, if it looks like a duck and walks like a duck, it must be a duck, and the duck here is that tax rates are going up.

Mr. CONRAD. Madam President, look, this isn't that hard. The President said in his budget he was going to raise $14.8 trillion. In my budget, I say $15 trillion. That is a 1.2 percent difference. I don't believe for a minute that we can't raise that difference by going after these abusive tax shelters, these offshore tax havens, this looming tax gap. The tax gap alone is going to be well over $2 trillion over these 5 years—$2 trillion.

It seems to me it is very clear. I used to be a tax commissioner. I have audited the books—Senator DORGAN and I are perhaps the only ones here who have audited the books and records of companies operating on an international basis. I went to my legislature and told them I would produce this kind of additional revenue if they would increase my budget. They did, and I did.

I know this can be done. This isn't an imagining to me. I have done it. Senator DORGAN has done it. We have actually checked the books and records of companies. We have found extraordinary sums of money for the little State of North Dakota. My goodness, if it can be done for North Dakota, it can certainly be done for the United States.

Mr. DORGAN. Madam President, will the Senator yield for a question?

Mr. CONRAD. I will yield.

Mr. DORGAN. I have listened with interest for the last little bit while my colleague from Iowa was on the floor. It appeared to me he was defending some of these tax breaks. I couldn't quite figure that all out, but I will ask the Senator, who is the chairman of the committee, is it true you are having trouble convincing people, or are we having trouble convincing people that having Wachovia Bank buy a sewer system in Germany for the purpose of reducing their U.S. income tax burden is a bad idea?

If the Senator from New Hampshire wants to talk about where we would get some additional revenues, maybe we could start now a dollar at a time. Let's take at least the first dollar and decide that U.S. companies that buy and immediately lease back sewer systems, streetcars, or city halls in foreign countries, or in this country for that matter, for the purpose of depreciating an asset that otherwise wouldn't be depreciable, for the purpose of reducing their U.S. income taxes and agree that is a bad idea. Let's shut it down. Let's decide today, on Tuesday, that is over. Can we at least agree on that piece? If so, my colleague Senator CONRAD has us on the road to at least beginning piece by piece to putting the system together to get the revenue we need. This is not about raising taxes, it is about asking those who ought to be paying taxes to start paying them.

I have been on the floor talking a lot. In fact, the chart my colleague is putting up now—and David Evans, who is a very enterprising reporter from Bloomberg put this story together—states that 12,748 companies exist in that one five-story building on a quiet little street called Church Street in the Cayman Islands. They are not in that building, of course. It is a legal fiction to allow them to reduce their U.S. tax burden.

I ask my colleague Senator CONRAD, are we having a hard time convincing our colleagues of these simple baby steps we ought to be taking to get the revenue people ought to be paying without allowing them to depreciate foreign sewer systems, for gosh sakes?

Mr. CONRAD. Madam President, I will tell my colleague that I have a picture of a foreign sewer system that was handled in precisely that way. U.S. investors bought a foreign sewer system and depreciated that on their books in the United States for the purpose of reducing their taxes in the United States, and then they leased it back to the foreign government that built it in the first place. Look, here is the building in the Cayman Islands, home to the 12,748 companies.

Here is the work of another committee of the Congress that points out we are losing $100 billion a year in that kind of scam. Our country is losing $100 billion a year. Our friends on the other side of the aisle will say, oh, there is nothing we can do about it. Sure, there is something we can do about it, if we have the brains, the heart, and the courage. That is Wizard of Oz.

Mr. DORGAN. Madam President, if the Senator will yield for one additional question.

What I want to do is come tomorrow to the floor and spend a little time responding to what was offered today by the Senator from Iowa on deferral, transfer pricing, and a whole range of things on those tax issues. If I can arrange with my colleague to do that tomorrow, I also have a picture of several sewers, actually.

Mr. CONRAD. How is this one?

Mr. DORGAN. I don't have that picture, but I have several pictures of several sewers owned by American corporations, not because they are in the sewer business, not because they like sewers, not because they have some sort of attachment to sewers, but because they do not want to pay U.S. taxes, so they buy a sewer system and depreciate it. I also have pictures of streetcars and rail cars and a picture of a city's 9/11 emergency response system sold by the city to a private investor in order that the private investor could depreciate it and, therefore, reduce their taxes.

Now, whether it is the 9/11 emergency response system, sewer systems, or city hall—and I have pictures of city halls I will show tomorrow as well, that have been purchased and leased back—all of these are scams, and they ought to stop. No, they ought not stop gradually. That is not the way you stop this addiction. You shut it down, right now.

I understand there will be people coming to the floor of the Senate saying: You can't do that. You have to be competitive. That is such a load of nonsense. You don't have to be competitive in these kinds of escapes from the reality of having to pay taxes you rightfully owe on your income.

I say to my colleague Senator CONRAD that I wish to come tomorrow at a time we can conveniently arrange and talk about these issues of deferral, transfer pricing, and SILOs and LILOs and so on.

Mr. CONRAD. Maybe we need to spend the whole day tomorrow.

Mr. DORGAN. That would be fine, because I have a lot to say. If we can't take the first baby step in shutting down this sort of perversity, there is nothing more pernicious in the Tax Code, and nothing more perverse to common sense than this sort of nonsense. So I wish to come talk about it tomorrow. Perhaps we could get a majority in this Chamber to say, yes, you know what, people ought to pay their taxes, corporations ought to pay their taxes, and they ought not own foreign sewers in order to avoid paying U.S. taxes. It is very simple.

If someone on the other side would call that a tax increase, I would say it is actually increasing the tax paid by those who should have paid more, but that is a different kind of circumstance, isn't it? So I want to talk about that tomorrow, and I thank my colleague, Senator CONRAD. He is steeped in experience in these areas, and he is right. I think it is a wonderful opportunity, finally, because we don't have quite enough opportunity in some of the committees, to finally on the floor of the Senate begin exposing this.

This exposure is very important so the American people understand who is paying the taxes and who isn't. One of our primary responsibilities is to say to those who aren't, you apparently want all the benefits of being an American except the responsibility of paying your fair share of taxes to this country. Senator CONRAD says it should stop, and so do I, and I look forward to being back on the floor.

Mr. GREGG. Madam President, I am uncertain if he is the junior or senior Senator from North Dakota, but will he yield for a question?

Mr. DORGAN. Senator CONRAD has the time.

Mr. GREGG. Will the Senator from North Dakota allow me to ask a question of the Senator from North Dakota who just made a passionate statement?

Mr. CONRAD. I will be happy to yield for a question.

Mr. GREGG. Madam President, I wish to ask the Senator from North Dakota whether he supports an extension of the tax rates relative to capital gains, No. 1; relative to dividends, No. 2; relative to highest rate, No. 3; and relative to the rates regarding the death tax, or some modification of the death tax in years 2011 and 2012, No. 4.

Mr. DORGAN. Madam President, I say I don't do four-part questions. I will be glad to answer the first, however.

I happen to believe a tax code ought not penalize work and reward investment. I happen to believe those in this Chamber who have perverted the Tax Code that says if you work, you get penalized, because you pay taxes, but, by the way, if you don't work and get to clip coupons, if your income comes exclusively in dividends and capital gains, guess what, you are in luck because this Chamber thinks you don't have to pay taxes.

So, do I believe at some point we ought to recognize working people in this country and recognize they ought to be paying taxes in a fair way? Yes, I believe that strongly.

I observe, however, that the Senator from New Hampshire changed the subject. The subject, of course, was sewer systems, foreign streetcars, foreign city halls, and the sale of 9/11 emergency systems of an American city for the purpose of avoiding taxes by corporations that want to purchase them. That is a subject about which I wish to visit.

Mr. GREGG. Madam President, not only did I not change the subject, I went to the essence of the issue. I have heard the Senator from North Dakota many times on this floor rail against the tax cuts that were put in place that generated this economic recovery. He has railed against capital gains, dividends, and the highest rates. This budget, as it is presently structured, can only accomplish its goal of raising the largest tax increase in history if it significantly raises rates.

The representation was made here that the Senator from Iowa was somehow supportive of people who are inappropriately gaming the system. It is the opposite. His statement was all about how you address that, and how he has addressed that, and how he intends to continue addressing that. But he also was concise in his conclusion in saying that the most you can get from addressing that in a realistic sense is somewhere around $30 billion or $40 billion.

The head of the IRS, whom we also want to have all the resources he needs—in fact, in the budget last year we gave him all the resources he felt he needed in order to expand recovery from people who owed taxes and were not paying them—has said the most he is going to be able to get in a 5-year period is probably $30 billion.

So there is a huge issue of credibility here when there is a tax increase in revenues of $450 billion to $500 billion, half a trillion dollars over the President's number, and the only items that can be pointed to that you are going to cover that with are less than $70 billion, probably, or $80 billion. So you have $400 billion or $350 billion of new revenues that have to be generated somewhere. Ironically, that happens to be almost exactly the amount of increasing the rates to the levels that the Senator from North Dakota seems to want on income taxes, dividends, capital gains.

It does not pass the commonsense test of, when a party ran for reelection, got reelected—obviously, international affairs had a lot to do with it, but a lot of that campaign was based on the desire to repeal the tax cuts the President put in place, especially on income—and then comes to the floor of the Senate with a budget that raises taxes by an amount which is essentially equal to the raising of the income tax rates, it does not make sense to deny that the income tax rates are going to be the source for most of those revenues. Sure, we will get some money from the tax gap. Sure, we will get some money from a more aggressive approach on loopholes—which everyone wants to do but nowhere near the dollars needed in order to cover the obligations of this budget which assume the biggest tax increase in history, which clearly is going to come from raising rates.

I just find it unfortunate that people are not willing to say what is going on here. Why is the Senator from North Dakota—the junior Senator or senior Senator, I am not sure—Senator DORGAN, why isn't he willing to simply say: I am for raising these rates, and admit to it?

Mr. DORGAN. If the Senator will yield for a question?

The PRESIDING OFFICER. The Senator from North Dakota has the floor.

Mr. GREGG. I am willing to yield for a question.

Mr. CONRAD. Is this on the time of Senator GREGG?

The PRESIDING OFFICER. No.

Mr. CONRAD. Would the Senator answer this question on your time?

Mr. GREGG. I certainly would, as long as the question is brief and concise.

Mr. DORGAN. Very brief. Senator KENNEDY is waiting. I would point out, given all this revenue consternation, I know where there is $104 billion. That would have been the tax paid on that amount that was repatriated that my colleague and some of the others offered a 5.25 percent income tax rate to recently. They said to the biggest enterprises in the country: If you have done business overseas, you bring that money back, and we will give you a 5.25 income tax rate. No other American gets to pay that low a tax rate. But the result was about a $104 billion giveaway.

So I know where there is some revenue perhaps. I wish we had been quite as concerned about revenue back then when it was given to the largest companies in the country.

Mr. GREGG. I reclaim my time because that obviously was not a question. It was a rhetorical question at best, probably not even that.

Senator KENNEDY has been very patient. I hope the Senator from Massachusetts would note that I was the only one who, on a number of times, prefaced my remarks saying I wished to hear from the Senator from Massachusetts and did not just take his time willy-nilly. I think we should turn to the Senator from Massachusetts.

Mr. CONRAD. How much time does the Senator from Massachusetts need?

Mr. KENNEDY. Fifteen minutes?

Mr. CONRAD. I only have 4 minutes left on our time.

Mr. GREGG. How much time do we have left on our side?

The PRESIDING OFFICER. The Senator from New Hampshire has 14½ minutes and the Senator from North Dakota has 2½ minutes.

Mr. CONRAD. I ask unanimous consent to extend for 15 minutes on each side, so 30 minutes total, and 15 minutes given to the Senator from Massachusetts, who has been extraordinarily patient.

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

Mr. KENNEDY. Madam President, I thank the two leaders for their kindness and their consideration, permitting me to speak on the budget. I welcome the opportunity to participate in the opening discussion of this debate, particularly as it centers around national priorities. I do think, quite frankly, we rarely see the contrast so clearly as in the recent debate and discussion on the Senate floor between those who want additional tax reductions for wealthy and powerful groups and those who are really interested in the agenda and the priorities of working families and middle- income families who are primarily concerned about the future of their children, health care for their children, and education for their children.

Certainly they are concerned about veterans; all of us are. I commend those who have spoken very eloquently this afternoon about how this budget reflects our priority to address the needs of our veterans.

I would like to take a few moments—and will the Chair let me know when I have 5 minutes left, please, Madam President—to talk about the priorities that have been included in this budget that Senator CONRAD has mentioned, and why it really ought to gain the support of the majority of the American people. This really represents the people's agenda and the people's priorities.

There is a very important commitment in this budget to the children of this Nation, in terms of their education and in terms of their health. I will speak this evening on those two issues. There are other matters of the budget which are important, and perhaps I will speak about those at another time.

I take pride that an ancestor of our State, John Adams, was the one who identified the importance of education for this Nation. He did so in 1780, which was the year the Massachusetts Constitution was passed. It was passed 7 years prior to the Federal Constitution. In that document is the most elaborate commitment of any constitution in this country. But just about every other State has, basically, copied language similar to the language in the Massachusetts Constitution—that commits the people in that State and in this country to quality education for young people.

We have seen the progress that has been made since that time. In 1837, Horace Mann campaigned relentlessly for the support and improvement of public schools. He reminded us that a free and public education was vital to our future. At the turn of the last century, we expanded from the early grades and founded public high schools to enable the nation to move forward. We have seen the extraordinary progress that was made with the creation of the land grant colleges. In the height of the Civil War, Abraham Lincoln signed the legislation into law and made a commitment on behalf of this Nation to the education of the children of our country. Time and again, when America was faced with challenges, we responded by strengthening education.

We did it once again when the Russians sparked the Space Age with the Sputnik launch. We came together as a nation and doubled the education budget.

There are those on the other side who say: You can throw money at an issue, and it doesn't solve all the problems—and that is true. But a clear indication of national priorities is whether we are going to invest in education. There are many reasons to do it. Obviously "for the benefit of the child" is the best reason. Obviously "so we will have a well-educated, democratic society" is important. Obviously, "so we can have well-educated individuals to compete in a global economy." And, obviously, "because we need well-trained, intelligent individuals to serve in the Armed Forces of our country." For all those reasons and more we need strong investment in education.

We are facing a global challenge around the world. It is fair to ask: What has this budget done with regard to education?

All you have to do is to look at the contrast between this budget and what has happened over the period of recent years under Republican control. This column on the left of this chart is the 5-year cumulative increase in funding for K–12 programs, specifically for No Child Left Behind and the Individuals with Disabilities Education Act, from 2003 to 2007—the five-year increase is $4.7 billion.

Over here, we see this year's Democratic budget—a $3.8 billion increase in one year alone. This is a commitment to education, and it is extremely important. It is essential.

We hear a great deal about the commitment we made to our children in the No Child Left Behind Act. But the Administration and Republican Leadership in Congress have failed to keep their promises about funding the law, and today we are leaving 3.7 million children behind.

I have said many times that when we passed Social Security, we enrolled everyone who was eligible in the Social Security system. In Medicare, we said we wanted to cover all the elderly, and today, everyone who is eligible is included in Medicare. So when we said No Child Left Behind, I thought we meant that no child was going to be left out and left behind. But the reality is that 3.7 million children are being left behind today. The challenges that schools are facing are real, and the idea that we are leaving these children behind is completely unacceptable.

There is a simple comparison. If this had been our approach when President Kennedy said we were going to go to the Moon, we would have spent the money to get our rockets together and we would have sent people to the Moon. They would have landed on the Moon and gotten halfway back, and then we would have pulled the funding. Today, 3.7 million children are not receiving the resources we promised.

If you look at other indicators like what's happened with rising college costs and stagnant student aid, you see the same picture. If you look at the gap between the increased cost of attendance at a four-year public college and the maximum Pell grant, you see that the gap has gone up and up and up as the Pell Grant has remained effectively flat. Every middle-income family understands the explosion of the costs of college and the 5.3 million children who depend on the Pell grant have been faced with this crisis. But earlier this year, under the joint funding resolution, Democrats increased the Pell grant for the first time since 2003. With this budget, we're going to build on that, and for the first time in the last 5 years, we are going to extend a helping hand to children who are talented, who have been accepted into schools and colleges of this country. Each year, 400,000 college ready students do not go on to a four-year college. Families and students need this kind of help and assistance to make college a reality.

This budget is about children. It is about education. It is about national security. It is about our economy, and it is about our ability to compete in a global economy.

This budget will allow us to increase the maximum Pell grant to at least $4,600. It will also help us do even more for struggling students and families. We are going to continue our work to cut the student loan interest rates. We are going to cap student loan payments at 15 percent of discretionary income. And we are going to have a loan forgiveness program for individuals in public sector jobs. We want the middle class and working families to know: If you are concerned about the costs of your children's education, this budget is going to provide help and assistance to you. Make no mistake about it.

On another issue, health care, we have also made enormous progress through the years. Probably the most dramatic, I believe, was the progress made under President Lincoln at the time that he made that magnificent speech, saying we cannot lose sight of our responsibilities to the widows and the orphans of the Civil War.

And we began the process.

The PRESIDING OFFICER. The Senator has 5 minutes.

Mr. KENNEDY. So we started the process toward taking care of those who have served in our country. Then we saw the need that we had after the Second World War. We said we are not going to have a whole generation that brought us out of the Depression and fought in the war live, effectively, without any kind of health care coverage. We had passed Social Security in the 1930s. Then we passed the Medicare program in the 1960s.

In 1965, we started the community health care centers program. Today there are more than 16 million Americans who get their health care through that extraordinary program. In 1997, this body, in a bipartisan way, passed the CHIP program. We have seen the remarkable growth, in terms of covering children. This is about children of working families.

If you go up to 300 percent of poverty, you are talking with a family of three, about $49,800 a year. That is not an enormous income. For families with even one or two children, the cost of health insurance is virtually out of sight. In Massachusetts the children of these families would be covered by the CHIP program.

This program has been a remarkable success—some 6 million children have been included, but we know there are 9 million who are not.

Under the President's budget, these red States on the map are the States that would effectively have to drop children in 2007. Down here in Georgia, even my State of Massachusetts and the State of Maine.

If we continue like that in 2008, look at the growth of the number of States that would be dropping hundreds of thousands of children. If you continue with the Republican budget, you virtually emaciate that program in terms of covering children.

But under this budget that is different. We are committed to making sure that the children of this country who don't have health coverage will be able to benefit. In this budget, $50 billion over 5 years is committed to making sure that all of the children of working families are going to be able to get the health care coverage they need. This means they are going to listen and learn when they go to school because they will have had the health care that they need.

This means they are going to grow up strong and healthy. This is our commitment to the children of this Nation. It is our commitment to the children of working families. We say this is a priority in this budget. We say children are a priority, and we are committed to making sure that the young children of this Nation are going to grow up strong and healthy, and we commit to them that they are going to have the educational opportunity they need to be successful.

That is the priority.

Anybody who watched this debate this afternoon would say one side has been talking about tax loopholes, talking about how this budget is going to increase their taxes. We are talking about a responsible budget that is going to have children as its priority. I hope when the time comes that it will have the kind of broad support that it deserves.

I withhold the remainder of my time.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Madam President, before I yield to the Senator from Colorado, I wanted to talk about the education funding because it is important for us to understand that this President increased the funding for education more than any other in history as a percentage and in total numbers: a dramatic increase in funding for education; IDEA is up dramatically; No Child Left Behind funding, which was originally title I funds prior to our passing No Child Left Behind, up dramatically in the budget he sent up.

He increased those accounts one more time by $1 billion for No Child Left Behind. Granted, we cannot and do not intend, and do not think it is good, to outbid Senator KENNEDY on issues of spending. We are not even going to try. But the fact is, we have made a very substantial commitment to education funding under this Presidency and a substantial commitment to education generally.

I want to talk about Pell grants because that is another area where we have done dramatic work. Senator KENNEDY says Pell grants have held steady. Well, actually they have gone up. In fact, because the President put in place a program last year, which we paid for, we now have Pell grants, if you qualify for the Smart Program, which deals with math and science education, and you pursue those courses that we think are important to our culture and we do not have enough people pursuing, you can get Pell grants literally jumping up to $8,000 a year, a significant expansion of the Pell Grant Program.

We have heard in the press that we cut funds—

Mr. KENNEDY. Will the Senator yield on this point?

Mr. GREGG. I probably do not have the time. Is it a quick question?

Mr. KENNEDY. Two quick questions, but I will settle for one. Is it not a fact that those who are eligible under that program are less than 10 percent of all of the Pell recipients?

Mr. GREGG. That is correct.

Mr. KENNEDY. I thank the Senator.

Mr. GREGG. The point being, if people pursue courses which we think are important in this country, we basically double the amount of the Pell grant they will get, which is a fairly significant commitment to those individuals.

We have increased the Pell Grant Programs generally also. But it started to make sense to focus dramatic increases in Pell grants on people and on disciplines that we think are important to our culture.

The second point is that we have heard in the press and we have heard from the other side this idea that we cut education funding by $12 billion in the reconciliation bill 2 years ago. That is a total misstatement. That is an outright—well, it is so incredible, it rises to the ''L'' word. It truly is dishonest to make that statement.

What we did was we reduced lenders' benefits under the student loan program by almost $20 billion, and then we took a big chunk of that money and put it back into student aid. So we actually increased student aid by approximately $9 billion in that reconciliation proposal. It was a significant shift of funds from lenders to kids who are going to school.

When I read in newspapers such as the Wall Street Journal today, a reporter represented, which is basically the dialogue, the line of the Democratic National Committee that we cut student lending by $12 billion, it makes me angry. I oversaw that. I was not chairman of the committee. Senator ENZI was totally committed to student loans and oversaw this exercise.

What we did was the opposite. So the dishonesty of the Democratic National Committee in putting out that type of information, and then the incompetence of the Wall Street Journal reporter for picking it up and saying that we cut student loans by $12 billion is absurd on its face. They wrote whatever the Democratic National Committee handed them as a cheat sheet.

We cut lenders' subsidies by $20 billion, put $9 billion into student loans.

I yield 15 minutes to the Senator from Colorado.

The PRESIDING OFFICER. The Senator from Colorado.

Mr. ALLARD. Madam President, I have been listening to this debate from my office. I tell you, I have to agree with the chairman of the Budget Committee. I joined him in voting against this budget. But generally this is what this budget does: we are back to the old spend-and-tax ways and increases in the debt.

This budget has an increase, over a $900 billion tax increase. We have a nondefense increase in spending of $146 billion. The President has already come in with his budget with a 50-percent increase in spending. Now on top of this, this budget provides $146 billion.

Then we look at the debt figures. We see that the debt is increasing by $2.2 trillion. This is unimaginable. If the tax increase goes into place—and that happens because there is no provision in here to make the tax cuts that were passed in the Republican Congress in 2001 and 2003 to make them permanent—by default these taxes are going to increase over $900 billion. That is going to be the largest tax increase in the history of this country.

I want to look at the $146 billion. I think we need to pull up a spendometer and talk a little bit about how much spending there is, if you are already starting at $146 billion—because you are $146 billion above what the President's budget proposal is—based on a $50 billion increase.

So in addition to that, we are seeing a tremendous growth in the deficit, increasing by $440 billion. We see mandatory spending growing unchecked by $411 billion, fiscal years 2008–2012. We spend more than $1 trillion of the Social Security surplus. Ultimately, what we end up with is a growth in the debt of over $2.2 trillion.

Now, we have heard those who are supporting this budget and justify it because they are going to tax the rich. I think we ought to take a look at who pays taxes in this country. You know the top 1 percent of the wealthy pay 37 percent of the taxes. The top 5 percent pay 57 percent of the taxes. So if you are going to raise taxes, the only place you can go is there.

If we look to the top 10 percent, there is another 10 on top of that. You have got 31 percent plus 37. We have 68 percent of the taxes that are paid by the top 11 percent of the taxpayers of this country. So we have a very progressive tax system.

The tax cuts that we put in place in 2003 really stimulated this economy. As a result of those tax cuts, there is more money available for local governments to help pay for their programs. There is more money available for the Federal Government. That is why it was so easy for the majority party to put together this budget—because of the large amount of revenues coming into the Federal Government.

I attribute that to the fact that we cut taxes for the working men and women of this country, primarily those who own their small business, by the way, who put in more than 40 hours a week. Many times they work 7 days a week to keep those small businesses operating, supporting their communities. That is where we really generate the revenue.

We are going to start talking about how we are going to tax them now so that they do not keep as much in their own pocket. The reality of that is going to be that we are going to depress our economic growth. We are talking about increasing taxes on corporations that do business all over the world. Well, they are in a competitive environment. They have to compete with other countries. We cannot constrict our economy to strictly American borders. We have to extend beyond that. If we really want to get our economy going, we are going to have to talk about trade. We are going to have to talk about doing business all over the world.

We cannot expect it to grow and constrict it to the borders of this country. That is what we are doing, in the tax policy that we have heard from the other side of the aisle.

The question always comes back to all the spending that we have in this bill, some $146 billion above the $50 billion increase that the President already put in place. Where are we going to get the money to do that? The only way that happens is when we do not act on putting those tax cuts in place that have served us so well to grow this economy. They talk about closing the tax gap.

We had testimony in committee, and they thought that the reasonable amount was $35 billion in collections as a reasonable expectation over 5 years. Yet on the other side, they insist it is going to be much more, regardless of what the IRS—the ones who would know—said in our Budget Committee hearings.

I think this is a budget that is going to create problems for us down the line. It is going to begin to create problems as soon as it is passed. It is going to create spending problems. It is going to create tax increases by default. We are going to see the debt continue to increase by $2.2 trillion.

Let's look and see how individuals are going to be impacted by this tax increase that will happen in this budget by default because we do not do anything to keep them from expiring in the outyears of this budget.

A family of four, earning $40,000 a year—that is if the husband and wife are both working and making $20,000 each—will face a tax increase of $2,052. And we have 113 million taxpayers who will see their taxes go up an average of $2,216.

Now, when we look at this a little further, we see that over 5 million individuals and families who have seen their income tax liabilities completely eliminated will now have to pay taxes. That is the new tax bracket that we have created to provide tax relief for many of those working families. So that is going to expire. When that expires, that is going to impact 5 million individuals and families who will again have to pay taxes that they were allowed to get by without paying so they could pay for their educational costs for their kids, so they could pay for health care, and so they could pay for the needs of the family—food and shelter.

We are not talking about individuals who are making a lot of money in this case. Forty-five million families with children will face an average increased tax of $2,864; that is the marriage penalty. Fifteen million elderly individuals will pay an average tax increase of $2,934. These are the people who are on retirement. Twenty-seven million small business owners will pay an average tax increase higher than any of the groups that I mentioned of $4,712. That is where our economic growth is generated.

If you want to see your economy grow like we did, you target the small business sector. Well, that is true in Colorado; that is true nationally. I think one of the things that stimulated growth of the small business economy more than anything else was the expense provisions that we put in place so that small business owners could write off over $100,000 a year, expense them out in one year. They took that money and they invested it. They invested it in equipment they needed. If they were a contractor, they went and bought a Bobcat and a pickup and got to work. If they were a farmer, they bought a new harvester and got to work. If they were a physician, they got an x ray and had more work to do. If they were a veterinarian, maybe they bought some lab equipment and had more work to do. So by targeting the small business sector, we generated all these jobs. It churned the economy.

I had an opportunity to visit with Dr. Greenspan, former chairman of the Fed. I said: One of the things that has not been talked about much is how the small businesses generated this economy. I think the expensing provisions we put in there had a lot to do with that. He said: I agree with you. I don't think that people really appreciate what has happened because of the tax cuts that were directed toward small business.

There are many important items that are not to be found in this particular legislation. There is no long-term entitlement reform. There is no permanent AMT relief, no permanent tax relief at all with the tax cuts that were put in place to stimulate the economy. There is no funding for ongoing war costs between 2009, no proposals on reducing mandatory spending or the debt.

People of Colorado have asked me: How is this likely to affect me? Let me talk a little bit about how this could affect taxpayers of the State of Colorado. In Colorado, the impact of repealing the Republican tax relief would be felt widely. For example, more than 1.6 million taxpayers Statewide who are benefiting from a new lower 10-percent bracket would now see their tax rates go up; 590,000 married couples would face higher tax rates because of an increase in the marriage penalty; 432,000 families with children would pay more taxes because the child tax credit would expire; 310,000 investors, including seniors, would pay more because of an increase in the tax rate on capital gains and dividends. Remember, seniors who have retired have a lot at stake when we talk about capital gains taxes and dividends because they have put their money many times in the stock market. They have put it in investments. As retired individuals, they are finding that they are beginning to pull that out. The consequences are that without that tax break, they would not have been able to save as much money toward their retirement.

To wrap this up, I wish to remind people I will be keeping a spending barometer here. We are at $146 billion already over what the President proposed. We are not off to a very good start on this budget. We are going to see it increase considerably before this week is over.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. MENENDEZ). The clerk will call the roll.

The assistant 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. GREGG. I yield the Senator such time as I may still have remaining.

The PRESIDING OFFICER. The Senator is recognized for up to 12 minutes.

Mr. SESSIONS. Mr. President, budgets are defining things. They tell the country what direction we would like to go, where we intend to take the country, what kind of policies on taxing and spending we have. There are not many ways to hide it. There are ways to attempt to hide it, but when one looks at budgets carefully and studies them, they can begin to see what the priorities are of the majority party, the party that has an obligation to present a budget, as the Republicans did for a number of years and now the Democrats do. It reveals something about their priorities, their direction, where they want to go.

I believe this Nation is a nation conceived in liberty. We believe in entrepreneurship. We believe in freedom. We believe in a smaller government and a more vibrant private sector. That is not like many of our European allies. They are high-tax, high-regulation, high-welfare states. We have many of those qualities and characteristics but not nearly so much as they. We made a conscious decision. That is not our heritage. That is not the way we go. I am proud to say our Nation has had a far greater growth rate consistently over the years than the Europeans. Our unemployment rate is well below the Europeans. They continue to struggle. They have government unions striking all the time. They are trying to make the government fix everything for them.

When the government does everything, then everything that is important is decided by a bunch of politicians. We are not capable of running this economy. We are not capable of running an automobile business, running a farm or any other kind of business. That is not what we are capable of doing. We let the private sector do those things and let them compete and let them see who can produce the best widget at the lowest price with the least defects. That is our heritage. I resist the idea that we can continue to increase regulations, increase taxes, increase spending and make the Government bigger and bigger and bigger and the individual smaller and smaller and smaller. Because when we take from one to give to the Government for the benefit of another, we diminish the freedom of the first. We strengthen the Government, and we diminish the moral autonomy of the person who received the benefit. This is a matter of deep importance philosophically for us. We ought to think it through at the beginning.

Where are we today? When President Bush took office—there is no need to rehash everything—the Nasdaq stock bubble had already burst. When he took office, the Nasdaq had lost half its value. When he took office, the last month of the calendar year, this country had negative growth in GDP. The first quarter President Bush inherited a negative growth GDP. He inherited from his predecessor an economy in serious trouble. There is no doubt about that. On top of that, we had 9/11, 9 months later. So the entire Nation was in a state of shock. He had to make some major decisions. Was he going to start a tax-and-spend jobs program to try to jump start the economy?

He made a commitment consistent with our American heritage to reduce taxes and to allow the private sector to recapture itself, restabilize itself and grow. It has worked to an extraordinary degree. It is something of which we should be proud. We have cut taxes and now revenue is beginning to surge.

We had the 2003 tax cuts, the 2001 tax cuts. In 2004, when the economy began to hit its stride, we had an increase in revenue to the Treasury of 5.5 percent. That is a pretty good number. But the next year, 2005, it hit a 14.6-percent increase in revenue. Then the next year it was almost 12 percent, 11.6. This year they are projecting, based on the first few months of the year, a 9.3-percent increase in revenue. What I am talking about is not statistics. It is not some survey. I am talking about actual dollars going into the Federal till.

Is anybody paying taxes if they are not making money? Are they voluntarily sending more money to Washington than they ought to send? No, they are not doing that. The economy is doing well. People are making money. They are working more. They are getting higher wages. They are doing more overtime. Corporations are making profits instead of having losses. They are paying taxes. When someone sells stock or an item, it has appreciated in value, and he pays capital gains on it. Those are the things that are working because we have the economy moving.

I believe President Bush made a historic, tough decision. We passed that first tax cut in this body by a tie vote. We had to bring in the Vice President to break the tie. That side over there that now has the majority opposed it with every strength in their being. The same was true with the next one in 2003.

I will offer a critical amendment on taxes as this debate goes along. I wish to continue the general trend of my remarks and the dangers that I fear are exhibited here. When we pass a budget, we pretend to pass a 5-year budget. We pass one every year. So what does that mean? If you pass a budget every year and every year you pass a new 5-year budget, it means the only budget year that counts is the one you pass that year. Our colleagues think that spending as a percentage of the gross domestic product might go down in future years. I hope it would. It should, based on the strength of our economy. What about the budget that counts? What about the budget that counts, the one that we are enacting as a part of this process for 2008?

I will show my colleagues what this budget does in terms of spending. In terms of spending, it is going up, actual spending over the last decade. This budget for 2008 before us today, and which we are being asked to ratify, has the highest percentage of GDP being captured by the Federal Government, by the Federal tax gendarmes of anything we have had in a decade. This budget, the one we are passing, the one that counts, ups it. There is no doubt about it. We can talk about future years, and we hope they will be better.

How much time remains?

The PRESIDING OFFICER. The Senator has 3½ minutes.

Mr. SESSIONS. I will close with one more point. A number of years ago, I understood this when the Republicans did what I considered a budget gimmick of several billion dollars. I began to count up how that added up. This year this budget has about $18 billion in spending over the President's budget, 2 billion of which is a gimmick. I believe it is going to amount to advance funding and will be spent. I believe, without dispute, it is $18 billion over the President's budget. Somebody might say: This is a large economy. What is $18 billion? That is what I used to hear. I made up a chart that I call ''Every Billion Counts.'' A billion here, a billion there, pretty soon it is real money. Look at this chart.

They say: Well, we only jumped the President by $18 billion. This is in the discretionary accounts. This is the discretionary budget. They jump it just $18 billion in 2008. But what happens to that $18 billion? It goes into the baseline of our Government spending.

It goes into the baseline of our Government spending. So next year, if you try to remove that $18 billion, you know what they will say. They will descend on us in the halls, they will descend on us in this body and say: You are slashing the budget. You are cutting the budget. You can never cut the budget. So it goes into the baseline.

Let's say we just continue at that rate. Let's say next year, they just do another $18 billion. It is not $18 billion going to the debt to our children and grandchildren for them to carry throughout their lifetime; it is $36 billion because you have already got an $18 billion increase from the previous year and then have $18 billion on top of that. The next year, it is $36 billion plus $18 billion, which is $54 billion. The next year, it is $54 billion plus $18 billion, which is $72 billion. If you carry it out 10 years, it is $180 billion extra that year. Then, if you add all that up, what do you come up with? An increase in spending, on that pattern alone, of $986 billion. That, I would say to my colleagues, is the kind of indifference to a billion here and a billion there that gets us surging in our spending.

Finally, in our Budget Committee hearing, I asked the committee staff what the Consumer Price Index is, what the inflation rate is. They told us it is a little over 2 percent. Well, what do we know? We know this budget is going to increase spending in the nondefense discretionary account over 6 percent—three times the cost of living.

They say: Well, a big part of this surge in spending is the war. But we have had a war for the last 4 years, and spending has not gone up a whole lot this year as compared to the last couple years in terms of the war. But what we do know is the non-defense discretionary spending in a time of war ought to be at least contained somewhat. Shouldn't we at least try to keep it to the cost of living? Yet we are going to come in with a budget about three times that amount, maybe more than three times the cost of living in terms of a percentage increase in nondefense spending.

So those are some concerns I have. I believe we are on the road to taxing and spending. I think this budget demonstrates where our colleagues are heading in the Senate. I am going to resist it because we are moving to a point where we will not be able to—Mr. President, I ask unanimous consent to speak 1 additional minute.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. SESSIONS. Mr. President, I will talk more later, but perhaps the most important thing about this budget—with the points of order that are set in it and the fact that it is increasing spending rather than reducing spending—it is going to block the extension of extremely popular tax reductions that have been in place for a number of years. Then the taxes will go up on families. It will go up for children. For children, the tax credit will go down from $1,000 to $500. The capital gains rate—which actually raises revenues when it is cut—will go up. Other taxes will go back up, such as for dividend income.

That is not the right direction for America. This is not our heritage. We need to contain the growth of spending and not go back to higher taxes.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from New York.

Mr. SCHUMER. Mr. President, I ask unanimous consent that I be given 5 minutes to speak as in morning business and that the time to be charged on our side.

The PRESIDING OFFICER. Is there objection?

Mr. CONRAD. No objection.

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

FIRING OF U.S. ATTORNEYS

Mr. SCHUMER. Mr. President, I rise to respond to the President's remarks he made about a half hour ago about the problems we are facing with the firing of eight U.S. attorneys.

The President had a press conference, basically, where he said he wanted to cooperate and he wanted the information to come out. That is good news because that is what we all want. This is such a serious issue. The integrity of the U.S. attorneys, the integrity of the Justice Department has been hurt, and we must restore it.

It is good to see the President understands we have to do something, we must restore integrity to what is the foundation of this country, the rule of law, without fear or favor. So when the President began to speak, I felt quite good. But when we learned of what he has proposed, it can only be called very disappointing because while he has made an offer that appears to be cooperative, when you look at it closely—you do not even have to look at it that closely—the cooperation is minimal.

Let me show you why. The President has said we could interview—his words, we could interview—some of his high-level staff. However, the interview will be held in private, not in public. There will be no oath or sworn testimony. There will not even be a transcript.

The interview will be as if it occurred in a darkened room, and then there is no record of what happened. If at these interviews the statement of, say, Karl Rove or Harriet Miers contradicts statements given before, there is nothing that can be done about it. We cannot get to the bottom, we cannot get to the truth. What is the objection to having a transcript if there is nothing to hide, nothing wrong with the transcript? What is the objection to an oath? If there is nothing to hide and everyone is telling the truth, there should be no objection to an oath. What is the objection to having this discussion in public? Because if we want to restore the integrity of the U.S. Attorney's Office and the Justice Department, that cannot be done by someone whispering to someone else in a back and darkened room. It must be done in public.

Any lawyer will tell you that the offer made by the President is not going to get the truth. No transcript, no oath, no public testimony—what are we hiding? The bottom line is, if the President wants the truth to come out, then he would have testimony given in a far more full and open way. It seems as if the President wants to appear to be cooperative but not really cooperate. So we will have to go back and come up with a better plan because this plan does not work.

The President has said he will give us memos, but the only memos we will get are memos we have already received, with only a few exceptions because the President has said any memos within the White House are off limits. If Aide A sends an e-mail to Counsel B, and it says, ''Let's fire U.S. Attorney C because they are doing an investigation we don't like, but find another justification, another reason,'' and then the counsel writes to the Justice Department, ''We are firing that U.S. attorney because they are not working hard enough on,'' say, ''immigration cases,'' we will have no way to get at the first memo, and the truth will not come out.

So, Mr. President, give us all the memos, not just some. Give us all the memos related to this issue, not just the ones that won't help us with the case.

Mr. President, I ask unanimous consent for another 3 minutes, charged against our side.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. SCHUMER. If we really want to get to the bottom of this issue, there is a much better way to do it—one without politics, one without partisanship, but one that gets at the truth—in public, under oath, with a transcript, and with all the memos being made public.

I think the President has an obligation to tell the American people why he is against a transcript, why he is against an oath, why he is against testimony in public. If our mutual goal is to get at the truth, there is no good justification to not allow those things.

There is precedent. It is not unusual for Presidential advisers to testify under oath in public before congressional committees or subcommittees. Take President Bush's immediate predecessor, President Clinton. Advisers who held the very same positions that are now held by Karl Rove and Harriet Miers in their time, and their deputies, testified. Harold Ickes testified. Bruce Lindsey testified. John Podesta testified. Beth Nolan testified. Those are people who had the exact same positions as Karl Rove, Harriet Miers, and their aides. They testified under oath, in public, with a transcript. If it was good enough for President Clinton and previous Presidents and their aides, why isn't it good enough for this President? Why do we have to have a narrow, constricted standard that seems almost designed not to bring out the truth?

So the Judiciary Committee, under the leadership of Senator LEAHY, will follow this investigation where it leads. We have an obligation far above party, far above partisanship to our country and its system of justice to get to the bottom of this situation. We will not be deterred. We will continue to focus. And the truth will come out. We owe it to the U.S. attorneys who were dismissed for reasons that still have not adequately been explained, with their careers and reputations damaged. We owe it to all the other U.S. attorneys who are now under a cloud because of what has been done. We owe it to our system of justice.

Mr. President, please let us have a full, complete investigation, not a limited one almost designed so the truth does not come out.

I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mr. CORNYN. Mr. President, I ask unanimous consent to speak for up to 8 minutes as in morning business.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. CORNYN. Mr. President, I guess, listening to the comments of my distinguished colleague from New York, we know this is about an effort to find the truth and follow the facts wherever they may lead, and I guess we should all be satisfied that this has nothing to do with politics, nothing to do with the Democratic Senatorial Campaign Committee that he chairs, because he wants us to believe this is about getting the facts—although the President today offered to produce his former White House Counsel and his adviser, Ms. Miers and Mr. Rove, for an interview to provide information to the investigators, to the Senate Judiciary Committee. But we have just been told now that is unsatisfactory, that we will not be able to get to the truth.

Well, I am as interested as anyone is, as a member of the Senate Judiciary Committee, as to what the facts are. But let me tell you, while I have some question as to all the information this investigation might turn up, I am not in doubt about this: President Clinton fired 93 U.S. attorneys appointed by his predecessor, a Republican President, and that was not about politics. This President has replaced eight U.S. attorneys whom he himself appointed, and that, for some reason, is supposed to be all about politics, all about dirty pool. Well, it just does not stack up. The fact is, this President, just like President Clinton, could replace U.S. attorneys for no cause.

I think the real problem here—and I do agree it has been mishandled—is the suggestion that we somehow ought to be demanding in the public domain whether there are performance-related reasons why these particular U.S. attorneys were replaced that caused them to feel the necessity to defend their reputation in the public arena. Frankly, I do not think they should have to be put to that sort of debate. These distinguished lawyers ought to be able to move on in their careers with their reputations intact. But because of my colleague, the chairman of the Democratic Senatorial Campaign Committee, who is leading the charge in this effort, it, I believe, undermines what should be a legitimate inquiry into the facts.

So I don't think anybody should be under any illusion of what the goal is here. It is not to get the facts or else the Senator from New York would have accepted the offer and said: Sure, we would be glad to talk to the witnesses who have been subpoenaed and who will appear from the Department of Justice. We will be glad to hear what Mr. Rove and Ms. Miers have to say. We will be glad to look at the 3,000 pages of documents produced by the Department of Justice yesterday, and we would be glad to look at the other documents that are being proffered by the White House. Instead, he has already reached a verdict. He has already concluded there is foul play regardless of the facts and regardless of what this information will yield. I think we shouldn't be under any illusion that this is about politics. It is not about a search for the truth.

Frankly, I think this Congress and the Senate deserve better than that. We deserve the ability to conduct an inquiry to find out where the facts may lead without this conflict of interest the Senator from New York has. Senator SPECTER, the ranking member of the Senate Judiciary Committee, has pointed out that this calls into legitimate question the whole basis for this purported investigation, and while he didn't call on him to recuse himself, he did suggest—and I think he is exactly right—that it undermines the legitimacy of what should be an inquiry into the facts.

I think it is appropriate to point out to our colleagues that this sort of campaign by the chairman of the Democratic Senatorial Campaign Committee, who is using this incident to raise money on the Web site of the Democratic Senatorial Campaign Committee, of ethics complaints filed against colleagues is inappropriate and unworthy of this institution.

Mr. President, I yield the floor.

Ms. STABENOW. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant 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 wish to take this opportunity to discuss the matter I alluded to earlier that is a very real concern of mine, which is that the budget that is before us sets us on a direction we should not go. It is a major policy document. It states to the whole Nation how our Democratic colleagues, who now have the majority in the body and who passed this budget out of committee by a single vote majority or a party-line vote, as budgets have been over the last several years—that is not particularly unusual because there is a very real difference in how we approach taxing and spending in America between the parties that are represented in this body. It has been great to see Senator CONRAD and Senator GREGG work on these issues. They have done a great job of representing their principal points of view and they have shared their own ideas and battled it out with respect and collegiality. They are very capable leaders of our Budget Committee.

AMENDMENT NO. 466

I wish to talk about this subject, and I call up an amendment to S. Con. Res. 21 at this time, and I send it to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Alabama [Mr. SESSIONS], for himself, Mr. DEMINT, Mr. GRAHAM, Mr. ENZI, and Mr. CRAPO, proposes an amendment numbered 466.

Mr. SESSIONS. 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 exclude the extension of tax relief provided in 2001 and 2003 from points of order provided in the resolution and other budget points of order)

At the end of title II, insert the following:

SEC. ___. EXCLUSION OF TAX RELIEF FROM POINTS OF ORDER.

Sections 201, 202, 203, and 209 of this resolution and sections 302, 311(a)(2)(B), and 313 of the Congressional Budget Act of 1974 shall not apply to a bill, joint resolution, amendment, motion, or conference report that would provide for the extension of the tax relief provided in the Economic Growth and Tax Relief Reconciliation Act of 2001, the Jobs and Growth Tax Relief Reconciliation Act of 2003, and sections 101 and 102 of the Tax Increase Prevention and Reconciliation Act of 2005.

Mr. SESSIONS. Mr. President, our colleagues tell us this budget does not raise taxes, and in a sense that is a legitimate position for them to take, but in reality, I suggest it is not. I would note the budget we have before us now assumes—assumes, see—$916 billion in additional revenue over the next 5 years. Where do you get $916 billion? It is about a half a trillion more than the President assumed. What could generate $916 billion in additional revenue except a tax increase?

The revenue levels in this budget mirror those numbers prepared by the Congressional Budget Office as part of its budget baseline. The Congressional Budget Office's baseline assumes that President Bush's tax cuts will expire as scheduled under current law, resulting in $916 billion in tax increases. Why does CBO assume they will expire and will not be extended as we have for nearly a decade? Well, that is what accountants do. There is nothing in the law that requires them to be extended, so CBO makes an accounting decision that they assume they will not be extended. The lower rates will not be extended. That means the rates will immediately jump up in a series of important taxes that affect the middle class in America.

But Members of the Senate don't have to assume that. In fact, we ought to assume they are extended, because they are working. They are producing more revenue, economic growth, low unemployment. Alabama's unemployment, my home State, hit 3.3 percent last fall. Isn't that fabulous? We had the lowest drop in unemployment rate on a percentage basis of any State in the Nation in the last several years.

Simply put, the Democratic budget is raising taxes by $916 billion by deciding not to extend the existing tax cuts. Tax rates will then go up and they will receive more money. The $916 billion in tax increases would become the largest tax increase ever, dwarfing President Clinton's record $241 billion tax increase in 1993. But our colleagues don't want to admit that today. They didn't want to admit that in committee when we voted on it last week. They want to have it both ways, if you want to know the truth. They want to spend and not take credit for raising taxes. So now the Democrats say their budget includes a reserve fund that would somehow allow for extensions of existing tax credits without increases in taxes. But this reserve fund is a mere vapor. It is without any substance. It has no funding in it that would allow for tax cuts—it does not allow for the extension of these tax cuts that are in place now and have been in place for years. They would not be acceptable under this reserve fund because they would increase the deficit, of course. That is what CBO will say.

It does not contain any money to pay for the extension. In fact, the Joint Committee on Taxation scores all tax legislation statically, which I disagree with, but that is what they do. It nearly always overestimates the amount of lost revenue whenever you cut taxes, rather than scoring the cost to the Treasury dynamically, which would recognize that many tax cuts actually increase growth and taxable activity, and thus increase Federal revenue. Good tax reductions will seldom fully pay for the full cost they incur in the short run, but usually they do help the economy do better than otherwise would be the case, and bring in more revenues. So it is not a full dollar-for-dollar cost like CBO scores. Thus, spending would have to be reduced substantially to allow under some pay-go idea any tax relief, including even extending the existing tax rates.

Let me ask: When did our colleagues ever execute any spending reductions? They have talked about it. They attacked President Bush mercilessly for spending, spending, spending, they said. President Bush was a reckless spender. He caused all this great deficit. He inherited an economy sinking into recession. He inherited a war and a 9/11 attack. He had to work from those facts and work out of those facts. So they have attacked him mercilessly for his tax reduction policies, which I noted a little earlier increased revenues significantly in recent years.

But I will say this: Under the plan of this budget, under the points of order, one cannot continue those tax reductions without reducing spending the amount that CBO says they cost the Treasury. Now, how are we going to do that? In fact, I will ask, when have our Democratic colleagues ever proposed reducing spending? Look at this budget that is presented this year. It contains virtually no spending cuts, $18 billion in discretionary spending increases, and not one dime saved in the entitlement program. No reform whatsoever in the massive entitlements which now make up over 60 percent of spending in this Government.

Our colleagues are not facing up to that. Thus, I would say to my colleagues with confidence that the plan is clear, their tactics are chosen, and they will say they are not for raising taxes today by this budget. They say this budget does not raise taxes. But I say clearly that is only half true; not much true at all. Because this budget assumes—''assumes'' $916 billion in new revenue, new tax revenue. It assumes we are going to receive $916 billion in new revenue, and where can we figure that? Well, those are the numbers that come from CBO's estimate, that is the Congressional Budget Office which estimates these things—that is what CBO estimates will occur if the existing tax rates are not extended, but allowed to jump back up again to a higher rate.

Second, they have created four new budget points of order against extending the current tax rates. This means that extending low tax rates will require not 50 votes but 60 votes, a supermajority to do that. As I noted when we passed these tax cuts in 2001 and 2003, the votes were razor thin. Now that we have a Democratic majority—not only that, now they have changed the vote total necessary to extend these tax cuts to 60. How are we going to get 60 votes? Well, under these tactics and under the budget points of order fine print contained in the budget, these lower tax rates that are in existence today cannot be extended without ''paying for'' them. How do you pay for them? By cutting spending by the amount CBO scores the loss in revenue. This means reducing spending. The thought that our Democratic majority plans to reduce spending, even though they talked about it this fall in the campaign like they had an intention to do so, the thought that they would have plans to actually contain waste and fraud and reduce spending is really to step through the looking glass, I have to tell you.

How can I say that? Oh, you are just being critical, SESSIONS. You are just being critical. Let's look at the budget to see what it says. The budget completely ignores President Bush's request to terminate or reduce funding for 141 programs that would save $12 billion in 2008 alone. It doesn't touch any of those programs.

Here is the Chief Executive of the Government of the United States. He recognizes that some of the programs simply don't work well. Out of the 1,000 in existence, he recommended a modest 141 be substantially reduced or terminated. It would save $12 billion in 1 year. Over 5 years, that is $60 billion. What do we see in this budget? Nothing. Zero.

What about the entitlement programs? We are now at $1.5 trillion, $1.6 trillion in entitlements, which is about $900-some-odd billion in discretionary spending. The biggest amount of the budget now is in entitlement, or mandatory spending. We all know that. Did our colleagues propose any steps to contain the growth at over 6 percent a year automatically of mandatory entitlement spending? No. Zero. No cuts in that. No reductions.

Well, there was a little reduction, but they used that to go around and spend it on some other entitlement program. So the net was no reduction in the growth of entitlements, not one step toward making the entitlement programs more solid.

What else? We have to keep this between us all. It is a little bit of a secret. But let me tell you what the budget does. It doesn't cut spending. This budget increases spending by $18 billion in the discretionary account above what President Bush asked for, the man who was being accused by Democratic candidates last year of being a reckless spender. It increases spending.

So you tell me, colleagues, what we are dealing with. I would suggest that elections have consequences; that despite protestations of frugality and criticisms of Bush spending, our Democratic friends have produced a budget that will result in a $916 billion tax increase and $986 billion spending increase, just as I pointed out, with the

$18 billion spending increase over President Bush's proposals, as I mentioned earlier. It adds up over a period of time, goes into the baseline, and surges spending. That is why you have to have restraint and show toughness and responsibility. I will just say that the leopard has not changed its spots.

When we look at it, as a budget, what does it do to our sustained effort to keep our economy vibrant, keep our taxes low, and the growth going and reducing unemployment? I submit that what we have done in the budget is that we have loosed forces that inevitably will put us at a point in time down the road, 1, 2, 3 years, when these tax extensions can't even be carried out. When they can't be extended anymore, these lower tax rates are going to have to go up because we are not going to have a cut in spending. My colleagues are not going to cut spending. They are going to increase spending. They are not going to cut spending.

How are we going to pay for these tax cuts? How can we pay to extend the existing rates? They are going to continue spending. What is going to happen is the tax man is going to get deeper and deeper into the pockets of working American citizens. It includes the marriage penalty, it includes the dividend tax, the capital gains tax, and the child tax credit, and others. So that is the big deal we are dealing with.

I started thinking about this, and I decided what this is, in my own little mind. The way I figure it out, here is the Budget Committee, our Democratic Budget Committee. They passed a budget. The budget, in my mind, amounts to a torpedo heading toward our vibrant, free economy. Our Democratic colleagues say: We haven't sunk the ship. We haven't hit the ship. But the torpedo has already been loosed. It is going to hit the ship because that is what the budget does.

Anyway, I just tell you that the mechanism is at work, and I don't know how we can stop it if we pass this budget. I do have a solution to it, however, and I will talk about that in just a minute.

This is not an academic debate. We are talking about real dollars for real Americans if these tax cuts expire, the lower rates that we have today, and they go back up. The lowest income families in America who pay taxes, those earning less than $15,000 per year, whose tax rates are covered by this temporary extension, will see their tax rates increase 33 percent. I think the $1,000 current per-child tax credit is one of the best things this Congress ever did, and I campaigned on it in 1994. The $500-per-child credit worked so good and was so popular that we added another $500 per child as part of the budget reconciliation process. That is coming to an end. It needs to be extended. So it is going to drop from $1,000 to $500.

The standard deduction for married couples will be cut by $1,700 per year. That is $140 a month for a family. 45 million working families with two children, if those tax reductions are not extended, will pay $3,000 more in taxes per year, which is equivalent to a 5-percent pay cut. And 15 million seniors will see their taxes increase. This is reality, and I am not going to go quietly on it. We need to fight this with all the strength that we have.

The four new points of order that are in this budget make it almost impossible to extend the existing tax cuts, and they are the trouble here. We need to confront those. I have offered an amendment that will deal with it, and I called it up on the floor just a minute ago, but let me mention the four points of order that are included in this budget that make it dead certain, if we continue with those points of order, that we are not going to be able to maintain the current tax rates and that we will see a substantial tax increase on all Americans.

The so-called pay-go rule, which states in part that the Senate cannot consider any revenue legislation that would increase the on-budget deficit in the current fiscal or budget year, the five fiscal years following the current fiscal year, or the 5 years after that—that is the pay-go rule. Basically, it means you either have to raise taxes to pay for tax extensions or you have to cut spending, and we are not likely to do the latter.

No. 2, a point of order against any legislation that increases long-term deficits.

Well, Joint Tax has already scored these tax reductions as costing the Treasury money. Even though money to the Treasury is going up after we reduce taxes, they scored it as costing the Treasury. Therefore, that point of order would be sustained.

What does a point of order mean? It means that you can object to extending one of these tax cuts, and it would not take a 50-vote majority to extend the tax cut, or 51. It would take 60, a supermajority, because we create a point of order that allows for a larger vote to be required.

No. 3, there is the so-called save-Social-Security-first point of order. This point of order prevents any new tax relief or extension of existing tax relief that would worsen the budget deficit until the President has submitted and the Congress has enacted a bill that would ensure the long-term solvency of Social Security.

The President tried to do that a couple of years ago. He received not a single vote of support in this body. They wouldn't even discuss it. They said it was dead on arrival. Senator GREGG asked that we have in this budget some plans to begin to reform our entitlement programs, including Social Security. What did our colleagues do in the budget? Zero. Now they are going to say: You can't extend your tax cuts, you can't extend the current lower rates of taxes until you fix Social Security. Not only that, it says until the President has submitted, and the Congress has enacted, a bill to fix Social Security.

I certainly think we should do that, but I have to tell you, in my view, I think that is unlikely to occur no matter who is President, no matter how this Congress is made up. We need to do it, and I support it, and I am disappointed we haven't taken any steps whatsoever in this budget to get there.

Finally, there is a point of order against any reconciliation action that would increase the deficit. Reconciliation has been the mechanism that Republicans have used to provide tax relief to the American people. That is how we got it through, by a 50-vote majority, as part of the budget reconciliation process. These were narrow votes. We barely got 51 votes. Under this proposal, under this budget, it is going to require 60 votes.

So if this budget goes through, the four points of order will practically guarantee that all of President Bush's tax cuts will expire. Out the window will go the marriage penalty relief, this penalty that we impose on people who marry—how dumb is that, to tax marriage? That is not a smart thing for the Nation to do. We eliminated most of that, but that will go out the window if we can't extend that tax reduction, along with the $1,000-per-child tax credit, the adoption tax credit, and the estate tax repeal, along with the capital gains reduction.

When we cut capital gains taxes, we didn't lose $5 billion in revenue as CBO said; revenues went up $133 billion.

It also will eliminate the dividend tax deduction. So the 10-percent tax bracket will disappear and marginal rates will increase.

So each of these points of order require 60 votes, and it means that we are facing a problem of a serious nature. We will be drifting more toward the social European model of higher taxes, higher spending, and higher regulation. I do not believe that is what the American people want.

I know there is an idea that through better enforcement against tax fraud we can make up some of this money and that we will increase tax revenue by $100 billion. I wish that could be done. I will support reasonable steps and fair steps to enhance enforcement of our tax laws. But I have to tell you, I met last week with a group of county commissioners from my State, and their No. 1 complaint was that there is some sort of Federal law that has been passed to make them withhold taxes when they pay anybody they deal with so we can close some loophole. And they contend, I don't know how correctly, but they contend it costs more to effectuate the Government's plan than it saves the Government in taxes.

The IRS Commissioner, however, testified before Congress that only $35 billion could be expected to be saved through enhanced enforcement over 5 years.

I am a former Federal prosecutor, a U.S. attorney. I prosecuted a number of tax fraud cases. I try to pay my taxes. I do the best I can, and I tell you, I think most Americans do. When somebody cheats, they need to be chased down and they need to be prosecuted. It is not right for a rich person to cheat on his taxes while the average Joe is working hard and paying his taxes. So I support that. I am just telling you, there is not a pot of gold out there, as much as we would like to believe there is.

Our colleagues, in writing their budget, just assumed we would get it. They made their budget balance by assuming that we would bring in $100 billion out of tax enforcement. It begins to look like smoke and mirrors, really. The Commissioner says $35 billion is the most we can get. Senator GRASSLEY, former chairman of the Finance Committee, says we can't get that much money. It is not as easy as people say.

To prevent the largest tax increase in history from occurring, just from not having our existing tax rates extended, I am offering an amendment today that would not only exclude any extension of the expiring tax relief from those four new budget points of order but any budget point of order that would threaten that. If my amendment is agreed to, it would therefore take 50 votes to extend the President's current tax breaks that we have passed here in the body and not 60. If we do not do that, the tax collector is going to be jumping back into your pocket. He is going to be taking a lot bigger chunk out of what you make every week. We have to look at the realities of it.

I would say once again, the way this budget is constructed, based on the increased spending our Democratic colleagues propose, we have through this budget loosed a torpedo. How long it takes to hit the ship I don't know—1, 2, 3 years—but it is on the way and it is going to get there and it is inevitable. The bullet has already been launched.

I thank my colleagues on the Budget Committee who worked hard—Senator CONRAD and Senator JUDD GREGG. They are both extremely capable. These arguments I am making deal a great deal with philosophy and direction, how we see our Government, how big we want it to be, how much we want it to take from the private sector and the wealth that great private sector generates—how much of it we want it to take. I am very troubled that we are headed down the wrong road, that we are going to increase taxes on middle America, on corporate America, and the net result will be this surging economy may be damaged and, in the long run, we may not receive any tax revenue at all.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I thank the Senator from Alabama. Senator SESSIONS is a constructive member of the Budget Committee. He and I have many disagreements. We have spirited debates. But I have high regard for the Senator and have enjoyed his service on the Budget Committee. He has been, as I said, a very constructive member there.

Let me say I disagree with some of the conclusions he has reached. I wish to say to the Senator, I believe that the revenue objectives we have set in this budget resolution are entirely achievable with no tax increase. I would say to the Senator, the President, when he put out his budget, said it would raise $14.8 trillion. My budget says $15 trillion. That is a difference of 1.2 percent, and I believe that can be accomplished by going after tax havens, tax gaps, tax scams that are occurring. I do not think it is that difficult to do.

With that said, I very strongly resist the amendment of the Senator from Alabama to remove points of order against additional spending or additional tax cuts. In this part of it, the Senator is talking about additional tax cuts. That guts pay-go. A central part of the new budget discipline being proposed in this budget resolution is to reassert pay-go. Pay-go says simply this: New mandatory spending and tax cuts must be offset or get 60 votes.

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

Mr. CONRAD. Yes, I am always happy to yield to the Senator.

Mr. SESSIONS. I don't think I made it clear, and I think maybe the Senator misspoke because I may have earlier. This eliminating the point of order would only be eliminating points of order that are related—that could be raised against existing tax relief. Not any new tax cuts. These points of order—I did not seek to change it in that regard.

Mr. CONRAD. I appreciate that. My argument still holds because the way pay-go works, because the existing tax cuts are sunset under current law, to extend them, costs money. It has to come from somewhere. Pay-go says you have to pay for it. That is what we are seeking to do. The amendment of the Senator would gut that attempt.

What we are saying is to extend the current tax cuts, you have to pay for it. If you want new mandatory spending, you have to pay for it. Let me indicate very quickly, under the current GOP pay-go rule, the Republican pay-go rule, it exempts all tax cuts and mandatory increases that are assumed in any budget resolution, no matter how much they increase the deficits.

Our pay-go rule says all mandatory spending and tax cuts that increase deficits must be paid for or require 60 votes.

That is a budget discipline that worked very well in the 1990s and we need to restore it. One of the reasons we have this, when we had strong pay-go in effect, here is what happened to the deficits. Each and every year they were reduced until we actually went into surplus and even, for 2 years, we stopped using Social Security money to pay bills around here. Then the weakened pay-go rule went into effect right here and look what happened: Right back in the deficit ditch big time, record deficits, record increases in debt. That is what we are trying to avoid with these points of order, to make it more difficult around here to spend money on new mandatory programs, to have more tax cuts, new tax cuts. The amendment of the Senator would gut it.

Senator GREGG said this, in 2002:

> As a practical matter you can get 60 votes on the floor of the Senate fairly quickly for most things that make sense.

Senator GREGG was absolutely right back in 2002. But he had other things to say as well. Back in 2002 he said this:

> The second budget discipline, which is pay-go, essentially says if you are going to add a new entitlement program or you are going to cut taxes during a period, especially of deficits, you must offset that event so that it becomes a budget-neutral event that also lapses.

He went on to say this:

> If we do not do this, if we do not put back in place caps and pay-go mechanisms, we will have no budget discipline in this Congress and, as a result, we will dramatically aggravate the deficit which, of course, impacts a lot of important issues but especially impacts Social Security.

Senator GREGG was absolutely right about that. That is why I think adopting the amendment of the Senator from Alabama would be a serious mistake. Does the Senator from Michigan request time to respond?

Ms. STABENOW. Yes.

Mr. CONRAD. I yield to the Senator from Michigan.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Ms. STABENOW. Mr. President, the comment I have, when we look at what the Senator from Alabama is talking about, he is basically saying that the tax cuts that were passed, first of all, were a good idea for most Americans and that he wants to make it as difficult as possible to change that. So when we look at what happened this last year, if you have more than $1 million that you earned in some way—unearned income or earned income—more than $1 million, you received $118,477 from the President's tax cuts last year. So what this amendment would do is say basically that they like this ratio. The less you made last year, the less you got. In fact, less than $100,000 in income, a family making less than $100,000 got $692. If you were willing to run that out even further, you had a lot of folks who maybe got $30, $40, $50 from this tax cut. So this locks in this kind of a tax cut.

We don't think this is fair. This budget resolution changes the way we look at tax cuts going forward and basically says we want tax cuts going to middle-class Americans. We want tax cuts going to the majority of Americans who are working hard every day, worried about their kids, who want to be able to send them to college, want to be able to have health care for them, and want a job, a good-paying job in America. These are the folks we are focusing on in this budget.

There is no question about it. This budget resolution is a new direction. It is a new day. It is a new set of values and priorities. The idea of saying, as this amendment does, that we should make it harder to change this, harder to rearrange things here or to maybe move some of those dollars over into making sure kids can go to college or making sure they have health care or their folks have health care or making sure we keep our promises to our veterans—those are the priorities in our budget.

Essentially, this amendment would say, if we need to address our veterans through adding dollars to make sure they have the health care they need, if we need to do more as we investigate and see what is unfolding with Walter Reed and other parts of the VA system and so on, that it would take more votes, it would take 60 votes to do something that would help our veterans but it would only take 50 votes to be able to continue this kind of a tax cut, this kind of a structure.

We reject that. We reject that set of values and priorities. They have been in place for 6 years, and I believe the American people have rejected those priorities with the changes in majority and the change in leadership that was made and that has begun as of January. What we have is a different approach.

First of all, as our distinguished budget chairman has said, we do want to say for new spending—whether it is tax cuts or other kinds of spending—we do want, overall, to make it a little tougher by having a 60-vote requirement because we want to make sure we are paying attention to lowering the deficit and moving in the other direction, to stop this spending using Social Security that has been going on for years and years.

But also in our budget, within that context, we have changed the priorities on the spending. We have said let's be fiscally responsible on any new mandatory spending, any new tax cuts, and require that people come together in a bipartisan way. It is a conscious choice, a supermajority vote. But we have also said we are going to increase the budget in education.

Earlier we heard from colleagues talking about all the new money that has been put into education under this President. The fact is that if you include this President's budget for next year, the Leave No Child Behind legislation is underfunded by over $70 billion. We put more dollars into education because we know it is about opportunity for our kids, it is about economic competitiveness, it is about creating opportunity—to dream big dreams and go as far as you can in the greatest country in the world—and that we have to focus on education.

Our budget does that. Our budget also says that part of what we need to do is invest in children's health care. For working families, those folks whose minimum wage we raised who do not have health insurance with their job, who are working one job, two jobs, three jobs, to try to make ends meet, we think they ought not have to go to bed worried about whether their kids are going to get sick; with a prayer at night saying: Please, God, don't let my kids get sick.

The SCHIP program is about making sure we support those working families, and we made a commitment in this budget to say we want every child from that working family—every child who does not have insurance to be able to receive insurance. This budget keeps its commitment to its veterans. This budget provides real middle-class tax cuts.

Not what is on this chart. I am not interested in adding. Can you imagine, $118,000-plus is the tax cut for last year? That is more than the average person in Michigan or anywhere in this country makes in a year. That is more than they make in a year.

We say we need a different kind of tax cut. For the folks who are making less than $118,000 a year, for the folks who are working hard every day, we want to change this picture. This amendment would basically say: The current tax cuts that are in place are great, we want to make it harder to change them. They keep in place something that frankly has been so unfair to middle-class Americans.

All over Michigan, when you talk to folks about tax cuts, most people say to me: What tax cuts? What are you talking about? I did not get a tax cut. You mean that tax cut that went into place in 2001?

You don't remember getting that big tax cut? Most people never saw that tax cut. That is why if you earned more than half a million dollars last year, you saw it, $21,000 worth. If you earned more than $1 million last year, you got over $118,000 in tax cuts.

We need a new direction. That is what this budget resolution is about, a new direction for the country that says: It is about everybody. It is about everybody who works hard every day, who gets up in the morning, does their best knowing they are going to be able to share in tax cuts.

But they are also going to be able to share in a community, in an educational system that works for the kids, being able to send them to college; that they are going to be able to share in the great health care we have in this country. We have got the greatest health care in the world. We have got 50 million people with no health insurance.

We spend twice as much money as any other country in the Western Hemisphere on our health care coverage. We are saying: We can do this better. We can do this differently so that American families reap the benefit of working hard and know that the future of this country is available to them for the great things about this country, the health care system, access to college, good schools are available to them.

Then we go further and we say: We want to make sure you have enough police officers on the streets and firefighters and that local communities can take care of water and sewer needs and other issues and protect the environment; in Michigan, it is the Great Lakes and our air, to be able to breathe the air, and on and on.

There is a set of things that we are committed to doing. The good thing is all that domestic spending we have talked about, that $18 billion in increased spending, 17 percent of the entire budget, only 17 percent of the entire budget, our investments that we are talking about for the people of this country.

Let me also say again, when we talk about differences and where dollars go, $10 billion, $10 billion a year is needed to make sure every kid in this country has health care. That is what we are spending in 1 month in Iraq—1 month in Iraq worth of funding to fund every child in America with health care coverage.

We believe we need to be doing that. In fact, the entire increase in investments in the future for this country's health care, science, education, protecting the environment, law enforcement, all of it adds up to less than 2 months' spending in Iraq.

What this amendment would say is we are going to make it very hard to do any other kind of investments for the American people, American families, but we are going to make it easy to extend this kind of tax cut for people earning over $1 million a year.

I hope we will say no. I hope we will say yes to the budget resolution. We are bringing back fiscal responsibility and stopping digging so the hole does not get any bigger and we can get out of it. We are redirecting the priorities of this country to reflect what the majority of Americans want to see happen for the future of this country and for the future of kids.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Mr. President, I understand now that Senator CORNYN is going to offer an amendment. We have a unanimous consent agreement which would put him in order. So I yield to Senator CORNYN for the purposes of offering an amendment.

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

AMENDMENT NO. 477

Mr. CORNYN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Texas [Mr. CORNYN], for himself, Mr. GREGG, Mr. GRAHAM, Mr. BUNNING, Mr. MCCAIN, Mr. ALLARD, Mr. CRAPO, and Mr. DEMINT, proposes an amendment numbered 477.

Mr. CORNYN. 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 provide for a budget point of order against legislation that increases income taxes on taxpayers, including hard-working middle-income families, entrepreneurs, and college students)

At the end of title II, insert the following:

SEC. _____. POINT OF ORDER AGAINST LEGISLATION THAT RAISES INCOME TAX RATES.

(a) IN GENERAL.—It shall not be in order in the Senate to consider any bill, resolution, amendment, amendment between Houses, motion, or conference report that includes a Federal income tax rate increase. In this subsection, the term ''Federal income tax rate increase'' means any amendment to subsection (a), (b), (c), (d), or (e) of section 1, or to section 11(b) or 55(b), of the Internal Revenue Code of 1986, that imposes a new percentage as a rate of tax and thereby increases the amount of tax imposed by any such section.

(b) SUPERMAJORITY WAIVER AND APPEAL.—

(1) WAIVER.—This section may be waived or suspended in the Senate only by an affirmative vote of three-fifths of the Members, duly chosen and sworn.

(2) APPEAL.—An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

Mr. CORNYN. Mr. President, my amendment creates a 60-vote point of order against any legislation that raises income taxes on taxpayers. Now, I have served on the Budget Committee, and we have had discussions during the course of marking up this budget resolution in the committee.

The chairman tells me it is not his intention for this budget to reflect a tax rate increase. I say good for him and good for us if that, in fact, is true. The problem is that this budget, over the next 5 years, contemplates a $146 billion increase in discretionary spending. That money has to come from somewhere.

Unfortunately, during the committee's debate on this budget, I offered this amendment, but it was opposed. I am told the chairman may have some different views today after additional clarification and explanation. We will see.

But let me make sure it is clear that this amendment will not hinder our efforts to shut down and close illegal tax shelters or perceived loopholes in the IRS Code. This amendment deals with the tax tables contained in the 1040 form that the IRS annually sends to every taxpayer. It will not—let me be clear—it will not hinder efforts to reform or overhaul the Tax Code. Any tax simplification effort will need bipartisan support in the Senate, and if it is revenue neutral, I am confident it will be forthcoming.

Rather, this point of order is an insurance policy when Congress decides to look at the pocketbook of taxpayers for even more revenue instead of looking for ways to eliminate Government waste, fraud, and abuse. The former Chief Justice, John Marshall, said:

The power to tax is the power to destroy.

The power to tax is the most powerful tool Congress has at its disposal, and my amendment puts it in a place where it will be a safeguard that will protect the pocketbooks of middle-class families, college students, and entrepreneurs. Some of my colleagues on the other side of the aisle are advocating that we pull the rug out from our economy and roll back the President's tax relief or simply let it expire on its own. That is the last thing we should do to protect growth policies of this Government that have helped this economy perform well.

Similar to millions of Americans out there, I am very optimistic about where we are headed. Frankly, I am surprised that our numbers, the good numbers that are reported almost weekly and monthly have not made more headlines because we have one of the strongest economies of any industrialized country in the world despite the present-day challenges we experience.

The economy's performance speaks to its resiliency and its strength. We can and we should take pride in this economy's performance and look for optimism toward the future. Earlier this month, the Labor Department reported that almost 100,000 new payroll jobs were created in February and that the unemployment rate remains at a historic low, about 4½ percent.

The progrowth policies we have been working and living under have given rise to 21 straight quarters of growth and 7.6 million new jobs over the past 42 consecutive months—a tremendous accomplishment and a trend we must work to continue as we face significant fiscal challenges ahead. As we move forward, the last thing we need to consider is reversing the policies that have helped bring about this well-performing economy. We need to continue to generate more revenue, not by raising tax rates but by allowing this economy to create those revenues which are unprecedented in our Nation's history, as we allow more Americans to keep more of their hard-earned money.

In fact, I think we should go a step further and make the President's progrowth tax relief permanent, because if we don't, we will not only jeopardize future economic growth but also the financial well-being of millions of Americans—families, small business owners, seniors, all will face higher tax bills beginning in 2011.

Not making this tax relief permanent will result in an increase in taxes to every American taxpayer. For example, a family of four with two children making $50,000 in annual income would see an increase of $2,092 in its tax bills or a 132-percent hike.

The chairman of the Budget Committee argues that his budget does not raise rates to the American taxpayer, and I am hopeful that is the case. Frankly, there is no way the chairman can guarantee this policy assumption will remain, short of my amendment. I see this amendment as an insurance policy when Congress decides to look at the pocketbooks of the American taxpayers for more revenue, which would contemplate applying the brakes on the economy instead of eliminating Government waste, fraud, and abuse.

I have had conversations with the distinguished chairman of the Budget Committee. He has indicated to me that perhaps there are some questions he has about the import or the impact of this amendment. I would be glad to respond to any questions he may have.

Mr. CONRAD. I thank the Senator from Texas very much. Senator CORNYN is another member of the Budget Committee whom I always look forward to working with and hearing his views; sometimes we agree, sometimes we do not.

But with Senator CORNYN, it is always done in a collegial and professional manner, and I appreciate the attitude he brings to the committee.

I have three questions I wish to ask Senator CORNYN with respect to this amendment. First, would it be the Senator's intent, in any way, that this amendment would preclude a corporation or an individual from paying more if we were to close down certain offshore tax havens?

Mr. CORNYN. Mr. President, I would answer the Senator's question by saying it would not. The import and the effect of this amendment would be to prevent an increase in the rate of taxes but not to close loopholes on those who are not paying taxes or not their fair share of taxes.

Mr. CONRAD. I have one question related to tax havens, one to tax loopholes, and one to tax gap. So my understanding, from the answer to the first question—which went to the question of tax havens—is that offshore tax havens that certain companies and individuals have been setting up in order to avoid the U.S. taxes, you have no intent in this amendment to preclude us from collecting more revenue from those who were engaged in those practices?

Mr. CORNYN. Mr. President, that is correct.

Mr. CONRAD. The second question would be with respect to the tax gap. Obviously, we have some who are not paying what they legitimately owe under the current Code. I assume it would be the Senator's position that his amendment would not preclude us from collecting more revenue from companies or individuals who are not now paying what they legitimately owe under the current law.

Mr. CORNYN. Mr. President, the Senator is also correct. This would not affect collecting taxes from what people are not paying that they do legitimately owe now.

Mr. CONRAD. Final question goes to this more nuanced question of basically tax scams, circumstances such as the one I have described earlier today in which U.S. companies and investors are buying foreign assets—for example, sewer systems or public facilities such as commuter rail or other foreign assets—depreciating them on the books here for tax purposes, and then engaging in lease back of those assets to the communities that paid for them in the first place. Would it be correct to assume there is nothing in this amendment that would preclude us from shutting down those abusive tax shelters?

Mr. CORNYN. Mr. President, I say to the distinguished chairman of the Budget Committee, there is nothing in this amendment that would preclude the action he described.

Mr. CONRAD. I say to the Senator, based on his answers to me, I would be willing to accept the Senator's amendment. Would the Senator be willing to accept a voice vote on the amendment?

Mr. CORNYN. Mr. President, I say to the distinguished chairman of the Budget Committee, my concern is that amendments that are accepted or taken by voice vote are sometimes looked upon by the conferees as having less dignity and likely not to make it out of the conference committee as compared to amendments on which there is actually a rollcall vote. It would be my preference to ask for the yeas and nays and to have a rollcall vote. We can stack it along with other votes we will be having. I don't think it will delay the work of the chairman or the ranking member. That is my preference.

Mr. CONRAD. Let me say, the Senator has that right. I don't think we need to belabor this point. I have received answers to the questions I had. The Senator has been very forthcoming with respect to his answers.

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

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

Mr. CORNYN. I thank the Chair and the distinguished chairman and ranking member of the Budget Committee for their courtesy.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. REID. Mr. President, I apologize to both Senators. I wanted to say that tomorrow night, unless there is something changed, we will be in session until 1 a.m. Thursday morning. Unless we work something out on the time on this by yielding back time, the next night—that is, Thursday night—we will be in all night. That is the only way the time can be used up. If that happens, our time will be gone at 1:30, approximately, on Friday morning. That is when the vote-arama would start. We have no two men who are more experienced than these two managers. This is a difficult bill. Hopefully, we can work something out to yield back part of the time. If we can't, we have to do that because we have to have final passage or a final vote on this matter sometime Friday. That is where we are. The vote-arama could take us into Saturday. But to get to Friday at 1:30 is going to take all night tomorrow night, all night Thursday night, until 1 o'clock Friday morning.

The PRESIDING OFFICER (Ms. STABENOW). The Senator from North Dakota.

Mr. CONRAD. Madam President, I ask unanimous consent that no other amendments be in order today; that on Wednesday, when the Senate resumes the budget resolution, there be 42 hours remaining equally divided; that on Wednesday, the first amendment be offered by a Republican Senator, and the intention is that be Senator ENSIGN, and that the next amendment be one offered by the majority leader or his designee; further, that no rollcall votes occur prior to 5 p.m. Wednesday and that the first vote in the sequence be the amendment offered by the majority leader or his designee.

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

Mr. CONRAD. Madam President, for the information of the Senate, I would like to announce that during the vote sequence, if Republicans have an alternative to the first Democratic amendment, then it would be voted after the Democratic amendment, and we expect that other amendments will be offered and debated Wednesday prior to 5 p.m. So there are expected to be a series of votes at that time. We expect that they will be voted in an alternating fashion; that is, going back and forth between the two parties.

Mr. GREGG. This has been worked out. This is an appropriate way to proceed, and it makes significant progress. I would hope that tomorrow evening when we start this vote, we will have more than these amendments lined up. In fact, I hope we have five or six other ones to vote on so we would have quite a series of votes at 5 o'clock tomorrow night. That will get us on course.

Mr. CONRAD. It is entirely appropriate to say to our colleagues, to put them on notice, that we intend to have a series of votes after 5 o'clock, not limited to these. The other amendments we are going to try to get through as quickly and as fairly as we can tomorrow so that we reduce what is left over for vote-arama.

Mr. GREGG. If I may add, reserving the right to object, tonight, if people wish to come down and speak on the resolution, this is a good time to do it.

Mr. CONRAD. This is an excellent time to speak on the resolution, but there will be no further amendments in order, nor votes.

The PRESIDING OFFICER. The consent had been granted.

Mr. CONRAD. We appreciate that. I appreciate very much the cooperation of Senator GREGG in setting up this series of votes tomorrow tonight.

We have the Senator from Ohio. How much time would the Senator like?

Mr. BROWN. No more than 5 minutes.

Mr. CONRAD. I yield 5 minutes to the Senator from Ohio. We are delighted he is here to talk about the budget.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. BROWN. Madam President, for too long policies set in Washington have failed to represent the values of families throughout our Nation. The last 6 years, the President has used his State of the Union Address to assert his administration's commitment to economic development, to quality education, to enhanced national security, and to other worthwhile goals. For the last 6 years, he has presented a budget that cuts funding, that cripples communities, that devastates families. His administration talks about the importance of economic development, then they propose cuts to small business and to manufacturing programs. His administration talks about the importance of education, then year after year they dramatically underfund No Child Left Behind. The administration talks about the importance of homeland security, then they cut critical first responder funding, all the while continuing to push for more tax breaks for billionaires.

Budgets, as we know, are moral documents, for a business, for a family, and for a government. Budgets reveal what is important and what is not. They reveal priorities. Over the last 6 years, the Federal budget has strayed further and further away from the priorities of the people we represent. This budget is an opportunity to reverse course.

Members of Congress serve at the pleasure of those who elected us to office. We are supposed to serve on their behalf. Families across Ohio, families across the Nation made their priorities well known last November. They want a budget that helps to educate our children, invests in our communities, and secures our Nation. They want a budget that supports our military overseas and our first responders at home and our veterans and our soldiers and sailors when they return. They want a budget that values our Nation's veterans, bolsters the public health, and makes a meaningful, not a token, investment in alternative energy.

Congress has hard work to do in the months and years ahead. Six years ago, we had a budget surplus. Now we have deficits as far as the eye can see. We must realign our budget priorities and our policymaking to reflect the priorities of working families. This budget takes us in a new direction, guided by our constituents' priorities.

Say no to the Sessions amendment. Say yes to the budget resolution. It is a new direction. It is the right one.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. STABENOW. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BROWN). Without objection, it is so ordered. Does the Senator from North Dakota yield time?

Mr. CONRAD. I am always happy to yield time to the Senator from Michigan.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Ms. STABENOW. Mr. President, I know our budget leaders are working diligently as they put together what will be happening on amendments. I thought I would take a moment to summarize again what it is that we are proposing in this budget resolution. Let me again commend our leader, Senator CONRAD, the very distinguished Senator from North Dakota, for his incredible job of putting together a very complicated budget with many pieces. He has worked very hard. His staff has worked very hard. I thank them for that, as well as the distinguished former chairman, current ranking member, the Senator from New Hampshire, who is also a real pleasure to work with. Even though we disagree on many philosophical points, it is a pleasure working with him. I appreciate all of his hard work and the hard work of his staff.

What we are looking at for the next year and for basically the 5 years of the budget resolution is a return to fiscal responsibility; in other words, we think it is time that we stop digging the hole and start filling in so we can climb out of it. In other words, we think it is time to start paying the bills and not spending more than we have, which is what every family in America has to wrestle with every day. They expect us to make the tough choices to do the same things. This budget does that.

This budget also puts middle-class families first. We start by addressing all that we know families are concerned about. It is a new direction for America. It is a new time.

We have seen in the last 6 years an effort to put the privileged few first—whether that was tax cuts, whether that was other kinds of investments, or a lack of fiscal responsibility, a real borrow-and-spend mentality.

We now are saying it is time for a new direction. I think the people of America said in November it is time for a new direction. They elected a new majority, and it is our job, it is our responsibility now to fulfill that.

That is what this budget resolution does. It reflects a very different set of values and priorities. We do return to fiscal discipline. In fact, by year 5—by year 5—we are back in the black, which is extraordinary given the fact that in the Clinton years, in the 1990s, we did all the hard work of getting it into balance. I remember being in the House with the distinguished Presiding Officer, the Senator from Ohio. We were in the House together. It was a very tough time to make tough decisions to balance the budget. The first year I was in the House, we did that in 1997. Then we began to see surpluses. We did that with a very balanced approach. We did that with tax cuts to stimulate the economy, but it was for middle-class families and small businesses and those who were creating jobs in America. We did it by strategic investments. We did it by strategic investments in education, innovation, science, technology development, and investing in health care.

That is when the first children's health care program was developed, to provide health care for children of working families who do not have health insurance connected to their job. We did it by making some very tough decisions that put Social Security first and stopped using that trust fund as a way to fund other things. As a result of some tough decisions and some smart investments, by 2001, when I had the privilege of coming to the Senate representing Michigan and sitting on the Senate Budget Committee, we had the largest budget surplus in the history of the country—$5.7 trillion. I could live on that—$5.7 trillion.

We had, then, choices. What do you do with that? After all that hard work, what do you do with that?

I remember the now distinguished chairman of the Budget Committee, the Senator from North Dakota, suggesting what I believed was a very wise plan at the time. He said: We need to be balanced, as we have been, as we were in the 1990s, in getting us to this point. We need to do strategic tax cuts, again to stimulate the economy. Those kinds of tax cuts create jobs in America, innovation. Then we need to have strategic investments in our people, in science, in health care, in education, having the opportunity for people to be able to afford to go to college.

Let's make sure our communities are safe by having enough police officers on the streets. Let's do those things that protect our air and our water and our land and invest in the quality of life of America. So let's do that for one-third; tax cuts for one-third. And then we know we baby boomers are coming. We know the concern about Social Security. So let's take a third of all that surplus and put it aside, put it into prefunding the gap we know is coming.

That was the current chairman's plan. I thought that was a good plan. I supported it. We were in the minority, and we were not successful in passing that plan. I believe if we had, we would not be debating the gap in Social Security as we are now, and we would not be talking about digging ourselves out of a hole that has been created, because instead of that balanced approach that every family would take trying to balance out multiple needs—and how do we make sure we are smart, how do we be strategic, how do we create opportunities, and so on—instead of doing that, virtually all of it was put into a tax cut that resulted last year in people who earn over $1 million—just in 2006—getting an over $118,000 tax cut, which was more than most people in Michigan make in a year.

So that was done. Then it left us no rainy day fund, no ability to respond to emergencies. Then the war happened. We essentially put it on a credit card. Other things were passed that were essentially put on a credit card. We racked up—I should not say ''we;'' I did not support those things—the largest deficit in the history of the country.

Now there is a new majority, and we have inherited all of the things that happened before. I heard tonight colleagues on the other side of the aisle talking about all these problems in the budget. Boy, do we agree. Unfortunately, we did not create those problems. We have inherited those problems over the last 6 years. But we know it is our responsibility to do something about it. That is what this budget does. This budget is an effort to be responsible, to do what every American wants us to do to get our arms around this deficit, to do those things that will require tough choices, the right choices.

We say if there are going to be further tax cuts or mandatory spending in the future, you should have to think long and hard, and we should have to get 60 votes or a supermajority to do that because we want to make it a fiscally responsible budget.

But we also understand part of being responsible is responding to what is happening to every—almost every—American family across this country. Earlier today, I heard the distinguished ranking member on the Budget Committee talk about how great things are, how great things are going. Well, they are not going great for a majority of Americans in this country who have seen their real wages, their earning power go down since 2000, not up. For others it may be going up. Corporate profits are going up. The S&P 500 is going up. But for everybody working hard every day, trying to make ends meet for their family, their wages on average are going down.

This budget addresses that issue. This budget focuses on middle-income families and those working very hard to get into the middle class who are saying: What about me? When is somebody going to stop what is going on and focus on the majority of Americans and what we need to grow the economy, our quality of life, and to make sure our families have what they need, who are working hard every day? That is what this budget addresses, those people who are, in fact, the majority of the people.

So we do it in a number of ways. We do it by investing in education. When you look at the President's budget for this year, and you add up past years, there is over a $70 billion shortfall in Leave No Child Behind. We are leaving a lot of kids behind. There was a commitment made to raise standards, and at the same time to give resources to schools, and it is $70 billion short as of this date with this President's budget.

We put more money into education. We do not think that is good enough. I was at an education hearing today, and some very good points were made. In fact, our chairman, the distinguished Senator from Montana, told a story at the beginning of the hearing about Rip

Van Winkle waking up and seeing all these changes in the world, but he finally could feel comfort because the school looked the same.

My kids graduated from college not long ago, but not too long ago high school. One of the things that consistently has caused me great concern is that the schools they went to look dangerously like the schools I went to. Yet we carry around personal computers. Every single one of us operates with computers. We have computers right here in the Senate Chamber. Yet we do not have one on the desk for every child in America. So we are leaving kids behind in a lot of different ways. We say in our budget resolution, that is not OK. We want to turn that around. So we put dollars back. We stopped the cuts the President has, and we invest more dollars in education and innovation.

Then we say if you are working hard and you are trying to make ends meet, and you are working in a job that does not have health insurance for your family, you ought to be able to know that when you go to bed at night your kids have health care and you can do something about it if they get sick. That is what we do by making a commitment to fully fund what is called SCHIP, the Children's Health Insurance Program. This is something that is available to working families. Low-income families are able to receive Medicaid. These are families who are working hard, families whose minimum wage we raised not long ago. So maybe they only have to work two jobs now instead of three to make ends meet, but they still do not have health insurance. We make a commitment to provide that health insurance for every child of a working family.

That is a very important value. It is a very important principle. I hope we are going to come together with strong bipartisan support to be able to do that.

We also then keep our promise to our veterans. We all know what has happened at Walter Reed. We know also there are other very serious system problems. In my State of Michigan, people wait too long to see a doctor. They drive too far to get basic kinds of tests, blood drawn, or x rays. We need to do a better job for our veterans. We need, frankly, to get them out of the yearly budget process and put them into a situation where they know their funding is assured.

Our budget, for the first time ever, I assume—certainly for the first time since I have been here; and I have asked others, and I think it is the first time ever—we have in the budget the amount recommended by the independent budget which is organized by all the veterans groups. The veterans groups have come together. They analyze the VA health system and other needs and recommend to us what is needed.

For the first time, our budget for veterans health care and other critical needs matches what they are recommending. This is very important. We are making veterans—our men and women who are coming home from wars, who put on a veteran's cap, who may have tremendous hardships, physical challenges, mental challenges, financial challenges from being extended more than once—and with serious issues for families—we make veterans a top priority and say we are going to keep our promise to our veterans. That is an integral part of our budget resolution.

Then we go back to what we have always been about. The other side will say: Well, we are for tax increases. No. No. We just want to see the folks who are working hard, who are the majority of Americans, get the tax cut. I am not interested in another tax cut for somebody who makes over $1 million a year, who got $118,000 back in a tax cut last year. I want somebody making $118,000 a year to get a tax cut. We start by saying the alternative minimum tax, which is creeping up and hitting middle-income people, should be changed so it does not become the alternative middle class tax. We are very focused on making sure the other parts of the Tax Code that are important to families remain in place and that we, in fact, are giving middle-class tax cuts.

Then we take a look at all of the efforts to deinvest, to defund that the President recommended in education, cutting the COPS Program again, firefighter grants, various kinds of technology programs, environmental programs in Michigan, and I know in Ohio as well. The manufacturing extension partnership is important for small and medium-sized businesses to be able to help them receive technical assistance, to be able to compete in the global economy, to be able to hire more people. We have restored the funding for that. We address other technology programs. So we also reject the President's efforts to move away from critical areas of priority and need of the American people.

So there are a lot of other pieces in this budget, but these basically, overall, are the important priorities that we have placed in the budget that say to the American people: We care about you. We want to put you and your family first. We know that you are squeezed on all sides. If you are from Michigan and losing your job or being asked to take less in your job or pay more for your health care or lose your pension, it is time to fix that. It is time to make you a priority.

That is what this budget does. It makes the people who work hard every day, who make this country run—the middle class, the people working hard every day to get into that middle class, who keep the economic engine of this country going—it makes them the priority. That is what this is all about. It is about whose interests are going to be represented in this budget.

I am very proud of the fact we are representing the interests of the majority of Americans, the folks who are working hard and seeing the gas prices go up along with the oil company profits, who are seeing their health care costs go up, maybe losing their pension, seeing the cost of college go up for their kids. Everything is going up and up and up and up. Those are the folks whose pockets we want to put money back into. That is where we want the tax cuts to go. That is where we want the tax cuts to go. That is where we want the investments in the future to go. That is what this budget resolution does.

I am very proud of the fact that we return fiscal discipline and we put middle-class families first. It is about time.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

MORNING BUSINESS

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

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

RETIREMENT OF GENERAL JOHN ABIZAID

Mr. REID. Mr. President, last Friday GEN John Abizaid handed over the job of Commander of the U.S. Central Command to ADM William J. Fallon and officially entered retired life, a civilian citizen for the first time in more than 30 years.

General Abizaid entered the U.S. Army as a second lieutenant after graduating from West Point in 1973. General Abizaid is among the elite of the Army's infantry commanders—an Airborne Ranger. Over his time in the military, he led paratroopers in several key units of the 82nd Airborne Division, including the 504th Parachute Infantry Regiment and the 325th Airborne. In command of a Ranger Rifle Company, he was one of the first commanders on the ground during the invasion of Grenada. He deployed to Kurdistan during the first gulf crisis, was Commandant of West Point, Division Commander of the Big Red One, Deputy Commander of Central Command during Operation Iraqi Freedom, and took over as Commander of Central Command in 2003.

What most has distinguished General Abizaid is his combined ability as both a warrior and as one of our Nation's great strategic thinkers regarding the Middle East. He knows and understands the Middle East and its strategic implications for American security. As a young officer, John Abizaid