

ever greater state control of the economy, while assisting U.S. enemies wherever he can. He's already won converts in Bolivia and Ecuador, and he came far too close for American comfort in Mexico's election last year.

Meanwhile, Colombian President Álvaro Uribe is embracing greater economic and political freedom. He has bravely assisted the U.S. fight against narco-traffickers, and he now wants to link his country more closely to America with a free-trade accord. As a strategic matter, to reject Colombia's offer now would tell everyone in Latin America that it is far more dangerous to trust America than it is to trash it.

Yet Democrats on Capitol Hill are doing their best to help Mr. Chávez prevail against Mr. Uribe. Even as Mr. Chávez was doing his war dance, Senate Finance Chairman Max Baucus was warning the White House not to send the Colombia deal to the Hill for a vote without the permission of Democratic leaders. He was seconded by Ways and Means Chairman Charlie Rangel, who told Congress Daily that "they don't have the votes for it, it's not going to come on the floor," adding that "what they [the White House] don't understand it's not the facts on the ground, it's the politics that's in the air."

Mr. Rangel is right about the politics. No matter what U.S. strategic interests may be in Colombia, this is an election year in America. And Democrats don't want to upset their union and anti-trade allies. The problem is that the time available to pass anything this year is growing short. The closer the election gets, the more leverage protectionists have to run out the clock on the Bush Presidency. The deal has the support of a bipartisan majority in the Senate, and probably also in the House. Sooner or later the White House will have to force the issue.

Our guess is that Messrs. Baucus and Rangel understand the stakes and privately favor the accord. The bottleneck is Speaker Nancy Pelosi, who is refusing to allow a vote under pressure from her left-wing Members. These Democrats deride any link between Hugo Chávez and trade as a "scare tactic," as if greater economic prosperity had no political consequences. "President Bush's recent fear-mongering on trade shows just how desperate he is to deliver one final victory for multinational corporations," declared Illinois Democrat Phil Hare, who is one of Ms. Pelosi's main trade policy deputies.

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THE FARC'S GUARDIAN ANGEL

(By Jackson Diehl)

Latin American nations and the Bush administration spent the past week loudly arguing over what censure, if any, Colombia should face for a bombing raid that killed one of the top leaders of the FARC terrorist group at a jungle camp in Ecuador. More quietly, they are just beginning to consider a far more serious and potentially explosive question: What to do about the revelation that Venezuelan President Hugo Chávez forged a strategic alliance with the FARC aimed at Colombia's democratic government.

First reports of the documents recovered from laptops at the FARC camp spoke of promises by Chávez to deliver up to \$300 million to a group renowned for kidnapping, drug trafficking and massacres of civilians; they also showed that Ecuadoran President Rafael Correa was prepared to remove from his own army officers who objected to the FARC's Ecuadoran bases.

But in their totality, the hundreds of pages of documents so far made public by Colombia paint an even more chilling picture. The raid appears to have preempted a breathtakingly

ambitious "strategic plan" agreed on by Chávez and the FARC with the initial goal of gaining international recognition for a movement designated a terrorist organization by both the United States and Europe. Chávez then intended to force Colombian President Álvaro Uribe to negotiate a political settlement with the FARC, and to promote a candidate allied with Chávez and the FARC to take power from Uribe.

All this is laid out in a series of three e-mails sent in February to the FARC's top leaders by Iván Márquez and Rodrigo Granda, envoys who held a series of secret meetings with Chávez. Judging from the memos, Chávez did most of the talking: He outlines a five-stage plan for undermining Uribe's government, beginning with the release of several of the scores of hostages the FARC is holding.

The first e-mail, dated Feb. 8, discusses the money: It says that Chávez, whom they call "angel," "has the first 50 [million] available and has a plan to get us the remaining 200 in the course of the year." Chávez proposed sending the first "packet" of money "through the black market in order to avoid problems." He said more could be arranged by giving the FARC a quota of petroleum to sell abroad or gasoline to retail in Colombia or Venezuela.

Chávez then got to the plans that most interested him. He wanted the FARC to propose collecting all of its hostages in the open, possibly in Venezuela, for a proposed exchange for 500 FARC prisoners in Colombian jails. Chávez said he would travel to the area for a meeting with the FARC's top leader, Manuel Marulanda, and said the presidents of Ecuador, Nicaragua and Bolivia would accompany him. Meanwhile, Chávez said he would set up a new diplomatic group, composed of those countries and the FARC, plus Mexico, Brazil and Argentina, for the purpose of recognizing the FARC as a legitimate "belligerent" in Colombia and forcing Uribe into releasing its prisoners.

In "the early morning hours," the FARC envoys recounted in a Feb. 9 e-mail, Chávez reached the subject of whether the release of Ingrid Betancourt, a former Colombian presidential candidate who is the FARC's best-known hostage, would complicate his plan to back a pro-FARC alternative to Uribe. "He invites the FARC to participate in a few sessions of analysis he has laid out for following the Colombian political situation," the e-mail concluded.

Assuming these documents are authentic—and it's hard to believe that the cerebral and calculating Uribe would knowingly hand over forgeries to the world media and the Organization of American States—both the Bush administration and Latin American governments will have fateful decisions to make about Chávez. His reported actions are, first of all, a violation of UN Security Council Resolution 1373, passed in September 2001, which prohibits all states from providing financing or havens to terrorist organizations. More directly, the Colombian evidence would be more than enough to justify a State Department decision to cite Venezuela as a state sponsor of terrorism. Once cited, Venezuela would be subject to a number of automatic sanctions, some of which could complicate its continuing export of oil to the United States. A cutoff would temporarily inconvenience Americans—and cripple Venezuela, which could have trouble selling its heavy oil in other markets.

For now, the Bush administration appears anxious to avoid this kind of confrontation. U.S. intelligence agencies are analyzing the Colombian evidence; officials say they will share any conclusions with key Latin American governments. Yet those governments have mostly shrunk from confronting Chávez

in the past, and some have quietly urged Bush to take him on. If the president decides to ignore clear evidence that Venezuela has funded and conspired with an officially designated terrorist organization, he will flout what has been his first principle since Sept. 11, 2001.

Mr. BOND. Mr. President, I yield the floor and suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Morning business is closed.

CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2009

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will proceed to the concurrent budget resolution, which the clerk will report.

The bill clerk read as follows:

A concurrent resolution (S. Con. Res. 70) setting forth the congressional budget for the United States Government for fiscal year 2009 and including the appropriate budgetary levels for fiscal years 2008 and 2010 through 2013.

Mr. CONRAD. Mr. President, I would like to be informed when I have used 45 minutes.

The ACTING PRESIDENT pro tempore. The Chair will so inform the Senator.

Mr. CONRAD. Mr. President, we come to the floor with a budget resolution that came out of the committee last week. I think it is important to set the stage in recognition of the fiscal condition of the country as we present this budget.

We have seen a dramatic deterioration in the budget situation under this President. As we all know, he inherited a budget that was in surplus; in fact, a budget that was estimated to have a future of surpluses so large that the head of the Federal Reserve said we were in danger of paying off the Federal debt. That is a danger I would like to have.

The President then took us on a fiscal course that has produced four of the five largest deficits in our history. In fact, it may turn out to be five of the largest deficits in our history, depending on how events unfold this year.

We can see in the previous years we were having budget surpluses, and then the President took us into deficit and deepened those deficits until we reached a record deficit in 2004 of \$413

billion. Now we see those levels being challenged in this year and perhaps next as well.

The result of these massive deficits is this President has built a wall of debt that is unprecedented. When President Bush came into office in 2000, the debt at the end of his first year—we do not hold him responsible for his first year because he is working on the budget he inherited—the debt stood at \$5.8 trillion. At the end of last year, the debt had reached over \$9 trillion. And by the end of 2009, which will be for the 8 years for which he is responsible, we will see the debt will have risen to over \$10 trillion. This President will almost have doubled the debt of the United States in just 8 years.

Not only will he have almost doubled the debt of the country, the gross debt, all of the money we owe, but he will also have more than doubled what we owe to foreign nations. It took 42 Presidents, all the Presidents pictured here, 224 years to run up a \$1 trillion of U.S. debt held abroad. This President has more than doubled that amount—much more than doubled that amount—in just 7 years. The result of that is we now owe Japan almost \$600 billion. We owe China almost \$500 billion. We owe the United Kingdom over \$150 billion. We owe the oil exporters almost \$140 billion, and so it goes.

That is a warning sign to all of us about the fiscal condition of our country. The long-term projections are sobering as well. Partly as a result of this tremendous buildup of debt, the value of the dollar has shrunk rather dramatically. This chart shows the dollar against the Euro. It has gone down 40 percent since 2002. Anybody who has traveled has seen that in what they buy abroad. We see it in the prices of goods that are being imported. We also see it in terms of the kinds of reactions we are getting in the marketplace to further American indebtedness. We are hearing warnings from people who are saying: United States, you have to get your fiscal house in order. You cannot keep running up these massive debts and deficits.

We see that during this period of the Bush administration that economic growth has lagged previous recoveries. We have gone back and looked at all of the major recoveries since World War II. There have been nine previous recoveries. At the same point in the business cycle, the economy had typically grown at an average pace of 3.4 percent a year during those previous recoveries.

Look at what is happening here. In this recovery, the average GDP growth is only 2.5 percent, well short of what we have seen at the same point in previous economic cycles.

Now we have a new element to consider, and that is a housing slump with new home building falling dramatically. We have seen this pattern which comes to us from the Census Bureau, U.S. Department of Commerce. This is monthly data through January 2008.

These are housing starts in millions of units, and we can see that housing starts have plunged, and plunged dramatically. We also have word that inventories of unsold homes are growing, and growing dramatically; that foreclosures are running at a very alarming rate. And all of this signals trouble in the economy.

There are other indicators as well. If we look at business investment in this economic period versus what we have seen in the nine previous recoveries since World War II, that growth of business investment is lagging in this business cycle by 52 percent. That should tell us there is something amiss in the economic policy of this administration. Something is not working. Certainly by comparison with previous business cycles, the nine significant business cycles since World War II, this one is showing much more weakness than the previous nine.

That is also true in job creation. If we look at the nine previous business cycles—that is the dotted red line on this chart, and this business cycle is the black line—we are now 9.6 million private sector jobs short of the typical business cycle, going all the way back to World War II.

There are a lot of alarm bells that are ringing, warning signs to which we need to pay attention and need to respond to in a budget. We have seen real median household income decline by almost \$1,000 under President Bush, from \$49,163 in 2000 to just over \$48,000 in 2006, the last year for which we have complete statistics.

Mr. President, these numbers cry out for a response. And the first way that we respond is in a budget because the budget sets the policy priorities for the coming year. And we have attempted to do that in this budget by emphasizing strengthening the economy and creating jobs by doing the following: investing in energy, education, and infrastructure.

Those are the top three priorities to help strengthen the economy. Invest in energy. Why? To reduce our dependence on foreign oil. We are now spending \$1 billion a day buying foreign oil. How much better off would our country be, how much stronger would the economy be if we were generating our own energy rather than importing it from around the world?

So part of this budget is designed to reduce our dependence on foreign energy and to strengthen our education and our job training because if we are not the best educated and best trained, we are not going to command the strongest economy for very long.

Also, to build our infrastructure. We all remember the incredible sight of the 35-W bridge collapsing last year. I think we all recognize that our airports, our rail lines, our highways and bridges need serious investment if we are going to be competitive globally.

We also need to expand health coverage for our children, provide tax cuts for the middle class, and restore fiscal

responsibility by balancing the budget in 4 years and maintaining balance in the fifth.

Mr. President, we also want to make America safer by supporting the troops, by providing for veterans health care, by protecting the homeland, and rejecting the President's cuts in law enforcement. For example, he eliminates the COPS Program. He cuts first responders' grants by 78 percent. We don't think that makes sense, and we reject those cuts in this budget.

Mr. President, we now anticipate that economic growth is going to slow sharply in this year. We can see it all around us—more job layoffs announced today, dramatic slowing of the economy. Economists today are saying they believe our country is already in recession. Of course, we will not know for several months, but it has all the appearance of a reduction in economic growth. The Congressional Budget Office is forecasting for this year an economic growth of only 1.6 percent, down from the 2.5 percent pace over the course of 2007 and 2.6 percent in 2006.

And, by the way, these were already weak economic growth numbers. 2006 was weak, 2007 was weak, and CBO is expecting even weaker growth in 2008. So in this budget resolution we provide for a second stimulus package. We have already had one stimulus package to try to increase aggregate demand in the economy, to give a lift. We believe it is prudent to provide the room in the budget for a second stimulus package, some \$35 billion of standby authority, so if this economy does continue to shed jobs and to weaken that we are prepared to respond and prepared to respond in these ways:

Housing relief. We have legislation on the floor now to provide relief for what is happening in the housing market. That package is a \$16 billion or \$17 billion package that could be accommodated in this \$35 billion of standby stimulus relief.

Also, we may need to extend unemployment insurance and provide for additional funding for food stamps or perhaps State fiscal relief. We know 21 of the States are increasingly in difficult financial straits, so we may need to extend some relief to them.

This budget also provides room for additional funding for low-income heating assistance and the WIC Program, the women, infant, and children's feeding program, and/or infrastructure spending in 2008.

When we did the last stimulus program, we asked the agencies of the Government if they had construction projects that were ready to go—where the engineering has been done, the design has been done, the land acquisition is finished—and all they need is money to begin construction and to begin hiring people. And they told us, yes, they do have projects like that. So we have provided for taking up some of those projects as part of the stimulus package.

Why? Because we know in road building, highway construction, and bridge

construction that for every \$1 billion, there are about 45,000 jobs created. And, Mr. President, we think it is very important that standby authority be ready to go if indeed this economy weakens further.

We also provide for tax relief in this budget resolution: the alternative minimum tax. If something is not done, it will affect 20 million more American families this year—the alternative minimum tax. So we provide an additional year's relief from that levy.

We also provide the energy tax incentives necessary to reduce our dependence on foreign oil, education tax incentives to make college more affordable for American families, and we provide the stimulus package, where I previously described some of the provisions, and they help the housing industry. Our tax provisions would fit in that \$35 billion package; for example, extending net operating loss provisions to home building companies so they aren't buffeted by further write-downs of their assets at the worst possible time.

And, of course, the important tax extenders, those permanent provisions that are about to expire that provide for the research and development credit, the wind energy credit, and the like, those are provided for in this budget resolution as well.

The first amendment that will be offered to this budget will be to extend the middle-class tax provisions previously enacted. Those provisions are about to expire, and we want to extend them. Those are the marriage penalty relief, the child tax credit, and the 10-percent bracket. There is room in this budget to extend them all and still balance the budget in 4 years.

There is also room in this budget for estate tax reform along the lines of what we advocated last year. As you know, we faced this unusual situation where the exemption per person, the \$3.5 million next year but the year after, in 2010, there will be no estate tax. In 2011, the estate tax comes back with only \$1 million per person exemptions. So we provide the continuation of the \$3.5 million exemption per person and have that indexed for inflation.

Mr. President, there is not an American family who doesn't know what is happening to gas prices. I was just talking to my staff this morning about what they are experiencing. One of my staff—who was caught up in a horrendous traffic jam yesterday coming from Baltimore and took 2½ hours to get here—filled up, and it cost \$3.18 a gallon. I filled up the other day, and it was over \$3.20 a gallon. There are some projections now that gas is going to go to \$4 a gallon. Look what is happening just since 2001 when gas was less than \$1.50. It has more than doubled in just those 7 years, and we see it continuing to jump. I am told oil prices today are also rising on world markets. There was some speculation that oil might reach \$108 a barrel today on the world market.

So to address this continuing problem of energy dependence, we are proposing in this budget to invest in energy, to create green jobs, to reduce our dependence on foreign energy, to strengthen our economy, and to help with high home heating costs. We have to do that a package of energy tax incentives of over \$13 billion, \$3.5 billion over the President's budget in discretionary funding for energy, and an energy reserve fund for investing in clean energy and the environment.

We all know there are global climate change initiatives coming before Congress. If any of those are adopted, we are going to need a reserve fund like this to prepare for it.

Education is also a great challenge to us. We see from the National Science Foundation a chart that compares what is happening to bachelor's degrees in engineering in the thousands in China versus what is happening here. You can see we are pretty well flat, with about 75,000 engineers a year being produced. But look what has happened in China. China is now up to a rate of producing more than 350,000 engineers a year. That should serve as another alarm to us because we know engineering is critical to economic growth. And if you are producing many more engineers, you are laying the foundation for stronger economic growth in the years ahead.

I chose that as just one example. We know there are many others where we face global competition for doing the best job of educating our young people. So this budget resolution invests in education. It does it to generate economic growth and jobs, to prepare the workforce to compete in the global economy, and to make college more affordable and to improve student achievement.

We seek to do that by providing some \$13 billion in education tax cuts, some \$5.7 billion in funding over the President's budget in discretionary money for the Department of Education and Head Start, and a \$2 billion education reserve fund for school construction and higher education reauthorization.

But it doesn't end with energy and education, Mr. President. It also extends to the challenges in infrastructure. We all remember this very striking picture from last year when the bridge on 35-W collapsed between Minneapolis and St. Paul. That is a bridge I traveled over many times when my wife was in medical school at the University of Minnesota, and I think all of us, our hearts went out to those people. Imagine the horror of driving home from work and having the bridge fall out from under you. We know there were lives lost and people injured. That should not happen. That should not happen anywhere in America. It shouldn't happen anywhere in the world.

Mr. President, we know there are deficiencies in the infrastructure funding for highways, for bridges, for airports, and for rail, and all of those are going

to have to be strengthened and improved. This budget begins the process. It begins the process by creating a reserve fund to allow for major infrastructure legislation.

We have had a group of the country's business leaders come to us and tell us they have a plan they think could generate a multiplier effect in terms of matching public sector investment with private sector investment to build infrastructure in this country. We have created a reserve fund to allow for the adoption of such legislation if the committees of jurisdiction proceed, and if they pay for it, if they provide offsets for it.

We also provide \$3.9 billion more than the President for key discretionary transportation accounts in 2009, and we provide another \$6.5 billion to fully fund highways, fully fund transit, increase funding for airport improvement, and fund ready-to-go infrastructure projects.

Those are projects that are ready to be built; they only lack the money. We also fix the highway trust fund shortfall that exists. I think that is roughly \$1.4 billion that needs to be dealt with.

We not only have challenges and opportunities in education and energy and infrastructure, but we also have them in health care. We can see the number of uninsured children in our country has jumped by 700,000 just in the year 2006. We went from 8.7 million uninsured children to 9.4 million. So this budget seeks to make wise and careful investment there to improve health care, to expand coverage, to increase health research, and to promote food and drug safety. We do that by again providing for a reserve fund that will allow the \$35 billion children's health insurance compromise that was adopted last year but vetoed by the President to once again proceed this year.

We also provided \$4.4 billion over the President's budget in discretionary funding for health and a reserve fund to address the cut in Medicare physician payments and make other improvements to Medicare. We know the doctors of the country are scheduled for a very sharp cut in Medicare payments. I think that is rejected here virtually universally. But we have to do something about it. We provided a reserve fund to address that, so later this year Congress will be able to act.

The budget resolution also provides \$3.2 billion above the President's for our veterans. We know that veterans funding in the President's budget is \$44.9 billion. We have provided \$48.2 billion in funding for our veterans. This is focused on veteran health care, primarily in terms of veterans because we all recognize that is an area in which we simply must do better if we are going to keep the commitment that was made to our veterans.

In terms of war funding and defense funding, we match the President's request. He has asked for \$2.9 trillion over the next 5 years, and we matched

that amount in this budget—\$2.9 trillion.

The budget also provides \$2.3 billion more than the President's budget for law enforcement and first responders. This is an area which I find utterly inexplicable in the President's budget. President Bush sent this Congress a budget that eliminates the COPS Program—eliminated it. He did not just cut it, he eliminated it. The COPS Program has put 100,000 police officers on the streets in this country, put over 250 police officers on the street in my State of North Dakota. Why the President would eliminate the COPS Program eludes me.

He has also proposed cutting the first responder grants; that is for emergency medical personnel, that is for our firefighters and our other first responders. He has proposed cutting these grants 78 percent. We have rejected those cuts in this budget at a cost of \$2.3 billion.

While we have restored funding in certain key priority areas and made targeted investments in reducing our energy dependence and promoting education and in building our infrastructure, we have also sought to be fiscally responsible by balancing the budget by the fourth year and maintaining balance in the fifth.

Those are the numbers that are in the budget resolution, but this is before we extend the middle-class tax cuts. When we extend the middle-class tax cuts, these numbers will drop dramatically, but we will still be in surplus, we will still be balancing by 2012, by the fourth year, and be maintaining balance in the fifth. But we do think it is critically important to extend the middle-class tax cuts and to reform the estate tax, which previous legislation has left in a chaotic state, I think would be a fair way to say it.

We also, under this budget resolution, bring down the debt as a share of gross domestic product each and every year. Again, this is before the amendment to extend the middle-class tax cuts, but you will see the same pattern after we extend the middle-class tax cuts—the debt as a share of GDP going down each and every year of the 5 years—because we think that is critically important for the long-term economic health of the country.

This is a comparison of spending under the resolution and the President's budget. The red line is the President's spending line, the green line is ours. You can see there is very little difference. That is a difference of 2.1 percent in overall spending over the 5 years. So we do have some additional spending to meet these priorities in education and energy and infrastructure and reducing the cuts the President proposed for law enforcement, weatherization, and other priorities.

Spending as a share of GDP under the resolution goes down each and every year, from 20.8 percent of GDP in 2009 to 19 percent of GDP in 2013, applying the spending discipline that I think is necessary, that I think most of us

would say is necessary if we are going to address these problems of deficit and debt. The first thing we have to do is bring down the deficit, and this budget seeks to do that.

We also, for this year, for 2009—this shows the overall spending difference for this year. I have showed the spending comparison for 5 years showing that we are spending 2.2 percent more, but I think it is also important to look at 2009, the first year of this 5-year budget, on overall spending. We are spending 1 percent more than the President—1 percent more.

Some say: Well, you should not spend more than the President did. But the problem is, he had cuts that I do not think are broadly embraced by the American people. I do not think they think we should eliminate the COPS Program. I do not think they think we should eliminate weatherization. I do not think they believe we should cut the grants to first responders, our emergency personnel, by 78 percent. I do not think the American people think we should fail to invest in reducing our dependence on foreign energy. I do not think that is what the American people want. I do not think they believe we should continue to dramatically underfund infrastructure, which leads to bridges collapsing in our country. So we have spent more than the President—in total for 2009, 1 percent more. That 1 percent will go to those high-priority areas of energy, education, and infrastructure.

On the revenue side, this is the comparison when the middle-class tax cuts are extended. We will have 2.6 percent more revenue than in the President's budget—2.6 percent more revenue than in the President's budget.

Now, this shows that difference in revenue. The President's budget has \$15.2 trillion over the 5 years, and our budget is \$15.6 trillion—a 2.6-percent difference. Because we have more revenue, of course, we have the ability to fund in those high-priority areas but still balance the budget in the fourth year and maintain balance in the fifth. According to the Congressional Budget Office, the President's budget does balance in the fourth year but then promptly falls back out of balance in the fifth year. Our budget not only balances by the fourth year but stays in balance in the fifth.

Now, this is where we get into the question of, Well, how do you come up with 2.6 percent more revenue than the President has? I believe you can come up with the 2.6-percent more revenue than the President has by looking at three areas: the tax gap—that is the difference between what is owed and what is paid. The Internal Revenue Service tells us that for 2001 the tax gap was over \$300 billion; that is, the vast majority of us pay what we owe, but some do not. Before we ask for a tax increase from anyone, I think we ought to go to those who are not paying what they owe. Now, I think that is the first thing we ought to do before we ask for a tax increase from anyone.

But it is not just the tax gap, it is also those offshore tax havens that are proliferating and costing us a lot of money. There is a report from the Permanent Subcommittee on Investigations from February of last year. This is what they said:

Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches \$100 billion per year, including \$40 to \$70 billion from individuals and another \$30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.

Shame on us for allowing this kind of abuse to occur. Let me say, there have been some in this Chamber who have made a serious effort to close this kind of scam down, and I would be the first to recognize the ranking member of the Finance Committee, Senator GRASSLEY of Iowa, who has been very serious about going after not only abusive tax shelters but offshore tax havens.

Here is an example of what is going on. There is a little five-story building in the Cayman Islands called Uglund House, a nice little building; 12,748 companies call it home. Mr. President, 12,748 companies say they are doing business out of this little five-story building. Can you imagine having 12,000 companies conducting business out of that little building? Of course they are not conducting business; the only business they are conducting is monkey business because what they are doing is cheating all of the rest of us who pay our taxes. They are engaged in very ambitious tax scams and tax schemes to avoid paying what they owe in this country.

Here is a picture of a building that was in the Boston Globe. Let's put up the Boston Globe story. This was a building that is also in the Cayman Islands where shell companies allowed KBR to avoid Medicare and Social Security deductions.

This story says:

Kellogg, Brown and Root, the nation's top Iraq war contractor, and until last year a subsidiary of Halliburton, has avoided paying hundreds of millions of dollars in Medicare and Social Security taxes by hiring workers through shell companies based in this tropical tax haven.

So what they were doing is hiring people paid for by American taxpayers, hiring them for contracts, and they were running them through these shell operations down in the Cayman Islands, and by doing that they were avoiding paying their Medicare and Social Security taxes to this country and saved hundreds of millions of dollars, according to this story in the Boston Globe from March 6 of this year. This is just days ago that this story appeared.

They point out:

More than 21,000 people working for KBR in Iraq, including 10,000 Americans, are listed as employees of two companies that exist in a computer file on the fourth floor of a building on a palm-studded boulevard here in the Caribbean. Neither company has an office or phone number in the Cayman Islands.

They do not even have a phone number. They do not even have a real office. What they have is a scam. This is the kind of scam we ought to shut down.

Here is the building, a very nice building. On the fourth floor of this building, apparently 21,000 people are supposedly employed, at least for the purpose of records.

Now, it does not stop there. This is a story from late last month in the New York Times:

U.S. among countries investigating tax evasion.

This is in Liechtenstein. I have never been to Liechtenstein. I am sure it is a lovely place. But the Internal Revenue Service says:

It was beginning enforcement action against more than 100 U.S. taxpayers on suspicion of evading taxes through investments in Liechtenstein.

They have the Deputy Director of the Center for Tax Policy and Administration at the OECD saying Liechtenstein is the tip of the iceberg. Indeed, it is.

This kind of scam is going on down in the Cayman Islands, going on in Liechtenstein, going on in other tax haven places, but it is also happening with abusive tax shelters. Last year, I showed pictures of European sewer systems. People might ask: What does a European sewer system have to do with revenue in the United States? It turns out it has a lot to do with it because it turns out U.S. companies are buying European sewer systems. Later on in this debate I will show a picture of one of those. It may not be the most welcome picture on the Senate floor, of a European sewer system, but, nonetheless, this is part of an incredible scam that is going on in which U.S. companies buy European sewer systems, write them off on their books in the United States for tax purposes, and lease them back to the European cities that built them in the first place. That should not be allowed. That is not fair to the rest of us who pay what we owe.

Last year, when we went after some of these scams, the President threatened a veto. He said that would be a tax increase. I guess it would be a tax increase on those who are getting away without paying what they fairly owe, but I don't consider it a tax increase to make people pay what they already owe. I don't consider it a tax increase to shut down a tax scam. I don't consider it a tax increase to shut down these abusive tax shelters.

We tried to codify economic substance, prohibiting transactions with no economic rationale, done solely to evade taxes. We tried to shut down schemes to lease foreign subway and sewer systems and depreciate assets. We tried to end deferral of offshore compensation by hedge fund managers trying to evade current taxation. We tried to expand broker reporting. We tried to tax people who use expatriation to evade taxes. Over and over the President said: No, I will have to veto because that would be a tax increase.

I think the President has it entirely wrong. Those are not tax increases. Those are just making those folks pay what the rest of us are already paying.

In this budget we provide a number of enforcement mechanisms to try to help restore some fiscal discipline. We have discretionary caps for 2008 and 2009. We maintain a strong pay-go rule. We have a point of order against long-term deficit increases. We allow reconciliation for deficit reduction only, and we have a point of order against mandatory spending on an appropriations bill. These are important enforcement mechanisms that ought to be part of any budget resolution. They are part of ours. I hope they are adopted by my colleagues.

Finally, this budget resolution has provisions addressing long-term challenges. More daunting than any of our short-term problems is where this is all headed. We can't pay our bills now; that is, before the baby boomers retire. What is going to happen then? What is going to happen to the commitments that have been made in Social Security and Medicare? What is going to happen with this tremendous imbalance between spending and revenue? We have offered these three elements as part of an approach, understanding that the larger plan to deal with our fiscal problems is going to have to come in some sort of special process, a process that Senator GREGG and I have offered our colleagues to create a task force with 16 Members—eight Democrats, eight Republicans—and ask them to come back with a plan as to how to deal with long-term imbalances.

In this resolution, we have comparative effectiveness reserve fund and cap adjustment to deal with health care. One of the things we know is that lots of different health modalities are being used across the country to address illness. Some of them work and some don't. We have to know which ones work.

Second, we have program integrity initiatives to crack down on waste, fraud, and abuse in Social Security and Medicare. In fact, I received a letter from the Secretary of Health, Secretary Leavitt, thanking us for the program integrity funds that we have included so that he can continue his important investigations to shut down these Medicare fraud operations that he found in Florida and other parts of the country last year and that he is continuing to crackdown on.

He found a circumstance in which you go to these strip malls, and half of the offices in the strip malls are front organizations collecting Medicare payments. You go to the door and nobody is there during the day, during work time. They are just billing mills. They are sending out Medicare bills. Goodness knows if any service is actually being extended or not. But these are scams that are operating that need to be shut down.

We also have a point of order against long-term deficit increases which is

important to any strategy to contain burgeoning deficits and debt.

Before yielding the floor, I want to ask our colleagues for their cooperation. This is going to be an especially challenging budget. The numbers are very close on the two sides. We have two Presidential candidates on this side. They have a Presidential candidate on the other side. We know they may not be here for all of the deliberations. That means we are going to have to coordinate and cooperate. We also have a Member on our side who is ill. That means we will have a special challenge getting the budget done this year, but we must do it. We must get it done. I will be asking for all of our colleagues' cooperation as we proceed.

I yield the floor.

The PRESIDING OFFICER (Mr. CARDIN). The Senator from Iowa.

Mr. GRASSLEY. Mr. President, the chairman spoke about his budget. For Senator GREGG, the ranking member of the Budget Committee, I would like to start this debate on the Republican side. Since we are on the budget resolution, Senator GREGG would usually open debate for our side of the aisle. He wanted to take the lead today but has a necessary conflict in his schedule. He asked me to substitute, and I am pleased to do so. Senator GREGG will be here tomorrow to give what is normally the opening statement by the senior member of the Budget Committee on the Republican side.

I am going to first talk about the process and recent history of the Senate budget resolutions. Almost all of the revenue side of the budget is Finance Committee jurisdiction. Most of the spending side of the budget is also Finance Committee jurisdiction. For those of us who sit on the Finance Committee, we need to pay very careful attention to the budget. Chairman CONRAD, along with Senator WYDEN of Oregon and Senator STABENOW of Michigan, are all Finance Committee Democrats. This Senator, along with Senators BUNNING, CRAPO, and ENSIGN are all Finance Committee Republicans.

When I was Finance chairman for part of the year 2001 and all of the years 2003 through 2006, there was coordination regarding the fiscal resources and fiscal demands on the Finance Committee. That coordination occurred with respect to revenue levels, spending levels, and reconciliation instructions. Did we always agree over those years? The answer is no. Did we compromise when we had disagreements? The answer is most often yes. We did have some different priorities, but we worked through those differences during this committee's budget process. We came up with compromises that largely held together. I might add, those compromises and the levels regarding revenue spending and reconciliation instructions were in sync with the administration. My point is that we hashed out the fiscal differences in the Budget Committee and

on the Senate floor. The committee and floor debate, amendment votes, both pro and con, made a very real difference. The product of that process, the budget resolution that we will vote on as the last vote probably this week, the product made a real difference.

Those budget resolutions, though not perfect, provided me, while I was chairman of the Finance Committee, with the budget resources to deal with the policy demands on the Finance Committee. Most often, I used these resources to guide the Finance Committee, usually in a bipartisan manner, to deal with short-term, midterm, and even long-term problems. Last year was different. After the people spoke in the November 2006 elections, control of the Senate changed from Republican to Democrat, and the budget resolution was basically a Democratic resolution.

This year we see some repetition of last year's dramatically different fiscal path. As with the rest of the Budget Committee Republicans, I learned about this resolution for the first time when the chairman of the Budget Committee put the markup document before the committee. Committee Democrats were consulted extensively, along with the Democratic caucus. Most of the Republicans' knowledge prior to markup was derived from what we read in the press. I don't say this to be critical of the Democratic leadership. It is unfortunate but perhaps necessary that budgets are usually partisan documents. So I would say, with all due respect to the chairman, the chairman's mark was developed exclusively by Democrats in a partisan fashion.

Republicans, during committee markup, used that markup to educate ourselves, others on the other side, and the public. We asked questions. I pursued questions about how this budget deals with the resources and demands that fall on Senator BAUCUS and me in our respective roles as chairman and ranking member of the Finance Committee. We offered a relatively small number of amendments. Most were defeated; some accepted.

On reforming farm program payment limits, I am pleased to say Senator ALLARD's amendment prevailed on a roll-call vote. That amendment improved this resolution, though not enough to gain the support of Senator ALLARD, this Senator, or any other Republicans.

Before I discuss the substance of the budget, I want to start off by complementing the chairman of the committee and his staff. They conducted the markup in a professional manner. The Democratic and Republican members have sharp, well-intentioned reasons for coming down in different places on the budget resolution. We were able to debate those differences in a full and fair manner.

I know if Senator GREGG were here speaking today, he would make these points as well. We are at the Senate floor stage of the budget on process. What I would like to do is step back and take a look at the budget from

three vantage points. It is kind of like we farmers do before planting season. We look at the condition of the soil and prospects of various crops. The first vantage point will be looking at what the budget purports to do. From this angle, I am going to look at what the Democratic leadership says the budget is designed to do and whether those purposes make sense from a fiscal standpoint. The second vantage point will be looking at how well the budget carries out its stated purpose. The third vantage point will be looking at what the reconciliation would mean for the Senate. I will address the reconciliation in a separate speech later. I believe I will wait until tomorrow to do that.

Let's start off with the first question: What does the Democratic leadership say this budget is designed to do? Then, after stating what they say it does, we need to look at the fiscal consequences of that policy.

The budget's proponents claim it is all about fiscal responsibility. There are two basic parts to the Federal ledger: the revenue part and the spending part. If we spend more than we take in, then the Treasury sells more debt. This has been the pattern of much of the post-World War II period. If we spend less than we take in, then the Treasury buys back debt.

When we look at this budget over the short term, it contains a material increase in spending. Over the next fiscal year, the discretionary spending rises by 9 percent over last year's spending.

Now, how many Americans got a 9-percent raise? How many American families raised their discretionary household spending by 9 percent? On the spending side of the ledger, spending, then, goes up, and I say fairly dramatically. You would think proponents of fiscal responsibility would be looking at spending cuts, not 9 percent increases.

It is a different story on the other side of the ledger, the revenue side. Let me start off with one smidgeon of good news on the revenue side in this budget resolution. The alternative minimum tax patch expired the first day of this year. If that patch is not addressed, 25 million families, most of them middle-income families, would pay an average of at least \$2,000 in AMT this year. The chairman reduced the revenue baseline by \$62 billion, which is a revenue loss from extending that patch. All middle-income Americans ought to thank the chairman of the Budget Committee—and I thank him on the Senate floor right now—for that provision.

Unfortunately, for years beyond 2008, pay-go still applies, so there is a big Senate hurdle built into this budget to patching the alternative minimum tax in years beyond 2008.

The rest of current law expired or expiring tax relief provisions will need to be offset with other tax increases. There are also several bipartisan tax bills that would require offsetting tax increases under this budget. That is a

very large tax increase over the next fiscal year. My staff calculates that tax increase to be roughly \$150 billion.

The definition of "fiscal responsibility" under this budget, over the fiscal year, is higher spending of \$22 billion and higher taxes of \$150 billion. Is that a legitimate fiscal goal? Is that the notion of fiscal responsibility the American people were looking for when they turned congressional power over to the Democrats in November 2006? Did we in Congress misread those results? Did the people really want us to increase spending and to raise taxes?

Now, that is not what I am hearing from back home. What I heard from folks across Iowa was: Rein in spending. Live within your means.

It seems to me if you are going to assume the mantle of fiscal discipline, you ought to treat a dollar of new tax relief the same as a dollar of new spending.

What do I mean by "new spending?" I mean spending above the Congressional Budget Office baseline. And what do I mean by "new tax relief?" I mean new tax policy that loses revenue. I do not mean extension of existing tax policy.

We see the same pattern over the 5-year period of this budget. Over 5 years, the tax hike and the spending increases grow exponentially. On the spending side, discretionary spending grows by \$211 billion. When you throw in the special reserve funds, you can add another \$300 billion in new spending on top of that.

Over the 5 years, the budget assumes a dramatic tax increase—at least \$1.2 trillion. In 2011, the bipartisan tax relief plans of 2001 and 2003 will expire. Some folks will call these provisions the Bush tax cuts. It is true President Bush signed both bills, but the bipartisan compromises occurred in the Finance Committee. In 2011, President Bush will have been gone from office by more than 2 years. He will probably be hanging around his ranch in Crawford, TX. You can call this package of tax relief for virtually every American the Bush tax cuts, but for the taxpayer, if we let them expire, it will be a big tax increase, and it will be a big tax increase that will happen without even a vote of Congress.

So I have a couple charts in the Chamber. The charts use the analogy of a brick wall to show the ugly tax increases Americans are going to face.

On this chart, you see a family of four. That is the average American family. Here is the husband, his wife, and two children. The family makes \$50,000 a year in income. That is right about the national median household income today. For example, the Census Bureau stated, for 2006, the national median household income was \$48,200.

Under the Democratic leadership's budget, this family will face a tax increase of \$2,300 per year. You see the figure \$2,300 for that family of four. That is a loss in their paycheck of about \$200 per month. It is a hit on

their yearly budget of \$2,300. Where I am from, the Midwest—or anyplace in this country, I will bet—that is still a lot of money.

Now, I have another example. This next chart has the same brick wall but a different family: a single mom with two kids. Here we have a person earning about \$30,000 a year. In 2011, under this budget, she and her family run straight into that brick wall—that brick tax wall. That is a brick wall of about \$1,100 per year of taxes. That is almost \$100 a month out of this family's budget.

So when you hear folks rail against the 2001 and 2003 bipartisan tax relief plans, you will hear a lot of talk about millionaires, you will hear a lot of talk about the death tax, but you will not hear the critics talk about these two families—a family of four: husband, wife, and two children; or a single mother with two children. You will not hear these critics—almost all of whom voted against these two tax bills—consider these two families.

Now, those on the other side will point to the Baucus amendment that will be upcoming—at least we have heard about the Baucus amendment—as the answer to the tax increases that I have pointed out. Isn't it ironic that my friend, our chairman, my partner from the 2001 tax relief bill, and several other tax relief bills, is the author of this key amendment?

The Senator from Montana, my friend, Mr. BAUCUS, took a lot of heat for working with me in a bipartisan fashion in 2001. He took a lot of heat from people in his caucus, quite frankly. Many on the other side who fought him and that bill were also denying tax increases in last year's budget. So they now turn to his amendment—this upcoming amendment—as they did last year, to try to deflect the tax increase charge because there is a real charge in what is in this budget. If something is not done to stop tax increases, they are going to happen automatically. And don't let anybody tell me something cannot be done about it.

At Budget markup, we were told the Baucus amendment would contain enough revenue room—\$323 billion—to accommodate extension of several components of the bipartisan tax relief plans that go back to 2001. We were told the 10-percent bracket, the marriage penalty, the child tax credit, and some death tax relief would be covered.

There were provisions that were not intended to be covered. The excluded provisions were the lower rates for capital gains and dividends and other marginal rate reductions.

Now, some on the other side will describe this excluded group—excluded from the Baucus amendment—as top-rate taxpayers and other high-income people. Now, I hope you will not believe it. The facts are otherwise.

Low-income folks, including millions of seniors, pay no tax on their dividend or capital gains income. If this budget stands, even with Senator BAUCUS's

amendment, millions of these low-income taxpayers, especially senior citizens, will pay a 10-percent rate on capital gains and could pay as high as a 15-percent rate on dividends.

I have a couple charts to show how wide the dividend and capital gains tax increases would be. The chart that is up now deals with just dividends. It shows the number of taxpayers claiming dividend income. Nationally, over 24 million families and individuals reported dividend income—24 million Americans. There are 24 million Americans, all of whom you are not going to call filthy rich. Very few of them you are going to call filthy rich.

In my State of Iowa, for instance, over 299,000 families and individuals claimed dividend income on their returns. Now, there are not 299,000 millionaire families or even 299,000 people in Iowa you can call filthy rich.

As to capital gains, you can see the numbers not only for my State of Iowa, but you can see the numbers for all the other States in the United States. You can see them for the entire United States up there on the chart. Nationally, we are talking about over 9 million families and individuals. In Iowa, we are talking about 127,000 families and individuals when it comes to capital gains.

I want to emphasize, I went from dividends to capital gains. The chart has changed to tell you what there is in each of the respective States on capital gains.

There are many marginal rates, other than the top rate, that would rise if this budget stands, even with the Baucus amendment. The 25-percent rate, which for 2007 starts at \$31,850 for singles and \$63,700 for married couples, would rise 3 percentage points to 28 percent. The 28-percent rate, which for 2007 starts at \$77,100 for singles and \$128,500 for married couples, would rise 3 percentage points to 31 percent. The 33-percent rate, which for 2007 starts at \$160,850 for singles and \$198,850 for married couples, would go up to 36 percent. The top rate would rise from the current 35 percent level to 39.6 percent.

To sum up, even with the Baucus amendment—even with the Baucus amendment added to this budget, there would be marginal rate increases on millions of taxpayers, and not millions of millionaire taxpayers. Those marginal rate increases would go up, whether it is the 28 percent to 31 percent or the 33 percent to 36 percent or what have you. Those marginal rate increases would reach taxpayers with incomes as low as \$31,850 for singles and \$63,700 for married couples, and these people are not filthy rich.

Now, what I just described is accurate only if the Democratic leadership intends to follow the letter and spirit of the Baucus amendment. If you look at last year's track record, the House neutered the effect of the amendment in the conference agreement. They created a Rube Goldberg type of mechanism to impede the amendment. Of

course, after the budget conference report was agreed to, all talk and action around the amendment ceased. So I wouldn't put much stock in the follow-through on the Baucus amendment, and things can only get worse for middle-income taxpayers beyond that point.

This budget asks a lot of the tax-paying population—about \$1.2 trillion worth of a lot being asked of taxpayers. That is a big chunk on the revenues ledger. Compare that to what is going on on the spending side of the ledger. The answer is \$211 billion more spending on the discretionary side. Nothing is proposed to rein in any entitlement spending. If the definition of fiscal responsibility is higher spending, no entitlement savings, and dramatically higher taxes, then this budget is fiscally responsible. Keep in mind that while ramping up \$1.2 trillion on the taxpayers, the budget spends \$775 billion of the Social Security surplus and grows the gross Federal debt by \$2 trillion.

For those on our side, this budget is not fiscally responsible. We don't agree that the definition of fiscal responsibility is higher spending, no entitlement savings, and dramatically higher taxes. For those of us on the Republican side of the aisle, you can't solve all fiscal problems just on the tax side of the ledger.

Now I wish to go to the second part of my discussion and annualize the tax side of the budget. I am looking at how this budget will carry out its objectives.

Let's take a look at the short term. By the short term, I am referring to the fiscal year of the budget, and this chart here is for the fiscal year. This is the first fiscal year. That is the first fiscal year out of five fiscal years.

A lot of people from farm country get their water from wells. When the well water is low, you can either dig it deeper, cut back water use, or pay to have the water trucked in. This well shows the extra demands on the revenue side of the budget. That is the bucket: \$152 billion. These demands reflect the extenders for this year and next year. The bucket contains next year's AMT patch because under this budget, that has to be offset. The bucket also covers pending bipartisan tax legislation, and that is bipartisan because it is generally agreed that we ought to do some of this tax legislation. All of these items are listed on the chart for my colleagues to add up.

The water in the well represents known, specified, and scored revenue-raising proposals supported by the Senate Democratic caucus. Included are \$35 billion in Finance Committee-approved offsets and \$29 billion that has been approved elsewhere. That total, then, is the \$61 billion you see at the bottom of the well.

When you net the offsets against the demands, you find an offset shortfall of \$91 billion. Somehow, you have to find a way to fill up that well if you are

going to offset everything where there is a bipartisan agreement of what ought to be offset. The upshot of the analysis in this chart is that known offsets cover only about 40 percent of the revenue needed to carry out pending time-sensitive tax legislation that there is a great deal of bipartisan support for and bipartisan agreement that it ought to pass and some of it ought to be passing very shortly.

Now, some on the other side will probably respond with three counterpoints, so I want to anticipate that—not that I am going to stop them from responding. The first will be that the committee tax staffs will find the additional \$91 billion that is needed to fill up the well. The second will be a claim that offshore shelter activity is a vast, easily tapped revenue source. The third counterpoint will be that closing the tax gap can yield the necessary revenue.

As far as those three points are concerned, in the preceding presentation by the chairman of the committee, my colleagues heard some of these points expressed already.

On the first point, I would refer everyone to the track record of the tax staffs to the period 2001 to 2006. During that period, I chaired for 4½ years and Senator BAUCUS chaired for 1½ years. During that period, we changed the tax shelter rules and closed numerous corporate loopholes. If you don't believe me, then just go down and ask the K Street crowd of highly paid lobbyists who defended or fought every one of those. During that 6-year period, an active Finance Committee tax staff was able to achieve \$51 billion in enacted revenue raisers. That figure should give everyone some perspective of what is doable. It is very hard to find that revenue.

Now, some on the other side will argue for my second point that the offshore activities will produce up to \$100 billion a year. The anecdote alluded to usually referred to fraudulent activities. Of course, tax fraud is a crime now. Perhaps we could continue to make progress on this front with more enforcement, but the figures bandied around have no Joint Tax or Treasury scoring that I am aware of.

I will expand on this point in a separate discussion later on in this week when we have some more debate on it. But it is tough to get the revenue that is alluded to in the speeches we are going to hear this week.

The third counterpoint is that the tax gap will yield a readily available, easily tapped revenue source. As a preliminary matter, let me say that the tax gap is a serious tax policy and a serious administration issue. I have devoted a lot of time and energy to closing the gap over the last few years, as the chairman of the committee, Senator BAUCUS, is doing in his recent chairmanship.

Unfortunately, as IRS officials have told us in several hearings, the tax gap number currently estimated to be \$250

billion net annually is not the same thing as a revenue estimate. They have cautioned us to be careful about designing tax gap closure measures that are driven by unrealistic revenue targets in unrealistic timeframes.

When we went through the tax gap discussion last year, these points were disputed by some on the other side. With a Senate Democratic majority in place for over a year, we may have a bit of a yardstick to use to see just how much revenue can come in. Let's take a look at the claims on tax gap revenue and how we have done.

We have three charts that I hope will help us understand. The first chart is the tax gap reality check. My colleagues can see it here. We see some big numbers. This chart takes the form of an inverted pyramid, as my colleagues can see. At the top of the chart is gross tax gap. That is what appeared in the budget resolution markup document, the last year that the IRS testified that the improvements in collections have brought the tax gap down by \$55 billion to a net tax gap of \$290 billion.

As we work our way down the inverted pyramid, we go to the tax gap proposals. There are two categories. The first is the Treasury tax gap strategy set of proposals. On an annualized basis, these proposals raised \$3.6 billion per year.

Some of these proposals have proved controversial on both sides of the aisle. Many are complicated and wide-ranging and may need further work. It is not by accident that they are still a work in progress.

The second set of proposals comes from the Joint Tax Committee's white book. This pamphlet, requested by Senator BAUCUS and me—and we requested this a few years ago—was published in late January 2005. A note of caution is in order about the chart's figures. The \$44 billion annualized figure includes many tax expenditure reform proposals. Some tax gap proponents have strongly opposed the mixing of these proposals with pure tax gap proposals. I will speak in more detail about these proposals as we go on in this week's debate. If one were to delete the tax expenditure reform proposals from this figure, it would drop considerably.

For purposes of this exercise, I am going to use the full set of Joint Tax proposals. If we do that and add them to the Treasury proposal, we come away with roughly \$44 billion per year in tax gap-related proposals.

As a side note, a couple of recently enacted tax gap proposals have run into rough sledding with the new majority. The first proposal is from the 2005 Joint Tax book. It deals with withholding on contractor payments enacted in 2006. Ways and Means Democrats are seeking to delay it. In addition, many House and Senate Democrats are insisting on repealing another tax gap measure, this one dating from 2004, providing supplementary private debt collectors. If enacted, the Joint

Tax scores that proposal as actually losing revenue.

As we work our way further down the inverted pyramid that I call the tax gap reality check, we total up enacted tax gap provisions. During the fiscal year of the new majority, we find \$572 million of enacted tax gap provisions. The enacted provisions represent two-tenths of 1 percent of that great big, gigantic figure that we call tax gaps—just two-tenths of 1 percent. Now, that ought to give anybody pause when you are putting this year's budget together and you are anticipating a lot of money coming in from this source. What experience we have had hasn't produced a lot of revenue.

Let's look at the demands on the tax gap revenue in this budget. We have another chart. It totals up the proposed uses of the tax gap revenue. This chart is in the shape of a pyramid—the way a pyramid ought to be, not upside down.

Listed in the first category is annualized tax relief and spending demands in the budget that are assumed to be offset by, and among other things, this tax gap revenue. You can see that they total \$314 billion per year. I have accounted for the Baucus amendment's annualized impact of \$65 billion. So the net demand on the annual tax gap is about \$249 billion. If you have been following the charts and the arithmetic, you can see that the budget uses almost all of the tax gap revenue, up to about 85 percent.

Keep in mind that the track record is that only \$572 million of tax gap raisers were enacted last year. To give you perspective, you can look at the ratio of demands on tax gap revenue to the revenue raised from enacted provisions. That is what this chart does. The ratio is 435 to 1. There are \$435 of proposed tax gap uses in the budget for every \$1 of enacted tax gap revenue.

When you look over these numbers, it should lead to a healthy skepticism of using tax gap revenue as some sort of instant revenue source to accommodate all the spending this budget proposes to do. We ought to listen to the career statistics of income folks over at the Internal Revenue Service. When they tell us not to treat the tax gap number like a revenue estimate, they are on pretty solid ground. It doesn't mean we should not be aggressive about the tax gap. We should. But the thirst for quick-and-dirty revenue raisers should not drive the strategy for dealing with this important problem.

I wish to step back and summarize the last two major points.

The first point is that this budget does represent the priorities of the Democratic leadership. It is put forward with the stated objective of achieving fiscal responsibility. The budget dramatically raises taxes, increases spending considerably above the already generous baseline, and does nothing about entitlements. Most experts agree that entitlement spending, left unchecked, will cannibalize the

rest of the budget. From the perspective of the Republican caucus, this fiscal blueprint is not fiscal responsibility.

The second point is that an examination of the budget, even from the perspective of its own proponents, shows that it doesn't work. There is too much pressure on the revenue raising. We have raised revenue from closing corporate loopholes. We have raised revenue from anti-tax shelter measures. I am proud of the Finance Committee's track record in that regard. We have enacted \$51 billion in loophole closers and antishelter measures for the period of 2001 to 2006. There are not, however, enough loophole closers to offset the time-sensitive tax legislation we face in the first fiscal year of this budget. We have, likewise, found revenue in policing offshore shelters and other activities, but it fits under the umbrella of loophole closers and other tax shelter oversight.

Finally, the tax gap is an important problem that needs to be tackled, but targeting revenue from closing the tax gap needs to be more realistic than it is in this document. This budget anticipates revenue that is incredibly out of line with our track record of bringing in money from the tax gap, as worthy as closing the tax gap is. There has to be a reality check between what is out there and what people at the IRS say we can collect, and they are much more aggressive at that because of the leadership of Senator BAUCUS. But will it bring in the revenue? We have shown that it will not, based upon the practice we have had.

When you step back from the differences across the aisle on this budget, you probably won't be surprised to find similar differences among the Presidential candidates of the two parties.

Generally, the candidates on the other side have proposed to take heavily from the taxpayer under the guise of fiscal responsibility. This is true when they are talking about ending the bipartisan tax relief plans of 2001 and 2003. It is true when they are talking about the same loophole closers for a myriad number of expansions of existing entitlements or creating new ones. Nowhere is there discussion of reining in spending. So the tax side of the Federal ledger is the only route to fiscal responsibility from the perspective of the candidates on the other side.

I want to give one telling example. I have a chart here that shows the revenue from the key revenue raisers from one of our colleagues on the other side. That proposal would repeal the bipartisan tax relief plans for taxpayers earning above \$250,000 a year. This proposal raises \$226 billion over 5 years and 10 years. A key fact is that the source of that revenue peters out over the next few years because under current law the tax relief sunsets at the end of 2010. You can see it right there. Let the tax laws work the way they want them to work, and the revenue doesn't come in.

Like the Democratic leadership's budget, the candidates on the other side oversubscribe the revenue sources from proposals that are popular with the Democratic base. The deficiency can only be made up in three ways: One, the undefined sources of revenue would need to be tapped. Taxpayers should rightly be worried about that revenue. Secondly, the proposed spending plan would need to be abandoned or curtailed. There is not much history on that side for doing that, taking that avenue. Third, add to the deficit for the cost of the new programs. Unfortunately, this avenue has been taken far too many times—by both political parties, I am sorry to say.

We will hear a lot of criticism of our candidate, Senator MCCAIN, from those on the other side. They will argue, like the President's budget, that a continuation of current-law levels of taxation "costs" the Federal Government too much revenue. They will argue that the spending increases they propose are more important than the restrained levels of the President's budget. They will argue that, despite the record tax hikes in their budget, entitlement reform is a matter for another day.

I have a chart that I believe helps set the basis of this larger debate. It shows the glidepath for revenue under current law. It shows that trend in the post-World War II context. You will see revenues average about 18.3 percent of the economy. That is the dotted line across there, so for those years since 1968 until now. And what we propose would be a continuation of that policy; we have averaged, with what the Federal Government is taking in from all sorts of taxes and Federal Government levies, about 18.3 percent of gross national product. That means that 535 Members of Congress are going to decide how to spend 18.3 percent of the total economy of our country and that the taxpayers are going to spend the other 81.7 percent. You will also see that the state of the economy affects revenues more than anything else. There are dips when we have been in recession and peaks when growth was high.

Our side cares about keeping the revenue line at a reasonable level. We don't see the merits of an imperative behind a growing role for Government in the economy. I say that because a 40-year history of about 18 to 19 percent of the total economy being used by the Federal Government has been a level that has not been so high that the public has revolted against it. They might revolt at times, when it gets way high and we have tax decreases to bring it back down. Also, I think you can say that at that level of taxation, it hasn't been harmful to the economy. As you have seen each generation during this period of time, they have lived better than the generation before. Our economy has done well.

When you argue about 18.3 percent being the right figure, often the other side disagrees. If they don't disagree directly, their policies help us draw a dif-

ferent conclusion about whether they agree or disagree. They impliedly or explicitly reject our premise that the size of Government needs to be kept in check.

We have another chart. It is a copy of an editorial, dated October 22, 2007, from the New York Times. I suppose that is pretty small print for the public to read. The lead-off paragraph says it best:

President Bush considers himself a champion tax cutter, but all the leading Republican Presidential candidates are eager to outdo him. Their zeal is misguided. This country's meager tax take puts its economic prospects at risk and leaves the Government ill equipped to face the challenges from globalization.

The bottom line of the editorial directly states the view behind this budget and the position of the Democratic candidates for President. From this perspective, the historical level of taxation is not appropriate as a measure.

The New York Times implies that the Federal Government must grow as a percentage of our economy by at least 5 to 8 percentage points. If we were to follow the path suggested by the New York Times, the Government's share of our economy would grow by one-third. The Democratic leadership's budget takes some big steps down that path. So do the campaign proposals of the Democratic Presidential candidates.

Our Republican conference takes a different view. America is a leading market economy. American prosperity and economic strength, in our view, is derived from a vigorous private sector that provides all Americans the opportunity to work hard, save, and invest more of their money. A growing economy is the best policy objective. It makes fiscal sense as well.

I have one more chart to back up the point that it makes fiscal sense. My last chart shows that despite criticisms to the contrary, the bipartisan tax relief plan drove revenue back up after the economic shocks we suffered in the early part of this decade because of a recession and because of 9/11.

I am referring to the stock market bubble, corporate scandals, and 9/11 terror attacks—all those events that were detrimental to this economy of ours and yet it bounced back. The revenue outperformed Congressional Budget projections by a significant margin, and all one has to do is look at what CBO said would happen, the blue line, and look at the red line of what actually happened.

People on our side, including our Presidential candidate, do not take this significant data lightly. We believe the bias ought to be against growing Government, not the other way around; another way of saying—disabusing people who say that the way to bring more money in is to raise tax rates and if you lower tax rates, you bring a decline to revenue in the Federal Treasury. Not so. This chart shows that we can reduce tax rates, we can

enhance the entrepreneurship of the average American, particularly the small businesspeople in this country who create at least 70 percent of the jobs that are created, and we can expand revenue coming into the Federal Treasury. That is what, on this side of the aisle, we propose to do. Are we equipped to do it? The history of 2001 through 2006 is enough evidence for me and most Americans that it can be done and that we did it.

I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from North Dakota.

Mr. CONRAD. Mr. President, first of all, I wish to say, while I disagree with some of the observations of the Senator from Iowa, I have enormous respect for him. He has earned that respect by the way he conducts himself as a Senator. While we have policy disagreements, I have absolutely no disagreement or question about his motive because he has proved to me repeatedly that he is trying to do the very best for this country, as am I.

I want to go back to some basic facts. We heard the Senator talk about a 9-percent increase in spending that is in this budget. I don't know how they came up with that calculation, but there is no 9 percent increase in spending in this budget. If you look at the spending that is in this resolution over 5 years and compare it to the President's budget, it is 2.1 percent more. That is total spending. That is over 5 years. If we look at just the next year, 2009, the Bush budget calls for \$3.04 trillion of spending. We call for \$3.08 trillion. That is a difference of 1 percent. That is total spending.

I think what the Senator's staff has done is to look at one small part of Federal spending, just nondefense domestic discretionary spending, which is about one-sixth or one-seventh of the budget. But if we look at total spending, there is a 1-percent difference total spending for 2009. OK? The difference between our President's budget and our budget is 1 percent—1 percent. That is a fact.

On the comparison of revenues, the President's revenue line we see is the red line, ours is the green line. What is the difference? The difference is over 5 years, the President calls for \$15.2 trillion of revenue; we call for \$15.4 trillion. That is a difference of 2.6 percent.

I believe this revenue can be achieved without any tax increase. I believe that. Why do I believe that? Because of the three things I mentioned before. The tax gap—the Senator put up a chart that shows what the tax gap was in 2001. The net tax gap in 2001 was \$290 billion.

The Senator correctly says very little has been done in the last year to do anything about it. In fact, very little has been done over the last 10 years to do anything about it. My belief is the tax gap has done nothing but grow from 2001. So it is not \$290 billion a year anymore. I believe over 5 years

the tax gap is probably in the range of \$2 trillion. I say this as a former tax administrator of my State, a former chairman of the Multistate Tax Commission. I believe the tax gap over 5 years is likely to be \$2 trillion. But it doesn't stop there.

I put up what the Permanent Subcommittee on Investigations says is the loss to the tax havens. They say \$100 billion a year without any growth over 5 years, that would be \$500 billion. So with the tax gap and the tax havens, that is \$2.5 trillion over 5 years. Then abusive tax shelters over the 5 years, I believe, based on the Permanent Subcommittee on Investigations' work, is another \$200 billion. That is a total of \$2.7 trillion of leakage over 5 years in the revenue system—\$2.7 trillion. If we got 15 percent of it, 1–5—15 percent of it, \$1 in every \$7 in the tax gap, the tax havens, the abusive tax shelters, \$1 in every \$7—we can't do that? If we can't do that, then the Revenue Commissioner ought to be replaced and all the rest of us ought to be replaced if we have designed a tax system that has that much leakage in it, in which the vast majority of us pay what we owe but we are letting a bunch of scoundrels escape? Shame on us. That is exactly what our own Permanent Subcommittee on Investigations has told us.

All this talk about, well, we are going to have a trillion dollars of tax increases—let's look at the record. Let's go to the record. What has this Congress, controlled by Democrats, done? It has cut taxes \$194 billion so far, with \$7 billion of revenue raisers and loophole closers enacted for that period.

I say to my colleagues, these are just the facts. What is most of this? Most of this is the stimulus package we just passed. Most of it was bipartisan. The reference was to Democratic control of the House and the Senate, \$194 billion of tax cuts and \$7 billion of revenue raisers. That has been the record of this Democratic Congress: \$194 billion of tax cuts and \$7 billion of revenue raisers. That is not a projection, that is not sitting around conjuring up how we can make the other side look as bad as we can make it, that is a fact of what has been done.

The other side talks about the miracle of the tax cuts producing more revenue. We don't need to look at a projection there either. Let's just look at the record.

In 2000, the tax base of the United States was \$2.03 trillion. Now, adjusted for inflation, it is \$2.05 trillion. The revenue base of the country has basically been static for 8 years. The spending, most of it controlled by our colleagues on the other side because they were in charge until last year, has gone up 50 percent. Again, we don't have to look at some projection or some guess or some economists' estimates. Let's just look at what happened on the record: revenue flat, spending up substantially when our colleagues con-

trolled everything, the House, the Senate, the White House. What happened to the debt? The debt exploded. This is not a projection, this is not guessing ahead, this is what is happening. And my friends across the aisle controlled everything—they controlled the Senate, they controlled the House, they controlled the White House—and here is their record. The debt exploded, not some projection, not some guesstimate of the future. That is what has happened. The revenue was flat, the spending went up dramatically, went up about 50 percent, and the debt exploded as a result. That is not a projection, that is not a claim, that is a fact.

I yield the floor.

Mr. GRASSLEY. Mr. President, I would like to respond to the distinguished chairman. The Senator from North Dakota disputed the 9 percent increase I cited with respect to the discretionary spending.

Here's how the Republican staff of the Senate Budget Committee reached that figure:

1. Take the increase in the President's budget—6.5 percent over last year.
2. Add the amount of \$22 billion the budget assumes over that request.
3. These additions in discretionary are not offset.
4. Add the two together and you arrive at a 9 percent increase in discretionary.
5. I said a 9 percent increase in discretionary and I reconfirmed the figure with our Budget Committee staff.

As to the tax gap figure of \$290 billion, I say to the chairman, that is the figure that is derived from career statisticians at the IRS statistics of income—"SOI"—Division. I will reiterate that these statisticians have cautioned us to not treat that figure like a revenue estimate.

I reiterate my recognition of the tax gap problem. I am pleased that Chairman BAUCUS has made this a top priority. I have been his teammate in that regard and will continue to be. All I would say is be careful about realism about the revenue we can raise and its timeframe. My inverted pyramid chart is a yardstick of that realism.

We should close the gap, but the revenue raised is what it is.

I am pleased that the distinguished chairman agreed that 15 percent is the knowable tax gap-related offsets in terms of scored proposals. I would caution everyone that the \$44 billion annualized figures is the ceiling on the tax-gap related offsets. I will discuss this data in more detail as the debate proceeds.

The distinguished chairman's final point was that revenues have been flat since 2001. In fact, 2000 was an anomaly. The stock market had not burst and the chairman knows capital gains and other nonwithheld revenue pushed that number up.

We had a triple whammy hit to the economy in the next year, 2001. The stock market bubble burst, the corporate scandals rocked Wall Street and

whacked main street businesses, and the terrorist attacks occurred.

Because the economy was rocked, revenues dropped for 2001 and 2002. Revenues steadily came back after the economic growth plan of 2003 was put in place. Any review of the revenue baseline data would confirm what I have said.

I yield the floor.

Mr. CONRAD. Mr. President, Senator AKAKA is here. He would like to speak on the budget. I will give him time off the resolution. How much time does the Senator wish?

Mr. AKAKA. Four minutes.

Mr. CONRAD. I provide 5 minutes off the resolution to the Senator from Hawaii, Mr. AKAKA.

The PRESIDING OFFICER. The Senator from Hawaii is recognized.

Mr. AKAKA. Mr. President, I rise to commend Budget Committee chairman KENT CONRAD for his fine work on this budget resolution. It will lower our taxes and create hundreds of thousands of new jobs for Americans. In addition, I am very pleased this budget resolution honors our Nation's veterans by providing the necessary funds for our wounded warriors. Funding for our veterans is very important, and I wish to speak about this again at a later time.

The resolution passed by the Budget Committee last Thursday will balance our Federal budget by 2012 and fund programs that are critical to the health and safety of Americans. It provides tax relief to middle-income Americans, honors our fighting men and women in the Armed Forces, shows respect for our wounded and disabled veterans, and ensures the continued safety and security of our Nation.

By focusing on the real needs of Americans and reviving our slowing economy, the budget resolution seeks to restore balance—balance to our finances and balance to our priorities for America. The budget resolution increases funding for veterans health care and children's health care. It provides a substantial increase above the President's budget for education and Head Start. It promotes greater efficiency and renewable energy programs. It extends middle-class tax cuts, such as marriage penalty relief and the child tax credit, and it brings more middle-class Americans into a 10-percent tax bracket. The budget resolution also invests in building and repairing roads, bridges, harbors, airports, and schools because we recognize our economic success depends on public infrastructure investment.

As Chairman CONRAD has noted, this budget is only a first step, but it is an important step to reach our goal of long-term fiscal security. I am prepared to join Chairman CONRAD in this important mission to balance our budget, restore our military readiness, honor our commitment to troops and veterans, and enhance our national security.

I urge my colleagues to do the same. It is time that we provide a real future for our children and our country.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank the Senator from Hawaii for his kind remarks. I also thank him for the enormous contribution he made to the work of the Budget Committee, especially with respect to funding for veterans affairs, and specifically veterans health care. One of the things I am most proud about in this budget is we are showing a \$3.2 billion increase over what the President requested for veterans health care because I think the vast majority of us recognize the extraordinary ongoing need for improvements to veterans health care. Our veterans have made an enormous commitment to this country, and we must keep our commitment to them.

Last year, as the Chair will recall, the budget contained the largest increase for veterans health care in our history. This year we have another significant increase that largely parallels the budget proposed by the veterans organizations themselves in recognition of the extraordinary need that exists.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. I yield whatever time Senator ALEXANDER might consume.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. ALEXANDER. Will the Chair please let me know when I have completed 15 minutes?

The PRESIDING OFFICER. The Chair will so advise the Senator.

Mr. ALEXANDER. Mr. President, I first commend the Senators from North Dakota and Iowa for the way they conduct this debate. This is always a model for how the Senate ought to work. Sometimes toward the end of the debate it is not but at least at the beginning it is. What we are supposed to do is act like grownups, deal with big issues, base our arguments on principle, and come to results. We often are able to do that, and these two Senators are among the leaders in helping to make that happen.

This is a week during which we talk about the Federal budget. I want to talk more about the family budget because what we do with the Federal budget makes a big difference to the family budget.

We know this week in homes in Tennessee, Iowa, and across America people are talking about their family budgets. They're worried about whether there will be enough money at the end of the month to pay the taxes that will be due in April and about whether there will be enough money to pay gasoline costs that are \$3.50 a gallon or higher in some parts of the country. They are worried about whether there will be enough money to afford a reasonable health insurance plan and whether the homes so many Americans have been able to buy will maintain their value. They are worried about

whether we are going to be able to keep our advantage and brainpower here in America so we can keep our jobs from going overseas. They are worried about whether our schools are going to be good enough to help our children have good jobs. Those working in small businesses are worried about the cost of runaway lawsuits. Women who are pregnant in rural areas are worried about having to drive 60 or 80 miles to a doctor because the high cost of medical malpractice insurance has run the OB/GYN doctors out of the rural areas. Women must go to the big cities and they have to drive long distances to have their babies.

Those who work with the capital markets—and there are tens of millions of Americans who do—want to revive those capital markets. Those who are sitting in traffic jams want us to meet our obligations to build roads, bridges, railroads, and airports. We want simpler taxes. We would like to have less Government. All of these ideas would affect the family budget. We must maintain a good balance in management-labor relations, for example, by not getting rid of the secret ballot in labor relations or keeping the right-to-work law. Those are all important issues. I saw in my State of Tennessee that having a right-to-work law helped to attract the auto industry. Now, a third of our manufacturing jobs are auto jobs and our family incomes have gone up.

So let me talk for just a moment about what Republicans want to do to help balance the Federal budget.

So the question is whether we will adopt the Democratic budget which, according to evidence presented by the Republican leaders of the Budget and Finance Committees, would raise taxes, raise spending, raise debt, and wreck the Federal budget or whether we will adopt the Republican pro-growth plan which keeps taxes low, which lowers energy costs, which helps make it possible for every American family to have health insurance without the government choosing the doctor.

I wish to talk about the other picture that taking the Republican pro-growth plan to help balance the family budget instead of the Democratic budget for more taxes, more spending, and more debt.

Traditionally, this budget week when we talk about the Federal budget is usually a week in which we are so awash in a blizzard of charts and speeches, abstractions, and competing statistics that it is very difficult to make much sense out of the whole discussion. What I am suggesting is not very hard to make such sense out of—it is a debate we hear quite a bit.

In December, when we debated the Energy bill, we on this side were willing to join with many Democrats and pass a fuel efficiency standard. This is one of the best things this Congress has done to reduce our dependence on foreign oil, thereby reducing our use of oil

and helping to stabilize the price of gasoline. But, first, we had to stop an effort from the other side to add \$20 billion in taxes.

Earlier this year, most of us on this side joined with most on the other side to pass an economic stimulus plan. But, first, we had to reject \$40 billion in more spending that the other side wanted to add to the proposal.

My point is that more spending is not a new argument and that the other side would propose more spending, more taxes, and more debt, and this side of the aisle would say, let's have less of that. There is another part to the story on the Republican side of the aisle and exactly what we would do to help balance the family budget.

Over this week, we will be hearing proposals to lower or to keep taxes low. There are a variety of proposals to do that. One would be to lower corporate tax rates from 35 to 25 percent. That would help keep jobs in America. That helps the family budget. One would be to index capital gains for inflation. That would help keep jobs in America. That helps the family budget. I would like to see us make permanent the expensing provisions that we passed in the stimulus package. That would help keep small businesses healthy in this country and create new jobs. Those incomes would increase family incomes, and that would help the family budget.

We would like to lower energy costs as well and bring some common sense to the discussion about energy. That would mean, from our point of view, more nuclear power because that is the cleanest power. If we are really serious about climate change in this generation and about cleaning up the sulfur and the nitrogen and the mercury, we need to remember 66 percent of all the clean energy we produce in America is produced by nuclear power. Instead of wasting dollars by spending, for example, \$11 billion to subsidize more large wind turbines, we could spend the money to encourage the building of nuclear power. We could encourage reprocessing of nuclear waste which would reduce by 95 percent the amount of that waste and storing it, thus making it easier for nuclear power.

More oil would increase the supply of oil and reduce the price of oil. Simple economics tells us that. Most of us on this side of the aisle are ready to give States the option to drill for oil and gas off the coast of America. You can do that at a distance. It can't be seen and it can be done safely. Then a significant amount of the royalties from the revenue from that can be taken into the State, put in a trust fund, which could either lower taxes or protect the coastal areas or could be spent to improve the higher education system.

The State of Virginia has said it wants to do this. Most of us on this side of the aisle, the Republican side of the aisle, say, why not? And why not take some of the royalties as well and devote them to conservation purposes,

as Senator DOMENICI and Senator SALAZAR on the Democratic side of the aisle led us to do in the 2005 Energy bill.

I would like to see us take some of the money that we are spending and use it to give incentives to utilities to increase incentives for using electricity in the off-peak hours. To put that in plain English, the Tennessee Valley Authority uses about 27,000 megawatts of electricity on any given day, a typical day, on the average. But at night, it has 7,000 or 8,000 megawatts it doesn't use. So if we had ways to plug in hybrid cars at night, we wouldn't have to spend money for new plants and could lower the cost of electricity, improve the quality of the air, and deal with climate change at the same time.

That is all part of the Republican plan. Not just Republican ideas, but the Republican plan, which we hope is so compelling that it attracts Democratic support to help balance the family budget.

On the Republican side of the aisle, we want to make sure every American has health insurance without the Government choosing the doctor. We have a variety of proposals for doing this. We want to integrate the idea of every American having access to health insurance with two words: private sector. We believe we can do that, and do that in a way that lowers the cost of health care and makes a basic health care plan available to every American.

One way, of course, to lower the costs of health care would be, as I mentioned a little earlier, to stop runaway lawsuits that are driving up the costs of medical malpractice lawsuits and causing OB/GYN doctors to leave rural areas. We have pregnant women in Tennessee who drive 60 or 80 miles to Memphis for their prenatal health care or to have their babies because the OB/GYN doctors' health care costs—their medical malpractice costs—are so high because of unnecessary lawsuits that they have left town and gone to some other place.

We could enact a small business health insurance plan, which has significant support on both sides of the aisle, but we haven't been able to get it through the Congress yet. It would help an estimated 1 million more Americans to have health insurance at a lower cost.

These are some of the ideas we on this side of the aisle believe would make a difference in helping the family budget. Most Americans are concerned today about the values of their homes. There are a number of proposals that would simply add billions of dollars in spending as a way of approaching the housing slowdown. However, we would like to see proposals like that of Senator ISAKSON of Georgia that would adopt an idea—similar to what the government had in the 1970s—to give a \$5,000 tax credit to home buyers who buy newly constructed or homes that are being foreclosed. This would bring

back into the marketplace those who would buy foreclosed homes or new homes. Another idea, which I believe there is substantial agreement with on both sides of the aisle, is to increase the amount of money that would be available to State housing agencies to help refinance subprime mortgages or mortgages that are now headed to foreclosure or in foreclosure.

In terms of education, I know for a fact if you want a stronger economy and higher family incomes, you have to have a focus on education. Better schools, better colleges, and better universities mean better jobs. And that doesn't always mean more spending. For example, giving parents more choices of schools, particularly low-income parents, with the idea of a Pell grant for kids would be one way of helping hard-working American families make sure their children have a chance to attend a good school.

Another way to make sure there are good schools is to pay outstanding teachers more money for teaching well. This weekend, there was a story in the New York Times about a charter school in New York City where teachers are being paid \$125,000 a year. And the manager of the school said: I would rather have a classroom with 30 kids and the very best teacher, rather than a classroom with 20 students and an average teacher.

I agree with that, Mr. President. So let's double the amount of money we would spend for the teachers' incentive fund, enacted in No Child Left Behind, which would give to State and local governments funds to experiment with programs that reward outstanding teaching and outstanding school leadership by paying those individuals more.

We have strong agreement about the America COMPETES Act. We understand that since World War II America's technological advances have been the source of its growth. Using some of the funding we have in this budget to have a sufficient amount of funding to give 1½ million low-income children an opportunity to take advanced placement tests, to hire math and science teachers according to the America COMPETES Act, and to put us on a path of double funding for the physical sciences are things that would be part of a Republican pro-growth plan to help balance the family budget.

As we begin this debate on the budget, what we are likely to see are two very different visions of America's future.

The PRESIDING OFFICER (Ms. STABENOW). The Senator has used 15 minutes.

Mr. ALEXANDER. Madam President, I ask unanimous consent for 4 more minutes.

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

Mr. ALEXANDER. So again, the question is whether we will adopt the Democratic budget which would raise taxes, raise spending, raise debt, and

wreck the Federal budget or whether we will adopt the Republican pro-growth plan. Will we make room for the Republican pro-growth plan which would begin to keep taxes low, which would begin to lower energy costs, which would help make it possible for every American family to have health insurance without the Government choosing the doctor, which would stimulate home buying, which would make more room for science, which would adjust our spending so we are able to reward outstanding teachers and give parents more choices of good schools. This is a different picture of how we can move ahead in this country.

We hear a lot of talk about change. A real change would be to stop more taxes. Stop excessive spending. Stop more debt. And focus more attention on the family budget. Have a Federal budget that emphasizes lower taxes, lower energy costs, lower health insurance costs, stimulating home buying, more for science and more for better schools. That's really the way to create better jobs.

I thank the Chair, and I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. CONRAD. Madam President, Senator MENENDEZ, who is a very valuable member of the Budget Committee, as is the occupant of the Chair, is here and is available for his opening remarks.

How much time would the Senator desire?

Mr. MENENDEZ. If the Chair could, I think about 20, 25 minutes.

Mr. CONRAD. I yield such time as the Senator may consume.

Again, I thank the Senator from New Jersey, who is truly an outstanding member of the Budget Committee. He has made an incredibly valuable contribution there, and I very much appreciate the leadership he has brought to the committee.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. MENENDEZ. I thank the distinguished chairman for his kind words. I particularly thank him for his leadership in structuring a budget that I am convinced, unlike the President's budget, speaks to the shared values of the American people, speaks to the priorities that our Nation needs to pursue, meets the challenges our country has, and ultimately goes to the very heart of turning this economy in a much different direction so that it can work for working families.

Under his leadership, we have a budget that I am proud to support on the floor of the Senate. And whether you live in the East or West or North or South, I think Americans will find this budget, as they become more fully aware of it, is one that has the integrity, the honesty, as well as the purposes to meet the challenges. The chairman deserves enormous credit for working with all Members on both sides to try to achieve those goals, and I appreciate his leadership.

Madam President, this week in the Senate, we are fighting for the economic future of America. This is the week that we put together on the floor of the Senate the Federal Government's budget. And that budget is more than just a balance sheet of revenues and expenditures, it is a balance sheet of priorities and values. The lines of numbers come together to form a bigger picture, laying out a vision of where we plan to lead the Nation.

Every year, when we make the budget, we look at where our country stands, at how we can improve the lives of the American people, and what we can do to make sound investments that brighten the future of generations to come.

It is a responsibility that we cannot afford to take lightly. When we create a budget, we have to answer some fundamental questions: What are the most important problems we face as a nation? What are the challenges of middle-class working families? How do we meet those challenges?

Several weeks ago, President Bush gave us his answer. And his answer was, there is nothing wrong with America that cannot be fixed by giving away more tax breaks to the wealthy, giving away more subsidies to big oil companies, continuing the war in Iraq, and never admitting what it costs.

The President is fighting to keep taxes low for the wealthy and wants to make it up by charging veterans more for their health care. Apparently, that is the answer some of my colleagues on the other side of the aisle are giving as well. They agree with the President the American people should cover their eyes, pretend their problems do not exist, that everything magically will work itself out.

I believe a vote for the President's budget is a vote for the status quo. It is a vote for the way things are going in America in terms of this economy.

The Democrats see things quite differently. Here is what we see: Our economy is continuously weakening, and tens of thousands of people are losing their jobs. The price we pay for health care is spiking through the roof, while the value of our homes is falling through the floor. Baby boomers worry about whether they are going to be able to retire with dignity, and senior Americans are worried that the strong base of Social Security could crumble right under them. Our climate is in crisis, and our attachment to an umbilical cord of foreign oil means our entire way of life hangs by a liquid thread.

The Government is going into debt to the tune of more than \$10 billion per month to finance a war in Iraq that has not made any of us safer, while local police and fire departments are getting squeezed for funds, and crime in our neighborhoods is on the rise.

If you have worked in Newark all your life and just lost your job, we hear you. If you are scared to walk through your neighborhood in Camden because

there is violence on the streets, we hear you. If your family may be in danger of losing your home in Trenton or Long Branch or North Arlington; if you are teaching at a school with a budget stretched as far as it can go in Hamilton, Plainfield, or Asbury Park; if your commute to work just keeps getting more frustrating in Cherry Hill; if every day you drive by a barren industrial site that is not being redeveloped in Penns Grove or Paulsboro; if it is a struggle to pay your college tuition in New Brunswick or pay your heating bill in Toms River or pay your health care costs in Edison, Democrats understand what people—certainly I do—all across America are going through.

None of us can stand and pretend one budget can be the magic bullet that makes all of these problems disappear. One year is not enough time for that. One year cannot undo 7 years of the Bush administration's mismanagement that turned a record surplus into a soaring deficit. And 1 year cannot undo 5 years of a war in Iraq that has claimed thousands of American lives and incinerated more than a half trillion dollars that we could have used to make American lives better.

In one budget we cannot fully fund all of the programs that deserve our support or give the tax relief we want to middle-class working families, not under this administration. But this year, we can set the wheels in motion of the long and indispensable process of change. We can develop a plan to meet the challenges we face head on, and we can start to move our country forward.

This is exactly what the Senate Democratic budget does. Here is the vision our budget puts forth for our Nation, a nation that is more prosperous, with more affordable health care, on the path to energy independence, a nation of safer neighborhoods, better schools, a nation of which we can all be proud.

Above all, our budget is designed to get our economy growing, get our economy growing and moving again. That is the first and foremost priority of this budget. The Bush budget, supported by many of our Republican colleagues, creates jobs in China, while the Democratic budget creates good-paying jobs in America. The Democratic budget focuses on rebuilding our infrastructure, expanding incentives for green initiatives and industries, and investing in math, science, and engineering and technology so American businesses can create and keep the best jobs here in America.

Our budget puts the family budget first. It provides middle-class tax relief by extending the marriage penalty relief, a child tax credit, a patch for the alternative minimum tax that will protect millions of middle-class families from paying higher taxes next year; it works to make college more affordable by extending a tuition tax credit; and it supports job training programs that will prepare the workforce for the 21st century.

This budget moves us down the road to energy independence. It helps create a highly skilled workforce and green-collar jobs. I am proud of the push for funding for energy efficiency and conservation block grants, a provision I authored in our last Energy bill to provide cities with support for projects that foster more efficient use of energy and reduce greenhouse gas emissions.

We all know oil and natural gas prices are sky high, the sea levels are rising, along with the temperature. So this program is a key part of our strategy to meet those challenges.

The Democratic budget recognizes we cannot think about national security without thinking about hometown security. While our resources are being drained day after day on the streets of Baghdad and Mosul, we are struggling to protect high-risk targets on the streets of our own neighborhoods.

We know our police departments are just a phone call away during an emergency. Our brave men and women in law enforcement have dedicated themselves to serving and protecting our communities. So it is unbelievable to me that the Bush administration has reduced or eliminated nearly every major anticrime program over the course of the last 7 years, especially since crime and violence have been on the rise in the country, according to the FBI reports.

Crime is going up, violent crime is going up, and the Bush administration's cuts to the most essential public safety programs, the very essence of homeland security, go down. What should be going up is going down. What should be going down is going up. How can we expect law enforcement to carry out their responsibilities and respond in a moment's notice when the Federal Government is backing out of its responsibility to support law enforcement?

People in my home State of New Jersey remember on September 11 that it was not the Federal Government that provided the immediate response, it was the local police, the firefighters and emergency management and medical units from our hometowns. Yet in the years after September 11, the administration has left our local communities to shoulder far too much of the financial burden. Our budget, however, will ensure that first responders across the Nation will get the resources they need.

I was proud to work with Chairman CONRAD to ensure that homeland security grants that our communities rely on most were protected in this budget. The Democratic budget restores more than \$2 billion in misguided cuts the President made to State homeland security grants, to port security, interoperable communications, rail and transit security.

Our budget will ensure that States facing threats from high-risk targets or densely populated areas, communities that are near ports, chemical plants, airports, cities with mass tran-

sit or rail systems, will not be short-changed. By restoring more than \$750 million in grants to firefighters, we will also ensure that our fire departments can buy new equipment or ensure that our fire stations are fully staffed. Unlike the President, we will keep our commitment to fulfilling the recommendations of the 9/11 Commission, and we will keep our commitment to our first responders.

We more than double the funding for the Byrne/JAG Program that many local law enforcement officials across the country consider the most successful crime prevention program in recent history. I am proud to have introduced the amendment that was passed unanimously in the Budget Committee setting aside a minimum of \$520 million to fund it. I am going to ensure that we continue to support this vital program.

We have also included language to help the FBI cut down its massive backlog in evaluating immigration applications for those who follow our rules to legally enter the country. Cutting down this backlog is essential if the FBI is going to be able to quickly separate those who have come to pursue the American dream versus those who may have come to destroy it.

Our budget puts a priority on making health care more affordable and more accessible to all Americans. We have worked to create a reserve fund to block President Bush's unilateral changes to Medicaid that would severely reduce Federal health care funds to States for low-income families. This was the very essence of the social safety net that we as a society should be judged by.

The reserve fund would also help protect New Jersey's FamilyCare Program from the President's Draconian cuts to children's health coverage scheduled for this summer. We have included support for other legislation, and this budget includes funding for the Patient Navigator Program, which I worked hard to have passed into law. If patients are having trouble figuring out the complicated health care system we are in, but they do not know how to get early screening or do not know about options for follow-up treatment, patient navigators make sure someone is there to help them.

Our budget also keeps our commitment to our schools, our teachers, and our students. I am proud that our budget provides the largest increase for elementary and secondary education in 6 years. Instead of taking money away from our schools while asking them to do more, our budget will fund programs that provide enrichment and opportunity to our students.

We do not just say education is a priority, we put our money where our values are by providing \$3 billion more than the President for No Child Left Behind, and \$8.8 billion more than the President for education and training overall.

We soundly reject the President's proposal to freeze education funding

and eliminate 48 programs in the Department of Education, including education technology, mentoring, reading programs, and vocational education. Instead of pretending our young people are not facing severe hardships when it comes to paying for college, our budget makes the needed investments in grants and scholarships for college and allows for an increase in the Pell grant maximum next year. That is the support our young people deserve, and under this budget that is the support they are going to get.

I have often said, as someone who grew up poor in a tenement in Union City, NJ, the first one in my family to go to college, that would never have happened but for the power of the Federal Government being able to provide me grants and loans. That power gave me the educational opportunity and foundation that allowed me to be the junior Senator from New Jersey. The reality is, that should be a birthright for every young person in our country who is willing to work hard and give something back to their Nation.

This budget meets that battle. Let me close by saying our debate over the budget is a debate over the direction of the economy, the fulfillment of our shared values, and the direction of our country. The President and those who support him are offering the same old ideas that got us into this mess in the first place, ideas that have weakened the economy and hurt the middle class.

If you ask for more of the same, it seems to me, you get more of the same. Those who are happy with the economy that we are in would be happy with the President's budget. Those who are languishing, and that is the overwhelming majority of American families in this country, under the President's economic policies, the reality is they want to see change. That change is represented in the Democratic budget.

Democrats have a fiscally responsible plan to get our economy moving again and strengthen our national security. The budget we are putting forth cuts taxes for the middle class, creates a half million new jobs in America, and we do all of this while working toward the balanced budget and paying down debt.

It is a plan that puts forth a basic idea about what America should be. This should be a country where anyone willing to work hard can get an education and a job, a country where everyone has access to services that can keep them healthy, a country where a lifetime of hard work guarantees the right to retire with dignity, a country that knows its past and cares about its future.

Let's invest in that future. Let's pass this budget. Let's begin the hard work of making that vision a reality and changing economic circumstances for families. That is what this debate is all about. That is what the Democratic budget is all about. That is why I am proud to have voted for it in committee, proud to stand on the floor to

defend it, and proud to support Senator CONRAD in his efforts in that regard.

I yield the floor.

The PRESIDING OFFICER. The distinguished Senator from Arizona.

Mr. KYL. Madam President, I note that my friend and colleague, the chairman of the Budget Committee, is here. I thought I would begin by quoting something he said which I think sets the tone for the discussion of the budget. I believe it was during a March 4, 2007, interview on "60 Minutes" when the distinguished chairman said:

I believe, first of all, that we need more revenue.

Now I won't pretend that I know the exact context in which this statement was made, but it is not the first time I have heard Democratic colleagues say we need more revenue. In one of our informal meetings, colleagues said: We will need a much bigger revenue stream when the next President is elected. That individual was presuming it would be a Democratic President.

Mr. SANDERS. Will the Senator yield?

Mr. KYL. Yes, of course.

Mr. SANDERS. Let me say, very clearly, to set the record straight, as an Independent, we need more revenue. We have the highest rate of childhood poverty in the industrialized world. We have people who are hungry. We have mothers who can't afford childcare. Yes, sir, we need more revenue. We should ask the wealthiest people in this country to help us come up with the revenue.

Mr. KYL. I am happy to have the Senator from Vermont confirm that on the other side of the aisle there is a belief that the U.S. Government needs more revenue.

I would actually put it the other way around. Especially in times of economic difficulties—and I think we all agree that our economy is not in great shape right now; there is a discussion that we may even be in or very close to a recession—of course, the worst thing to do during that period is to give the Federal Government more revenue, to take more revenue out of the pockets of taxpayers, average Americans who have to pay attention to their own budgets.

As a matter of fact, our problem is not the lack of Federal revenues. We are collecting more money now at the Federal Government level than the historic average over the last 40 years. I hardly think the Federal Government needs more revenue. I argue, instead, that our families need to keep more of the hard-earned revenue that is a result of the efforts of their families in working hard every day.

It is true that because many on the Democratic side of the aisle have plans to spend more money, as my distinguished colleague from Vermont is suggesting, they therefore see a need to take money from taxpayers' pockets so that we in Washington, in our infinite wisdom, can make decisions about how

that money should be spent. I think that is the wrong prescription virtually any time but certainly at a time when we may be heading into a recession.

It at least is the case that our Democratic friends in their budget would raise taxes in some cases—not all but in some cases—to pay for this additional spending they believe should occur. As with last year's budget, which would have increased taxes by \$900 billion, this year the budget would increase taxes by \$1.2 trillion—the biggest tax hike in the history of the United States.

Once again, there is a suggestion out there that we can soak the rich and nobody else will have to bear the burden. The top 1 percent would pay something like \$25 billion in taxes; that is the amount we could expect from this budget in 2009. Of course, that wouldn't begin to take care of the spending proposals that have been added up on the other side of the aisle.

Every time we try to target the rich in order to collect a lot of money to pay for spending in Washington, we end up hitting everybody else. The best example of that is the alternative minimum tax, the AMT. Originally, this tax was designed to ensure that millionaires would always pay some taxes, that they could not avoid tax liability by taking advantage of writeoffs and deductions and credits and other provisions of the Tax Code that anybody is entitled to take advantage of, if those provisions meant that you could write off or offset your income with losses or deductions and therefore there is no tax liability. We said: No, that is not right. The AMT will come into play at that point so everybody has to pay some taxes. It seemed like a good idea at the time.

What has happened in the meantime, we all know, because it has not been indexed for inflation, we now this year had something like 23 million taxpayers subject to that kind of alternative minimum tax liability, something people on both sides of the aisle have sought to avoid. We don't want to tax everybody. We don't want to hit the middle class, let alone other taxpayers. But it is a good example of how, when we try to aim at the rich, we end up somehow always managing to hit the poor or the middle class. That is the same thing here.

In the budget, there is a suggestion that we are only going to hit the rich. There are problems with that: No. 1, it is not true, as I will point out; secondly, you wouldn't begin to get the kind of revenue our colleagues say they need in order to engage in the spending programs the budget calls for.

I have a couple other examples. The energy and education tax incentives in this budget must be paid for by other tax increases. The same applies to the middle-class tax relief promised and any AMT relief after 2008. I remember because I chaired the subcommittee of the Finance Committee that has jurisdiction over the IRS. I heard a lot

about tax gap collection. So we held a hearing. We said: How much money could we really collect by enforcing revenue collections? Everybody owes these taxes. If we just collected the money, how much could we expect to get? The experts said: Actually, not very much. You would spend more than you would end up collecting in many cases because it is not a matter of just going out and collecting a due debt but, rather, forcing the kind of book-keeping on various kinds of small businesses that would probably put most of them out of business if they were really to keep the kinds of records that would enable us to collect the kinds of taxes that we suggest maybe they owe. So this business of recouping a portion of the tax gap and using that to pay for these spending programs is one that does not have the support of those who have testified before the Finance Committee.

The bottom line is, we are not going to be able to collect the kinds of revenues and the increased taxes called for here in order to pay for spending programs the Democrats have identified.

Finally, there is talk about a so-called reserve fund. This is an interesting concept. It is sort of, well, there is going to be money out there because we promise we will put money in it, so we can afford to therefore raise spending in anticipation that we will put money in this reserve fund. The amount of reserve funds included in the 2008 budget have now grown this year, representing up to \$300 billion in new taxes and spending. As I said, that looks good on paper, but it doesn't come about in reality.

I will get to a final point in a minute about collecting revenues and what that has to do with the death tax, but let me deal with a couple other items before I talk about that.

The ranking member of the Budget Committee has noted something that started last year, and it certainly is included in this year's budget. That is the fact that budget enforcement mechanisms which were put into the budget last year amid great fanfare about how we are not going to have sham budgets; we are going to have pay-go—whenever we spend, we will make sure we collect it in advance—it turns out that has been waived more times than it has been abided by. With the budgetary sleights of hand that were put in place last year, we find that the same things roll over into the budget this year, with the result that, again, we have greater debt that is not really going to be paid for, notwithstanding what the budget seems to suggest.

The House budget included reconciliation instructions to pay for a 1-year extension of the AMT patch by presumably raising taxes on oil and gas companies, taxing private equity, and codifying the so-called economic substance doctrine. The Senate committee did not include reconciliation instructions in the Senate budget resolution, I presume because of the conclusion that at

the end of the last year, the AMT did not need to be paid for.

Obviously, there is an understanding in this caucus that those who oppose higher taxes on oil and gas—there are those who oppose higher taxes on oil and gas and oppose taxes on private equity, and it would be a very difficult thing to get such a bill passed in the Senate. But no one should be surprised that the same reconciliation instructions could very well magically appear in the Senate after a conference in order to get around Republican opposition to higher taxes. That is why you have heard many Republicans predict that when the conference report is concluded on this budget—if, indeed, a budget is passed—and it comes back here to the Senate, we are going to see some things that never would have been in the bill at this point in time and which I hope my colleagues would recognize and would oppose at that time.

I said I would get to the matter of whom this budget really hurts. We in the past have tried to focus on the rich, and we always end up hurting other people. Who are some of the other folks who would suffer under this budget? They include families, seniors, people with low incomes, small businesses—in other words, just about every group in this country we really don't want to hit with higher taxes. But when the current tax rates expire at the end of 2010 and the Democratic budget permits the rates to go back up to where they were before, the so-called Bush tax cuts, we are going to see 116 million taxpayers start sending more of their paychecks to Washington, DC.

The poor Federal Government needs more revenue, as my colleague said earlier. For the 7.8 million taxpayers taken off the rolls, if the current tax policies are allowed to expire, 7.8 million families who currently don't pay any income taxes because of the way we constructed the 2003 tax cuts would be put back on the rolls again. So there you have people in the lower income brackets—7.8 million taxpayers we took off the rolls—who would come back as taxpayers under the Democratic budget. Families, 43 million working families with children would see their taxes raised by an average of \$2,300 in the year 2011 on average. Take a security guard earning \$50,000, with a wife and two kids. He would see his taxes go up by \$2,300 in 2011. Take a widowed teacher's aide with two kids. Her taxes will go up by \$1,100 in 2011. That may not seem like a lot of money here in Washington, but it is a lot of money for a family working hard to make ends meet, worrying each month about where they will get the money to do all the things they need to do.

We tend to think in this body and in the Congress generally not in terms of millions anymore or even hundreds of millions but in billions of dollars. In fact, trillions are starting to creep into our lexicon. We need to get back to focus on what families are really con-

cerned about. One thousand there, \$2,000 there, \$4,000 there ends up being a lot of money to these families.

Who else is going to get hit? Senior citizens, 18 million senior citizens will see their taxes rise by an average of \$2,200 under this budget. So every Democrat who proudly casts a vote in favor of this budget, understand, this budget assumes that seniors will have an average tax increase in 2011 of \$2,200. An elderly couple with \$40,000 in income, if the Democrats roll back our current tax policy, a couple over age 65 at \$40,000 in income will see their taxes go up by \$2,200 in 2011. Eighteen million seniors will see their taxes increase if the current tax rates are not extended, which is not the case under the Democratic bill. Seniors especially benefit from reasonable capital gains and dividends tax rates because frequently they have small investments. They are part of a teacher's pension or some other fund that pays them dividends. Thirty percent of taxpaying seniors claim capital gains. More than 50 percent of taxpaying seniors claim individual dividends which would, of course, increase their tax liability under the Democratic budget.

We talk about small businesses. Small businesses are the engine of our economy. They provide more employment opportunities than all of the big businesses combined. Yet they pay the income tax rate at the highest level, which is the level of the "rich." So whenever Democrats talk about taxing the rich, understand their shotgun also includes all of the small businesses because that is the rate they pay. So in the tax world, small businesses are the same thing as high-income individuals. Is that whom we want to harm, especially at a time when our economy, being in jeopardy as it is, has to rely upon the jobs created by small businesses? Seventy-five percent of all individual returns in the top 1 percent of income include business income. In fact, 83 percent of all individual returns above \$1 million included business income. Think about that. That means that the bulk of the people who are reporting income in this category include business income.

Small businesses pay 54 percent of all individual income taxes. This is one of the worst things about the Democratic budget—not just for the lack of equity, not just because it hurts individuals, but because it has a devastating impact on our economy at this critical time.

If tax rates are allowed to rise to their pre-2001 levels, 27 million small businesses will see their tax bill increased by over \$4,000. I will repeat it: 27 million small businesses will see their tax bill increase by over \$4,000.

I might just note parenthetically, there is a direct correlation, by the way, between high taxes and high unemployment. In the United States, we have had relatively low taxes because of the Bush tax cuts. We collect about 34 percent of revenues as a percent of

GDP; in fact, 34.2 percent. Our unemployment rate is 4.8 percent. In the European Union, the tax rates are more than 10 percent above that. They collect 45.4 percent of revenues as a percent of their GDP, and their unemployment rate is almost 8 percent. It is 7.9 percent right at this moment. So if we want higher unemployment, then raise taxes. It is a pretty sure way to get there.

Let me conclude by discussing briefly what this budget does with respect to the death tax because this has been a matter of particular concern to me. I have talked to Chairman BAUCUS about this matter.

In the Finance Committee, I offered an amendment to reform the death tax. In exchange for my agreeing to lay the amendment aside because the other side did not want to vote on it, the chairman agreed to hold hearings with the goal of trying to report out a death tax reform proposal sometime this spring. He has now advised me that is not going to happen. We will have the hearing, but we will not have a markup to put out a bill. That is very disappointing. Yet the budget actually assumes that such a bill will pass.

The budget, as I understand it, has a provision for an amendment of the death tax for so-called death tax reform. It is not very good reform because it would freeze the rate at 45 percent, which is a very high rate of taxation. It would set the exemption level at \$3.5 million, which is not bad, but it could be better.

I have a better idea about what real reform would look like. What I would like to do is to set the exempted amount at \$5 million per person, index that for inflation, and put the top death tax rate at no more than 35 percent. I think it ought to be closer to 25 percent, but in the spirit of trying to reach a compromise, I will propose we at least have it no higher than 35 percent. This would protect almost 120,000 families, family businesses, and family farms from having to pay the death tax each and every year. And it would promote continued economic growth and job creation.

It is interesting to me that the United States has the third highest estate tax rate in the world and is 37 percent above the international average. Twenty-four nations have no estate tax. There are only two countries that have rates higher than ours. Ours would be at 45 percent under the Democrat budget. In France it is only 40 percent. The average is about 13 percent.

One of the reasons other countries do not have this kind of tax at the time of death is because of the amount of money that people will spend to try to avoid it. It has been estimated, as a matter of fact, that there is almost an equal amount of money spent each year in an effort to try to avoid payment of the tax as there is paying the tax itself. And by "trying to avoid it," I mean hiring lawyers and accountants and buying insurance policies, all of

which cost a lot of money. But due to some extent—

Mr. SANDERS. Madam President, will my colleague yield?

Mr. KYL. Let me conclude my point on this, though I do appreciate the intercession of my colleague earlier, acknowledging that folks on his side of the aisle would like to see a lot more revenue because of the spending they would like to accomplish.

Let me finish this point about the death tax.

The U.S. Treasury estimates that the estate tax reduces bequests by 14 percent. Individuals are either choosing to save less or rely heavily on estate planning, which is a large deadweight loss to the economy. The death tax costs more money to comply with than it raises in revenue. As I said before, there is a direct correlation between the two.

Economists Henry Aaron and Alicia Munnell estimated the amount spent on avoiding the death tax is approximately equal to the amount collected. The IRS estimates it takes about 38 hours to complete form 706, the Federal estate tax return. Estate planning for businesses can range from \$5,000 to \$250,000 for family limited partnerships and up to \$1 million for closely held businesses. Fifty-two percent of the estates that filed a return were required to incur sizable legal, accounting, and other professional expenses even though they owed no tax.

So my point about the death tax is that almost no one thinks it is fair. Almost everybody acknowledges it should be reformed. We have tried year after year to reform it. We have not been able to get the necessary votes to accomplish that, though virtually every Republican has supported reform.

The chairman of the Finance Committee assured us we would work toward the goal of getting a bill this year but now says there will not be a goal, and as to the "reform" in the budget, it turns out to be very little reform at all. In fact, it was the same "reform" we passed last year as part of the budget. As everybody knows, the budget is not law. The budget is a goal, and we did not follow up on that goal. When I tried to do so, I was asked to back off for a future commitment, that we would try to work on it this year. Now we are told we are not going to do it this year.

So let's just understand that what we would be doing in passing a budget that theoretically has a proposal for death tax reform is not serious. We are not going to have death tax reform.

For those who vote for the amendment which will be offered here to suggest there will be death tax reform, understand that if you do not follow it up with real action to pass a bill that reforms the death tax, then this is nothing more than an unkept promise.

So I urge my colleagues, as they think about this, to recognize we will be held accountable. We now have a year of experience following the Demo-

cratic budget that was passed last year, and we see all of the unfulfilled commitments that were made in that budget now. Since the budget tracks so carefully this year what we did last year, one has to ask the same questions: Is it going to be the same this year where on the death tax, for example, we are not able to get relief? As I said, I will propose an amendment that I think takes a little bit better stab at death tax relief. I would hope we could get support as we have from some of our Democratic colleagues on that to demonstrate we want to do something substantive this year on that subject rather than simply put it in the budget and claim we have done something when, in fact, everybody knows that just putting it in the budget does not actually change anything.

Let me close, Madam President, by saying—I will be happy to yield, but I will be happy to stop and let my colleague from Vermont just go ahead, if he would like to do that—I want to acknowledge the hard work of the chairman of the Budget Committee, who is here. I know he is very much committed to trying his very best. But at a time when, as he acknowledged, many folks on his side of the aisle think the Federal Government needs more revenue, we are just in a debate in which we have to agree to disagree. He always does so in an amiable way, and I respect that.

But I just believe it is the American taxpayer who deserves more revenue, not the U.S. Government. Therefore, reluctantly, I will be opposing this budget in the form it is in and hope we can make substantial changes to it in a true spirit of bipartisanship.

I thank you.

The PRESIDING OFFICER. The distinguished Senator from North Dakota.

Mr. CONRAD. Madam President, the Senator began by quoting me about the need for more revenue and was kind enough to indicate he did not know the context of it. I just thought I would provide the context because this was a "60 Minutes" program interview, and they were asking me in the context of the Comptroller General of the United States warning the American people we are on an utterly unsustainable fiscal course because the debt is soaring before the baby boomers retire, and that we face a very serious consequence if we do not deal with it.

So one question put to me was:

Do you think taxes ought to be raised?

Senator CONRAD:

I believe, first of all, we need more revenue.

The next sentence, which the Senator did not provide:

We need to be tough on spending.

And the next sentence after that also the Senator did not provide:

And we need to reform the entitlement programs. We need to do all of it.

Let me say, I am not alone in that view. The ranking Republican on the Budget Committee said this at a hear-

ing on our long-term fiscal challenges. This is the Republican ranking member:

. . . [W]e also know revenues are going to have to go up, if you're going to maintain a stable economy and a productive economy, because of the simple fact that you're going to have to have this huge generation that has to be paid for.

So the Senator's reference to my quote was in the context of dealing with the enormous imbalance between the revenues of this Government and the expenditures of this Government. My response was, yes, you are going to have to do something about revenue. Yes, you are going to have to be tough on spending, and you are going to have to reform the entitlement programs.

I also said in this interview, none of which aired, that the first place to look for revenue is not a tax increase. The first place to look for revenue is to go after the tax gap, the difference between what is owed and what is paid, to go after these offshore tax havens and abusive tax shelters. That was the context within which I said it.

Now, let me just indicate why this matters.

Mr. KYL. Madam President, might I just ask the Senator to yield for 1 second?

Mr. CONRAD. Yes.

Mr. KYL. I specifically indicated that I did not know the context.

Mr. CONRAD. Yes.

Mr. KYL. Because I respect the Senator so much and was sure he would tell us what the context was, No. 1.

No. 2, I certainly agree with the distinguished chairman of the Budget Committee on both of the subsequent two comments: one, that we should reduce spending, and, two, that we should have entitlement reform.

I would only make the point that I do not see a lot of reduced spending and entitlement reform in the budget, but perhaps the chairman could go on and discuss that as well.

I thank the Senator for yielding.

Mr. CONRAD. I thank the Senator for his courtesy. I would say to him, I do not believe entitlement reform is ever going to happen—long-term entitlement reform—in a 5-year budget resolution. I think the only way we are going to get entitlement reform is a bipartisan effort, and that is what Senator GREGG, the ranking Republican, and I have offered, which is a task force of 16 members, equally divided, Republicans and Democrats, to come up with a long-term plan.

I would be very candid. I think the truth is, it is going to require more revenue. Again, I would say before any tax increase, the first place I would look are these places where people are not paying what they legitimately owe when the vast majority of us do.

Now, I must say, I used to be a tax commissioner. I was the elected tax commissioner of my State. I was chairman for several terms of the Multistate Tax Commission. Senator DORGAN and I are probably the only ones who have

audited the books and records of companies and individuals.

I can tell you, there is loads of money out there. One reason I was elected to the U.S. Senate is I found for my State lots of money that was not being paid over to the State of North Dakota because people were fudging. Large companies were fudging. Senator DORGAN and I in part made our reputations by going after them and very successfully collecting money from taxpayers who were not paying what they legitimately owed.

I could go through chapter and verse of what I found as I examined the books and records of major companies. I have shown some of it on the floor of the Senate: a little five-story building in the Cayman Islands that claims it is the home of 12,600 companies. Now, they are not doing business out of that little building in the Cayman Islands. They are doing monkey business. They are avoiding their taxes.

I showed earlier another building in the Cayman Islands: a five-story building we now know is being used by one company alone to dodge hundreds of millions of taxes they owe to the United States. That is not right.

I would also say with respect to the tax cuts that have been promoted by this administration, overwhelmingly they have gone to the wealthiest among us. Here, in 2007, those earning over \$1 million a year on average got a tax break of almost \$120,000 a year. I do not think that is right. I have wealthy friends, as I think probably all of us in this Chamber do, who have said to me: I don't need it. I don't need that \$120,000 tax cut. I am much more worried about the debt that is being sent to our kids.

The PRESIDING OFFICER (Mr. CONRAD). The Senator from Vermont.

Mr. SANDERS. Mr. President, the Senator from Arizona has just left the floor, unfortunately. But I did want to make two points. He has referred to something called the death tax, which is what we call the estate tax, which was developed by President Teddy Roosevelt way back when. What he forgot to mention is that this estate tax—and as I understand it, the Senator from Arizona, if he had all of his wish fulfilled would repeal the estate tax completely—benefits only the wealthiest three-tenths of 1 percent of the population.

So for all of the concerns about the onerous impact of the estate tax, it benefits three-tenths of 1 percent. Mr. President, 99.7 percent of the families will not benefit at all from the repeal of the estate tax.

The second point is, if the estate tax were completely repealed, the estimate is over a 20-year period it would add about \$1 trillion to our debt—\$1 trillion—which, like the war in Iraq, is simply not paid for.

So when people talk about fiscal responsibility, I find it a little bit hard to understand how they could dump another \$1 trillion into our national debt,

which benefits only the top three-tenths of 1 percent of the population, which means it will be the middle class and working families who are obliged to have to pay that off over many years. Sometimes when our friends on the Republican side talk about fiscal responsibility, I am not quite sure where they are coming from.

I thank the Presiding Officer, by the way, for sitting in for me, and as soon as I finish, I will take the chair.

However, I wish to say a budget—and the budget we are debating right now on the floor of the Senate—is not just numbers. A budget is about the values of our country and the priorities of our country. Within that context, it is important to understand what, in fact, is going on in America right now.

The simple reality is, the middle class is collapsing. Everybody who gets into their car in the morning and pays \$3.20 for a gallon of gas, then goes to work and finds that they are paying a lot more for their health insurance than they used to, understands they don't have a pension when at one time they were promised a pension, understands that over 8 million Americans since Bush has been President have lost their health insurance.

The middle class is in collapse. Wages are going down for tens of millions of Americans.

During the Bush administration, private sector job growth has averaged less than 50,000 per month compared with over 220,000 under the Clinton administration. Since President Bush has been in office, from 2001, nearly 5 million more Americans have slipped into poverty. Median household income for working-age families is down by \$2,500. Eight and a half million Americans lost their health insurance. Three million lost their pensions. The annual trade deficit has more than doubled, and over 3 million good-paying manufacturing jobs have been lost. The price of gas at the pump and home heating oil has more than doubled, while ExxonMobile made \$40 billion in profits last year—more than any company in the history of the world. The personal savings rate recently dipped below zero—something that hasn't happened since the Great Depression. Home foreclosures, of course, are now the highest on record, turning the American dream of home ownership into an American nightmare for millions.

The reason I raise these issues is, it is important to put the debate over the budget in a general context. This is not some abstraction. This is not some academic exercise. We are talking about the priorities of the American people within the context of what is really happening to the middle-class and working families.

I found it interesting that my good friend from Arizona talked about the European Union and tried to compare the United States in terms of tax policy to other countries. Well, let me also compare the United States to some other countries.

Today, the United States has the highest rate of childhood poverty of any major country on Earth. We have the highest infant mortality rate of any major country on Earth. We have the highest overall poverty rate of any major country on Earth. We have the largest gap between the rich and the poor, the most people behind bars, and we are the only country in the industrialized world not to have a national health care program.

Now, I wonder if my friends who get up and talk about the European Union might on occasion mention the kind of health care systems that exist in every single one of those countries, which guarantees health care to all of their people. Try to describe the types of parental leave programs that exist when families have a baby. Americans could not understand the extent to which those countries are ahead of us in terms of family values.

So while the middle class in this country declines, while poverty increases, while we have the highest infant mortality rate of any other country, while 17,000 Americans die because they don't have any health insurance, there is another reality in American society today, a reality that we should also be talking about, and that is the wealthiest people in this country have never had it so good since the 1920s.

According to Forbes magazine, the collective net worth of the wealthiest 400 Americans increased by \$290 billion last year. Four hundred families, \$290 billion increase last year, to \$1.54 trillion. In addition, the top 1 percent now owns more wealth than the bottom 90 percent.

Sometimes my Republican friends talk about averages and so forth. That is not the reality. If you look at the American economy as one would look at a football game or a baseball game, the important question to ask is, who is winning and who is losing? Well, let me be very clear. The middle class is losing. Working families are losing. The people on top have never had it so good since the 1920s. They are winning, and they are winning big time. To ignore that reality is to ignore what is happening in American society.

The question then becomes, given that reality, where do we go from here? What we do know is the President has given us his answer. The President has brought forth a budget. He has told us that in his budget, we don't have enough money to meet the health care needs of this country. So at a time when our health care system is disintegrating, the President has decided we cannot adequately fund the Children's Health Insurance Program and that we should cut Medicare and Medicaid by more than \$600 billion over the next decade. Think about it. The health care system is disintegrating, more and more people uninsured, more and more people having higher deductibles and copayments. The President's response: Let's make a terrible situation even worse.

The President has said in his budget that we need to reduce the number of children receiving childcare by 200,000 kids. Any mother, any parent understands that our current childcare situation in America today is an absolute disaster. We say to single moms, go out and work, but we forget to ask what are those moms supposed to do with their 2-year-olds or their 3-year-olds? Should we leave them home alone in the apartment or should we provide quality childcare for them?

Well, in Vermont and all over this country, it is increasingly difficult for families to secure quality, affordable childcare, and the President's brilliant response is, let's cut the number of children receiving childcare assistance by 200,000.

My friend from Arizona said: Are there some people who want to spend more money? And I said: Yes, I do. I do not want the children in this country to have the dubious distinction of having the highest rate of poverty of any major country on Earth, and I would hope that every Member of the Senate would be deeply humiliated and embarrassed about that reality taking place within this country.

There is a housing crisis all over America—in Vermont and all over America—and I am not just talking about foreclosures. I am talking about the needs of working families to find safe and affordable housing. The President's response in the middle of this crisis is, let's provide 100,000 fewer section 8 housing vouchers to low-income families.

The President, in his budget, has said there is not enough money for special education. We made a promise to school districts all over America decades ago. We said: If you mainstream kids—which I think is a great idea—we will pick up the very high cost of special education. That was the promise. Today, in Vermont and all over America, more and more kids are coming in with special ed needs. School districts are paying outrageously high property taxes to accommodate those kids. I think it is time to keep the promise we made to school districts and adequately fund special education. Yes, I think we should do that.

I think we should adequately fund Head Start so all of the families in America who want their kids to get a decent start so they are not behind when they enter the first grade have that opportunity. But somehow, in the midst of not funding the needs of our kids, as well as not funding housing, not funding LIHEAP, not funding virtually every need of low- and middle-income families, the President does have some money available. If you are rich, the President has money available for you. The President believes we have enough money to provide \$812 billion in tax cuts for households earning more than \$1 million per year over the next decade—not for our children, not for the homeless, not for the hungry, but for people who are earning over \$1 million a year.

That is an absurd and obscene sense of priorities. Fortunately, while the budget resolution we will be debating this week is not perfect, it is a vast improvement over the President's budget. I thank the Presiding Officer, Senator CONRAD, for his hard work in giving us that budget. Instead of cutting back on the educational needs of this country, this budget resolution provides \$5.4 billion more than the President's request for education, including the largest increase for elementary and secondary education programs since 2002. Instead of cutting back on the needs of our veterans—which has long been the history of the Bush administration—this budget resolution provides a \$3.2 billion increase over the President's budget for our veterans. Instead of ignoring the urgent need to reduce our dependence on foreign oil and fossil fuels, this budget resolution provides \$8.45 billion to invest in clean energy, creating millions of good-paying, green-collar jobs and energy efficiency.

Instead of cutting back on our Nation's enormous infrastructure needs—can you imagine the engineers, civil engineers, telling us we have over \$1 trillion in unmet infrastructure needs, and this White House is refusing to even acknowledge the severity of the problem and is asking the cities and towns that are hard pressed to come up with the money?

This budget resolution provides almost \$9 billion more than the President for our roads, bridges, highways, sewers, and clean water improvement. It is not enough, but it is a step forward. I think over the long term, we can do even better than that. We have made progress in this budget, and we can do better.

One area to which I will be paying particular attention is our children. It is not acceptable to me, as I said earlier, that we have the highest rate of childhood poverty among our children. Where are all of those people who keep talking about family values? How do they continue to ignore the reality that, by far, we have the highest rate of childhood poverty of any major country? Nearly one out of every five children in this country lives in poverty. That is not a family value; that is a national disgrace.

What happens to these kids when they become adults? Many of them will do well, but many of them will not. My colleagues may have recently seen an article in many of the papers talking about the fact that the United States has more people behind bars, at great expense—great expense for States and for the Federal Government—than any other country; more than China in total numbers. I happen to believe there is a correlation between the fact that we have the highest rate of childhood poverty and kids who drop off the wagon when they are young—they drop out of society, they do drugs, they do destructive activity, they end up in jail, and we spend \$50,000 to keep them in jail—rather than providing the

childcare and educational opportunities they need.

In my opinion, there are three major trends in American society that we should be addressing in this budget process. First, the fact that the United States has the most unequal distribution of wealth and income of any major country, and the gap between the very rich and everyone else is growing wider.

Second, as I mentioned earlier, we have the highest rate of childhood poverty. Third—and I know the Presiding Officer has made this point over and over again—we have a \$9.2 trillion national debt, which is soaring to \$10 trillion; that under the Bush administration we have seen a \$3 trillion increase in the national debt. This is a debt that is unsustainable economically, and it is a debt that is immoral because we are simply piling it up and leaving it to our kids and our grandchildren.

I think those are some of the trends in American society that we should be dealing with in this budget. This week, I will be offering an amendment which is being cosponsored by Senators DURBIN, MIKULSKI and BOXER, which is a very simple amendment. It doesn't go as far as I personally would like it to go, but it is a step forward perhaps in changing the nature of the debate that we have on the floor of the Senate. It puts the needs of our kids, working families, persons with disabilities, and senior citizens on fixed incomes ahead of the wealthy few. That is what it does.

Specifically, this amendment would restore the top income tax bracket to 39.6 percent for households earning more than \$1 million per year.

That is the only group of people impacted, households earning more than \$1 million a year. That is three-tenths of 1 percent of our population. We use that revenue to address the urgent unmet needs of our kids, dealing with job creation and deficit reduction.

According to the Joint Tax Committee, restoring the top income tax bracket for people making more than \$1 million to what it was in 2000, before the Bush tax breaks for the wealthy, would increase revenue by \$32.5 billion over the next 3 years, including \$10.8 billion in fiscal year 2009 alone.

We have a choice in the Senate. We can give \$32.5 billion to the top three-tenths of 1 percent, or people making at least \$1 million a year, including billionaires, or else we can do something else with this money. Let me suggest we should do something else. Let me suggest that at a time when all of the Presidential candidates are talking about change, change, change, when the American people want to move our country in a new direction, maybe the Senate can begin that journey of taking this Nation in a new way that is more equitable, more fair, and begins to address longstanding social needs.

Here is the option: \$32.5 billion more in tax relief for millionaires and billionaires—and I suspect that many of

our friends on the Republican side think that is a great idea—or there is another option. It is \$10 billion over a 3-year period to go into the program of special ed. This will not only allow school districts the opportunity to better educate kids with special ed needs, it will also lower property taxes and local taxes. Most importantly, it will keep the promise that was made to school districts all over this country.

The Federal Government made a promise that it would fund 40 percent of the cost of special ed. Unfortunately, today we are about at 17 percent. If you want to raise our credibility, let's keep the promise we made to school districts all over America and take care of some of our most vulnerable kids. So \$10 billion goes to that.

Then this amendment would also increase Head Start by \$5 billion over the next 3 years. Every study indicates that Head Start works. It gives kids, who otherwise don't have the intellectual and emotional environment, the chance to do well when they get to school. It is a good investment. It is better to invest \$5 billion in Head Start than it would be in jails.

This amendment would provide a \$4 billion increase for the Child Care Development Block Grant Program so that working families all over this country will have a fair shot at trying to find affordable childcare.

This amendment puts a \$3.5 billion increase into the Food Stamp Program. In my view, hunger in America is not something we should be about. This will take us a small step toward addressing hunger.

This amendment would put \$4 billion into the LIHEAP program because nobody in America should go cold in the winter or die of heat exposure when the temperature gets to 120 and they don't have an air conditioner.

This amendment would also provide \$3 billion for school construction, and it would create good-paying jobs in the process and make sure our kids have good schools in which to learn.

Also, this amendment would reduce the deficit by \$3 billion. So that is what we do. We reduce the deficit, protect our children, and protect the most vulnerable people. That is one option. Or we give another \$32 billion in tax relief to people who don't need it. I think the choice is pretty clear. I hope this amendment will receive widespread support.

I yield the floor.

The PRESIDING OFFICER (Mr. SANDERS). The Senator from Michigan is recognized.

Ms. STABENOW. First, I thank our colleague from Vermont, who is passionate and cares very deeply about people in the country, about their future, and about the children. I could not agree more with him about what has been the underfunding of a very important investment, and that is special education.

The Federal Government was supposed to pay 40 percent of special edu-

cation and has never, I believe, gotten over 18 or 19 percent. So I thank the Senator for the amendment he will offer later.

I thank the Budget Committee chairman also who is someone who does such an extraordinary job on a daily basis on such a wide range of issues. There is no one more committed to the long-term fiscal health of the country, no one more committed to getting our priorities right, no one who works more effectively across the aisle to bring people together to do the right thing. So I thank our distinguished colleague, the chairman of the Budget Committee, for all of his incredible leadership and pointing us in the right direction and creating a budget resolution that I am proud of.

Mr. CONRAD. Will the Senator yield?
Ms. STABENOW. Yes.

Mr. CONRAD. I thank the distinguished Senator from Michigan, who is an incredibly valuable member of the Budget Committee, and also incredibly important member of the Finance Committee and the Agriculture Committee. We are able to serve on three committees together, and that is rare around here. My admiration for her grows every day. In terms of her leadership, we could not have produced a budget resolution as responsible as this one, nor one that embraces the needs of the American people and their values as closely as this one without the leadership of the Senator from Michigan. I wanted to tell her how much I appreciate that.

Ms. STABENOW. I thank the Senator. That means a lot.

Mr. President, I am going to take a few minutes because I expect to have multiple opportunities in which to participate and talk about various parts of the budget resolution that I believe reflect the values and priorities of the American people. That is what budgets are. That is what our own individual budgets are.

When we look at our checkbooks and where we spend our money, we hope it reflects the values we want to project. Sometimes it does and sometimes it doesn't in my own budget, my own checkbook. But the reality is, that is our job in terms of the Federal budget and where we invest that makes sense for American families.

I have to say that listening to colleagues tonight, as I had the opportunity to preside—colleagues on the other side of the aisle—I heard more of the same, unfortunately, that we have seen for the last 8 years. Six of those eight years have been dominated by colleagues on the other side of the aisle, by a Republican President and a Republican Congress. Unfortunately, in my mind, when we talk about what they are going to propose, in totality what we see is more debt. We see more tax cuts for the wealthiest among us, more spending in Iraq and, at the same time, we see less investment in America. That is exactly the opposite of what we ought to be doing.

Our budget changes that. It focuses on balancing the budget by 2012 and 2013. It provides middle-class tax cuts so we can make sure the folks who are trying to hold things together—everybody talks about middle-class families and middle-class people being squeezed, seeing gas prices and health care and childcare costs go up. Yet the reality is, unfortunately, the budget put forward by the President doesn't help them at all. I am proud to say we have a budget that, in fact, invests in America. I want to speak to one piece of that.

Last year, we set up three main priorities for our budget, and I was very proud of those—one to fully fund veterans health care and make sure we are keeping the promises to the veterans of America. We did it last year, and we are doing it again this year. We will continue, as long as we are in the majority, to make sure that is the case. We want to make sure people have the opportunity to go to college. We passed the largest package since the GI bill after World War II. No. 3 was children's health insurance, which we passed on a bipartisan basis. It was an extraordinary effort. We actually had the votes to overturn a Presidential veto and could not do that in the House of Representatives. We added 10 million children to the Children's Health Insurance Program, which gives them the opportunity to make sure their children have health insurance.

This year, we continue those things, but we have three more items we have picked. Mr. President, just to be simple, what I would say is our priorities are jobs, jobs, jobs. I can tell you, coming from the great State of Michigan, that is certainly what we want our focus to be on. We are talking about middle-income families who are struggling. And the best stimulus that you can possibly give somebody is a good-paying job so they can pay their bills, take care of their family, send their kids to college, and be able to have the American dream. I am very proud of the fact that our budget focuses on three priorities: jobs, jobs, jobs. How?

We have three pieces in our budget. We focus on green-collar jobs. I am very proud of the fact that the initiative I put forward is incorporated. The Presiding Officer is passionate about pieces of this legislation as well. We know there is a new economy. We know that alternative energy and moving forward in ways that will address global warming and stop our dependence on foreign oil can create jobs as well. So we have a major new initiative in this bill for green-collar jobs.

Secondly, jobs rebuilding America—water projects, sewers, roads, bridges. We are at a point in our country where we have an aging infrastructure. A lot of we baby boomers are aging but at the same time so is the infrastructure around us. The great thing about investing and rebuilding America is that these are not jobs you can outsource to another country; these are jobs right

here in America—good-paying jobs. That is our second priority.

Our third priority is to continue our focus on education and job training. We know we need to refocus on job training and on those who lost jobs because of trade by fully funding trade adjustment assistance for people to go back to school and gain new opportunities.

Mr. President, we are saying jobs, jobs, jobs. I want to focus specifically on the piece in which I have been most involved. This is very exciting. We passed an energy bill last year with a number of programs in it that were not funded but that were great ideas. This year, we come back and say let's make those things a reality in this budget.

Energy efficiency and conservation: Providing over \$1.1 billion for State and local communities to not only focus on energy efficiency and conservation but buildings and weatherization. There is a huge amount of energy savings to be had by focusing in this area. It also creates lots and lots of jobs. It will put people to work weatherizing buildings and focusing on energy efficiency.

Advanced batteries: For us to go where we want to go in terms of new alternative fuel vehicles, it involves focusing on advanced battery technology. We are doing that but not nearly as fast as other countries. In the American budget last year, there was \$22 million. Yet you can look over to China, Japan, and South Korea where hundreds of millions of dollars are being spent. As a result of that, we see very tangible things happening. When Ford Motor Company came forward with the first Ford Escape hybrid, an American SUV hybrid, unfortunately, even though the brain power came from here and the engineering came from here, the battery came from Japan because we weren't making them here.

We don't want to change from dependence on foreign oil to a dependence on foreign technology. So investing in the future in battery technology is incredibly important, not only for vehicles but battery storage is critical for such things as winds turbines, solar, and other areas where we need to be able to move forward with alternative energy. Battery storage is critical. I am proud that we put forward for the first time an aggressive investment in innovation and production here at home.

Retooling older plants. As we have new standards for fuel efficiency coming into play, we want to make sure we are retooling our old plants to keep American jobs here, biofuel production and access, meaning infrastructure. I come from a State where we are growing the biofuels and making the automobiles. If you cannot drive up to the service station and fuel with E-85 or biofuel, it is not going to matter in the end.

So being able to have that infrastructure and investment in infrastructure is absolutely critical. Finally, a green

job training program to refocus on those jobs we know are there for the future. Again, the Presiding Officer has been a passionate advocate, and I know he believes strongly that jobs and energy and focusing on global warming and jobs can go together, and that is what this does. This says we are going to take this first step to focus on the American people.

What I will say again, as we go forward, there are many items that are in this budget that are very important. But what I am very proud of is the fact that we have put forward a budget resolution with three very simple priorities: jobs, jobs, jobs. And that is right where the American people are. People want American jobs where they can care for their families, they can have the dignity of work, they can have good wages and be able to have an American dream. This budget resolution is laser-focused on that priority.

I thank the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. COBURN. Mr. President, I am going to spend a few minutes tonight on some observations. My hope is over the next couple of days to outline something that has never been done on the Senate floor before, and that is to discuss where we as a body fail. We are all the time telling the American people what we do great or how bad the other side is, but rarely do we take a look at ourselves and say: What is going on? What are the problems we face?

I had a great weekend this weekend in Oklahoma. Part of Oklahoma got snow, part of it had 65 degrees and Sun and no wind. But I had some experiences I want to share because I think they are pertinent and also poignant to the issue we are discussing.

I also note I have been listening to the debate all afternoon, and the debate is nothing but finger-pointing—one budget, the other budget, how bad somebody is, what somebody didn't do, what somebody wants to do. It strikes me that as I reflect on the people whom I saw this weekend and their hopes and dreams, most of this debate does not have anything to do with them. Most of this debate has to do with us, which is exactly the opposite reason of why we were sent here. What we have heard is a partisan debate, partisanship based on parties, not partisanship based on principles, not partisanship based on children, not partisanship based on the future, but who can twang it, who can manipulate it, who can create doubt and undermine someone else's position.

I traveled to Oklahoma City. My brother has been in the hospital for 16 days. He had a major operation called Whipple—it takes a long time to get over it—for pancreatic carcinoma. That is what they do the operation for. He has four kids and four grandkids and one on the way. I got to thinking, as he lay there with an NG tube in him and a feeding tube through his jeju-

num, what would he like for his kids? What would he like for us to be talking about for the future? Down the hall were a whole lot of other people just like him. He is 61 years old. He is not thinking about himself as he lays there in the hospital. He is thinking about what is the future for his grandkids.

I visited with one of my longest term friends this weekend. He is not thinking about himself right now. He is thinking about his grandkids. He has one and one on the way, going to be delivered this next weekend. He didn't mention one thing about himself. He mentioned about what the future was for his kids.

I think about the ladies whom I saw this morning in my medical office about to have babies. Their hopes and their dreams are about the generation that is to come, about how this miracle birth is going to take place over the next couple of weeks for both these ladies. One is named Natalie and one is named Brooke; one is a first-time mom, the other is a second-time mom. The things they are looking forward to with their children are totally dependent on whether we act as adults in this body.

I have just been struck at how far off the mark we are.

I think KENT CONRAD is a great guy. I looked at what he did last year. He is a pretty fiscally conservative guy. KENT sponsored less than \$20 billion worth of new spending over the next 5 years, total sponsorships. Many times in the last 3 or 4 years, we have had debates about how we handle the problems. The differences between us are not that great. What guides us, though, and what is destroying our country, I fear, is the fact that we are putting political parties and the benefits of the political budget ahead of the best interests of our kids.

One of the things I hope to do tomorrow is to outline for the American public and this body everything I found in the last 3 years in terms of waste on an annualized basis. I want my colleagues to hear that again. Everything I have found in terms of waste where we do not do it right, where we are wasting taxpayers' dollars every year, and I can conservatively, just on what I found and I can fully document—I want you to understand that, Mr. President; it is not TOM COBURN's opinion, it is the opinion of the GAO, the CBO, oversight committees, and other committees of Congress that are documenting what I am about to share.

What I am going to share tomorrow is how we fail because we are talking about a budget today—I told KENT CONRAD, I am not out to game his budget. It will spend more money. That is not a whole lot different from what we have been doing. But how dare we spend another penny when I can document, and none of my colleagues can refute, \$366 billion a year of waste or fraud, \$366 billion a year. Let me explain what that means to the average consumer.

If you are at home today and you are in the 25-percent tax bracket in terms of income tax, what that means is that about 9 percent of the money you pay, we blow. So that is one-third, that is 9 out of the 28 percent, one-third of all the money you pay to the Federal Government, not counting your Social Security and Medicare taxes, but of your income taxes, one-third of it, we blow.

The interesting thing is that not since 1995 has the Congress done any rescission spending. Let me explain what that is. That is the Congress looks at our budget and says: Are there any areas where we can save money, where we are not doing well, where we can be more efficient, where we can improve things? We haven't had a rescission package since 1995. That is 13 years that we have not had a rescission package. There are lots of reasons for that, none of them good. It does not matter which party is in control. There has not been a rescission package for 13 years. So it is not about parties. It is not about gaming somebody because somebody is a Democrat or somebody is a Republican. Our problems in our Nation today are much more serious than partisanship. They are much greater than the beneficial effects of winning an election based on how you can make somebody else look lousy.

One of the important things I hope will come out as we go through this in the next couple of days is whether we really care about what is going to happen. We can look at the stock market—it has weak knees today; look at the price of commodities—it is rising. There is no secret we are in a time of economic weakness. Depression is described as two quarters successively. We are probably there. Nobody knows. Nobody has a crystal ball to know that. But the fact is, it is what we are leaving right now for these two, Brooke and Natalie's children who are going to be born in the next 3 weeks. What do we leave them? We are leaving them a gift, and the gift is debtor's prison.

Let me say that again. I don't say that lightly. We are leaving them a gift. According to the Government Accountability Office, if you are born tomorrow, you inherit \$400,000 of unfunded liabilities. Does anybody know anybody who is working and struggling and making a middle-class income or even an upper income who is going to be able to afford that amount? Just paying the interest on it is \$28,000 a year, and you have to absorb that by the time you get old enough to work. So we are talking about another \$6,000 worth of interest before they start paying off any principal. So, in essence, the heritage through our incompetence, our bickering, our partisanship because we have to show somebody up, the heritage is every kid who is born, by the time they get a chance to work, is going to be accumulating about \$1 million worth of debt. The question we have to ask ourselves is, What happens to them? What happens to the dream of a Brooke or a Natalie

and their children? What is going to happen to them?

We are about this far from losing the triple-A credit rating on our country, on our bonds. At the same time, we see that in the last 8 years, the price of gold relative to the dollar is fourfold. What does that tell us? Is there a shortage of gold? No. Is there a fourfold increase in the demand for gold for industrial uses? No. It is a flight to safety because many people in the world do not believe we are going to be able to pay back the \$79 trillion of unfunded liabilities we have left.

So as we come to a budget for the United States and we pass one—which we will, probably—we do it absent the light of looking at \$360 billion-plus that is wasted every year—\$360 billion. People might say: What is that? It is pretty easy. How about Medicare fraud, \$80 billion a year. How about Medicare improper payments? We pay people when they do not deserve to be paid—not fraud, just incompetency—\$10 billion a year. There is \$90 billion in one program. There is nothing in this budget that fixes that situation. There was nothing in the Republican budgets that fixed that. Why not? I know the answer to why not. The answer to why not is because we were too busy making political games, political strokes. We were too busy being partisan. The time for partisanship in our country is past. We may not believe that, but history is going to show it.

David Walker, the Comptroller General of the United States, one of the fairest, most openminded men I believe I have ever met in my life, on Wednesday is leaving that position. Why is he doing that? He has a guaranteed job until 2012, a great job, head of an agency that really is stellar in what it does in its performance. Why is he leaving that position? Because he is scared to death for our country because nobody is listening in positions of power. Nobody is paying attention to the unsustainable course on which we find ourselves. We are not. We haven't in the budget. We didn't in our budget. We are not. We don't on the supplementals that come through here to "fund the war" because we load up \$20 billion to \$30 billion more debt right on top of our kids.

We hear all these false numbers. Yes, I said false. The budget numbers are games. The President's numbers about the deficit are wrong. The Budget Committee's numbers about the deficit are wrong. They are not realistic. They do not take into account the fact that we are going to steal about \$170 billion worth of Social Security money this year—I think \$163 billion is the accurate number. We are going to write an IOU, and then we are not going to tell the American public that we increased the debt another \$163 billion. We are just going to pass that along to our kids.

I have some little things for you to think about as we outline this. There is \$2.5 billion a year in Social Security

disability fraud. There is another \$1 billion in improper payments. Think about this. Just \$2.5 billion. Just \$2.5 billion. Just 2,500 millions. Just 2,500 millions or 2,500,000 thousands. They are pretty hard numbers to get our hands on.

So anyhow, in the next few days, I am going to list out one by one, I am going to go through everything we have seen in the last 3 years that continues daily in this Federal Government that this body won't attack. When we offer amendments in this body, they are either accepted so they can be thrown out in conference when they actually do something, such as the census amendment that was in the Senate. We are now going to be asked for about \$2 billion more for the census even though we have been saying all along there was a problem there. We ignored it, the House conferees with the Senate conferees ignored it, and now we are going to spend \$2 billion more.

What we are going to do is outline thoroughly what just one office, just one Senate office, has found over 3 years, and it is all going to be fully documented, with footnotes, so you can see exactly where it came from. It is going to be indisputable.

Now ask yourself, if you are an American out there struggling to pay your gas and things are not looking great for the next 6 months for you, what would you think if all the Senators did that and we really did get rid of all the waste, fraud, and abuse in the Federal Government, or at least a meaningful component of it, and that we really probably could cut \$600 billion out of our budget, which would mean we could either—if you wanted a bigger Government, you could do more, or if you wanted to pay fewer taxes, you could pay less? But most importantly, we could live up to the heritage that is ours, which is creating an opportunity for our children and our grandchildren in the future.

I am convinced that Americans aren't really asking for higher taxes. What they are asking for is smart spending, hard work by us to make sure what we spend is worth it. What they are asking for is no more earmarks. That is what 85 percent of them are asking for. And they are asking for no more bridges to nowhere and what it symbolizes in terms of excess, in terms of a lack of common sense or a lack of caring. I don't know which it is, but the fact is, we are on a collision course that is going to undermine the future of this country.

Will Durant, a historian, said that democracies never fail and are never collapsed from without until they have moral decay that causes the collapse from within. When we are spending the money of our grandchildren today and not doing anything about the waste we have in our budget, the question has to be asked: Are we already there? Have we already risen to the point where the political class, the political elites care so much about their positions—both

parties—that they are willing to throw the future of the next two generations of this great country under the bus?

The next year is critical for this Nation, as we see what happened today in the stock market, another lower earnings, as we see consumer confidence decline. Wouldn't it be nice if the Senate stood up to the challenge that is facing this country and did so without the first partisan word about parties and said: Let's fix it. Let's fix it.

I have had an ongoing study since I have been in Government to ask Federal employees this question, and I have never had a different answer. And the question is this: If you are a Federal employee, no matter where you work, what branch you work in, or what you do, if you had to, tomorrow, for the sake of our future, become 5 percent more efficient—in other words, not spend \$1 out of \$20—could you do it? Do you realize I have asked that question thousands of times, and I have never been told no. I have never been told no.

Well, if that is the case, why aren't we doing it, when we are going to have a \$607 billion deficit? We are going to be at \$10 trillion of debt at the end of this year. That is real debt. That doesn't talk about unfunded liabilities, which are \$79 trillion. So we have \$10 trillion worth of debt, \$79 trillion under infinity, of unfunded liabilities, and we don't talk about that.

How is it that we find ourselves allowing such things as the military to continue to hang on to buildings they do not want to the tune of \$2 billion to \$3 billion a year just in maintenance costs? How is it that we have \$18 billion worth of buildings we don't want but we can't sell because of the roadblocks we have put in the way to be able to sell them? How is it that the Pentagon pays performance bonuses of \$8 billion a year to companies that don't meet the requirements of performance bonuses? How is it that we are allowing that to continue to happen? We have known of that for 3 years. Why is it happening?

By the way, what is the big stir right now? The big stir is Boeing didn't get the contract and Lockheed—or EADS did. Nobody is asking the right question on that. It doesn't matter who got the contract. It is a cost-plus contract. If we don't know what we want in a refueling tanker now after 8 years of studying it, we are never going to know. So a \$35 billion contract is going to become a \$45 billion contract, just like all the rest of them. Instead, we ought to be insisting, if you are doing business with the Federal Government and making money, you ought to take some risk. There ought to be no more cost-plus contracts on procurements like that. There ought to be none. Whoever has that contract ought to take part of the risk for the American people because they are having a great benefit in terms of the profits they are going to make.

So we have a lot in front of us. What is \$350 billion in annual waste? What

does that mean? Here is what it means. It means \$3,000 for every family. That is what we are wasting. Three thousand dollars for every family in this country we are blowing, that we are throwing away because we care more about partisanship than we do the future. We care more about making the executive branch look bad than we do the future. We care more about our earmarks than we do the future.

There is a legitimate role for the Federal Government to have the Senate and the House direct spending. That is not the dispute. But the way you do it best is through oversight, not through earmarking. The way you do it best is to know exactly what is happening rather than earmarking it. The gateway drug to overspending since 1998 has been earmarks because when you earmark, you don't vote against bills. What happens is, the next time you earmark, the committee chairman comes up to you and says: You didn't vote for my bill last time. Sorry, I can't fill a thing. So we have this almost extortion-like process whereas earmarks are granted to you if you vote for a bill. You are not even looking at the total bill, you are looking at the earmarks.

Do our children deserve better? Are they worth our sacrifice? Is it really worth it for us to not necessarily get what we want if we can secure the future? I am having trouble knowing whether this body really believes that. We have outlined to appropriations committees, everybody has been sent a report of everything we have found in the last 3 years, and it has been essentially ignored because we are too interested in making sure we beat the path to looking good at home.

When you take an oath to be a U.S. Senator—and I don't think this is said often enough—there is nothing in that oath that says anything about your State. I am not here to represent the vital interests of Oklahoma. I was elected by Oklahomans to represent the vital interests of this country. And when I get confused about where my loyalties lie, our country suffers, and that is exactly what is happening to us right now.

We have gone from 600 earmarks in 1998 to a high of 14,870, almost 12,000 last year. What is going on? Where is the common sense? People from Vermont to Oklahoma to California to New Mexico to Montana, they know better. So the special interests of the few are being advantaged while we sacrifice those that come after us. Now, that is a firm indictment. But you can't continue to waste \$360 billion a year, ignore oversight, not do anything about it, and then puff up and say—Republican and Democrat—I am going to pass a budget and I am never going to look at any of that.

Well, that is exactly what my party has done. That is exactly what the party in charge today is doing. We are ignoring the very real fact that this Government needs hands-on manage-

ment, it needs aggressive oversight, and it needs this \$360 billion worth of waste eliminated in this budget. And if we pass this budget or any other budget—whether my party offered one or not, even the President's budget—if we pass any budget that doesn't take this into account, what we are doing is spitting all over the hopes and dreams of the youngest Americans in our country. We are saying: You don't count. We got ours, you will have to worry about getting yours. We will take, you will have to give. And, oh, by the way, we are sorry there is not going to be enough resources left for you to have a college education or to own a home or for us to defend ourselves or for you to have health care like many of us are going to have as we wander off at 65, knowing that you are going to be working hard through increased payroll taxes just to pay for the promises that we couldn't make efficient and that we overpromised.

So, Mr. President, I know I have carried on some tonight, but I think our problems are much more severe than what our behavior would deem. I think the degree of difficulty we find ourselves in today is directly attributable to our lack of courage.

We are more interested in not offending somebody than we are securing our kids' and grandkids' future. That is not something I want to be accused of. So I will take the ridicule of this body for being "Doctor No," for saying: We are not going to spend more money on new things, we are not going to have more programs until we can pay for the programs we have.

And if it takes one person saying: I am not going to agree to pass bills under unanimous consent, I am not going to agree to not have the opportunity to amend them, then so be it.

The \$3,000 per family per year is enough to make a difference, a big difference, in their future. I think Brooke's and Natalie's babies are worth it. I do not know about you all. I am ready to give up something. Most of all, I am willing to give up my seat in the Senate for doing what I think is right in the long term for our country.

If I do what is politically expedient and win reelection, what good is it if I have not fixed the very real problems that are facing our country? It is time for a gut check in this country. It is time for the American people to look at you, us, and say: Are you really doing for us, or are you really doing for you? My accusation is too often we do for us and not for the generations to come.

I will be back to outline in detail where this \$360 million—billion; let me make sure everyone understands—\$360 billion worth of waste, fraud, and abuse occurs every year in our budget, and we have done nothing. Let me say it again: We have done nothing about it.

How dare we talk about raising taxes. How dare we talk about anything except doing the business that should be at hand, which is being good stewards of our children's future.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. REID. 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. REID. Mr. President, I ask unanimous consent that on Tuesday, March 11, when the Senate resumes consideration of S. Con. Res. 70, the concurrent resolution on the budget, there be debate only, with no amendments in order, until the Senate recesses for the party conference meetings, and that the recess time on Tuesday be charged equally against each side. We will recess at 12:30 and come back at 2:15.

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

MORNING BUSINESS

Mr. REID. Mr. President, I ask unanimous consent that we now proceed to a period of morning business with Senators allowed to speak for up to 10 minutes each.

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

SUPPORTIVE HOUSING FOR THE ELDERLY

Mr. KOHL. Mr. President, I rise today to speak about S. 2736, Section 202 Supportive Housing for the Elderly Act of 2008 introduced with my colleague Senator CHARLES SCHUMER. The HUD section 202 Supportive Housing for the Elderly Program is the only program that provides capital grants to nonprofit community organizations for the development of supportive housing and rental assistance exclusively for low-income seniors. This program provides supportive services coupled with housing to allow seniors to remain safely in their homes and age in place. Access to supportive services reduces the occurrence of costly nursing home stays and helps save both seniors and the Federal Government money.

There are over 300,000 seniors living in 6,000 section 202 developments across the country. Unfortunately, the program is far from meeting the growing demand. Approximately 730,000 additional senior housing units will be needed by 2020 to address the future housing needs of low-income seniors. Currently, there are 10 seniors vying for each unit that becomes available. This leaves many seniors waiting years before finding a home. To complicate matters, we are losing older section 202 properties in exchange for high priced condominiums and apartments. As a result, many seniors currently participating in the program could end up homeless.

Congress should act now to plan appropriately for the increased demand that will exist for housing in the com-

ing years and ensure that seniors can find safe, affordable housing. Accordingly, I am pleased to join Senator SCHUMER in introducing the section 202 Supportive Housing for the Elderly Act of 2008. Our legislation would help promote the construction of new senior housing facilities as well as preserve and improve upon existing facilities. The legislation would also support the conversion of existing facilities into assisted living facilities that provide a wide variety of additional supportive health and social services. Under current law, these processes are time consuming, bureaucratic, and far too often require waivers and special permission from HUD to complete. This legislation also provides priority consideration for our homeless seniors seeking a place to call their own. With this legislation, we hope to reduce current impediments and increase the availability of affordable and supportive housing for our nations most vulnerable seniors.

I want to thank the American Association of Homes and Services for the Aging as well as the Wisconsin Association of Homes and Services for the Aging for being champions of this legislation and for working with us to develop a comprehensive bill that will help meet the growing need for senior housing in this Nation.

Senior citizens deserve to have housing that will help them maintain their independence. They do not deserve to end up homeless with no where to turn because they are stuck on long waiting lists. This Nation must do a better job at helping Americans have a place to call home during their golden years. I hope my colleagues will join me in my effort to do so.

ANDEAN TRADE PREFERENCE ACT

Mr. LUGAR. Mr. President, on February 28, 2008 we ratified the Andean Trade Preference Act, ATPA. Historically, these preferences have been decisive in encouraging both development and liberalization in a key region. Renewing them is an important step in our relations with the region, but we should also be realistic, and sophisticated, in our expectations for what these preferences can accomplish. As we look at where each of the four Andean nations stands today, we see that they are at very different stages of development, politically and economically, so the preferences will impact each country differently.

Peru has made commendable strides in its economic liberalization process while remaining a trustworthy counterpart on many nontrade matters. Earlier this year we cemented our relationship through ratification of a Free Trade Agreement, FTA. As we go through the FTA implementation process, preferences are still necessary to minimize disruption to current commercial flows between the United States and Peru.

Colombia has made outstanding progress politically and economically.

During the past 6 years, Colombia's economic growth, one of the fastest in Latin America, has helped usher in a new era of unprecedented stability for that country—kidnappings, once rampant, have dropped sharply, down nearly 90 percent since 1999; and the once sky-high murder rate has plummeted to its lowest in almost 20 years. The FTA signed between our two countries includes environmental standards as well as worker protections and safeguards similar to the trade pact with Peru, which enjoyed bipartisan support.

Colombia's own private sector unions have endorsed the agreement. An extension on the Andean Trade Preference Act is crucial given that the Colombia FTA has not been ratified by the Congress, and would help leverage our considerable aid commitment, ensuring Colombia remains on its path to becoming a secure and prosperous nation.

Our trade preferences for Bolivia and Ecuador are important because both countries have elected leaders whose record and rhetoric cast serious doubt on their commitment to market-based economic policies. For this reason, it is important for the United States to maintain a strong relationship with the constructive forces in these countries. We want to encourage those who are working for economic liberalization and reforms that promote foreign investment and the creation of jobs. We want to support those who are pursuing policies that will improve social and economic development in health and education and advance the welfare for the less fortunate. It is in these countries where the effect of greater, and not lesser, engagement will yield the highest long term benefits.

The ability to benefit from trade preferences is difficult in an environment in which the rule of law is coming under severe attack. Both countries are facing challenges on this front, with weakened justice systems that struggle to uphold the law. In this regard, an environment that supports free economic exchange and accountable governance is weakened by the inability of these governments to implement the law.

Both Bolivia and Ecuador have much to gain by focusing on strengthening and depoliticizing the rule of law. Without an improvement on the legal front in these countries, the potential for these trade preferences to serve as development tools is limited.

It is my hope that 10 months from now, when we again address the issue of preferences for the Andean countries, we will be well into the implementation of FTAs with Peru and Colombia and at the same time witnessing an improved commitment in Ecuador and Bolivia to the reforms that are essential to getting the most out of trade preference legislation.

THE MATTHEW SHEPARD ACT

Mr. SMITH. Mr. President, I rise today to speak about the need for hate