

Anbar Province strategy, with the Sunnis, the Shiaas turning on al-Qaida, was the defining moment in this war. When General Petraeus came up with a strategy to try to get the Sunni population to break away from al-Qaida by providing better security, that turned the tide in Anbar.

The political progress we have seen with 15 of the 18 benchmarks being met by the Maliki government is a direct result of Ambassador Crocker and General Petraeus sitting down with the Iraqi leadership and doing a lot of hand holding.

The military side of this is important, but I hope the members of the body will appreciate how sophisticated General Petraeus, General Odierno, and Ambassador Crocker have been when it comes to the economic and political aspects of this. They have put money into projects that changed the quality of life in Iraq, that got people more emboldened to join with the Government. They pushed the Sunnis, the Shiaas, and the Kurds to reach political compromise.

These are two of the most talented politicians I have ever met, even though they are in uniform. They are American commanders who were dealt a tough hand. And the politics of Iraq they understood as well, I believe, as the counterinsurgency problems the military faced. What they have brought to the table will go down in history as the most successful counterinsurgency operation in the history of warfare. I have worked on judicial issues. They provided security to the judges, additional capacity in the rule of law area. General Petraeus told me early on: The population has to believe in the law, because if they do not believe in the Government and the law, they will go to militias.

So we celebrate the success of these two men. But on their behalf, I wish to thank all of those who served under them, because they are the ones who made it happen, along with great leadership. We are winning now. We have not won yet, but the difference in Iraq before and after is stunning. It is for all of us to see—progress politically, economically and militarily. I look forward to promoting these two fine officers. Hats off to them and all those who serve in Iraq.

Mr. WARNER. Mr. President, I thank our colleague from South Carolina. He is too modest to say it, but I think he has logged as many trips into that region as any of us here, very often in the company of Senator MCCAIN, who likewise has strong support for both of these officers. I thank the Senator for his work and his important contribution to the debate.

LEGISLATIVE SESSION

The PRESIDING OFFICER. The Senate will return to legislative session.

AMERICAN HOUSING RESCUE AND FORECLOSURE PREVENTION ACT OF 2008—CONTINUED

The PRESIDING OFFICER. The Senator from Louisiana.

ROAD HOME TAX

Ms. LANDRIEU. I thank the Senator from Virginia for his comments on the pending nominations.

But I wanted to take a moment to speak about the housing bill that passed. It was a very significant piece of legislation. On behalf of the people of Louisiana, I wanted to come to the floor to specifically thank Senator DODD for his extraordinary leadership and tenacity in getting this bill through the floor of the Senate. It has been stuck for weeks. He got it unstuck this morning and passed it, and it has significant relief for homeowners throughout America, to help us stem the foreclosure rate, to stem the tide of economic downturn in many counties throughout our country. But for Louisiana, it has some very special relief. Part of that bill was actually crafted by Senator BAUCUS and Senator GRASSLEY as chair and ranking member of the Finance Committee, and there was a big piece of that in this housing bill. In that Finance piece was a tax relief provision that is, in my view, central, crucial, and vital to the recovery, ongoing recovery of South Louisiana and the gulf coast.

We added this language to the Foreclosure Prevention Act back in April, where it passed the Senate on a 74-5 vote and I am pleased to see that the combined housing package preserves this critical assistance.

In short, the legislation ensures that hurricane survivors are treated both fairly and with dignity as they struggle to rebuild their lives.

As you know, when these storms, Katrina and Rita, hit, now 3 years ago, they were unprecedented in the size and scope of the destruction. This country has not seen anything like it in well over 100 years, and hopefully we will not see anything like it for another 200 or 300 years. When we went to the Federal toolbox, if you will, to see what tools were available to help the 250,000 homeowners who lost their homes, many did not have insurance because their homes were paid for, or they were not in the flood plain. They lost everything, their homes, their business, their place of worship, the schools their children went to. So when we went to the toolbox, there were not adequate tools to help them. We have been crafting those tools slowly. It has been agonizing for people who are waiting for us to give them a hand.

Many of these taxpaying, hard-working citizens are not asking for charity; they are asking for a chance to get their business back, get their feet back underneath them.

As you know, I am sure it is this way in Virginia. Most middle-class and upwardly mobile families have most of their net worth tied up in their home.

So when their home is considered destroyed and the contents as well, it impacts the financial stability of that family.

That is why I have stayed focused on homes, on home rebuilding, and on small businesses, because it is the backbone of our recovery. I am proud to say that in this bill, we were able to deliver \$1 billion of relief, literally \$1 billion of relief to homeowners who you could argue deserve more help than almost any group of homeowners in America.

Again, these homeowners are suffering kind of a double whammy. Not only did they go through Katrina and Rita, but they are also now in an atmosphere of a slow real estate market; in some places a market that is spiraling downward because of the atmosphere of the country and the economy; although actually at home our economy relative to the country is doing pretty well.

This underlying bill provides relief to homeowners along the gulf coast who had their homes destroyed after Hurricanes Katrina, Rita, and Wilma. In 2005, thousands of people along the gulf coast took casualty loss deductions on their tax returns due to damage that their properties sustained from the hurricanes.

In 2007, many of the same people began to receive payments to cover uninsured losses to their property under Louisiana's Road Home program, Mississippi's Housing Assistance program and similar programs in Florida and in Texas.

The IRS has concluded, however, that individuals who took the casualty loss deduction in 2005 and subsequently received a grant payment must add the value of the casualty loss deduction their 2007 income.

This decision not only increases the amount of taxable income but also: increases an individual's tax rate by bumping them into a higher tax bracket; subjects certain taxpayers to the Alternative Minimum Tax; phases out deductions; subjects an individual's Social Security benefits to additional taxation; and makes a taxpayer ineligible for Federal student loan aid.

So this relief was absolutely essential. Take the example of two very similar families—the Jones and the Smiths. Both earn \$75,000 a year and both had homes that suffered substantial damage in Hurricane Rita. Both of the families received a road home grant of \$75,000 in 2007 to cover uninsured losses to their homes. So at this point, they are exactly the same.

In 2005, however, the Smiths took a \$75,000 casualty loss deduction which entitled them to a refund of about \$7,000.

According to the IRS, the Smith family had to add the value of their 2005 casualty loss deduction, totaling \$75,000, to their 2007 income. So what is the result of this?

The Smith family had to pay \$25,000 in taxes while the Jones family will

have to pay about \$7,000 in taxes. That is over a 350-percent increase in taxes. Not only did the Smith's amount of taxable income increase, but they were bumped into a higher tax bracket so their rate of taxable income increased.

So what does this bill do? This bill would permit taxpayers to amend their 2005 tax returns to reduce or eliminate their casualty loss deductions. By eliminating or reducing their casualty loss deduction, they will not have to pay taxes on their road home grants. A current IRS regulation forbids individuals from amending their returns under this circumstance.

So what effect would the bill have upon the Smith family. At the outset, they will not have over a 350 percent increase in their taxes. They will, however, have to pay back their refund they got in 2005, which would be about \$7,000 in addition to their normal taxes.

So by no means does this bill allow a free ride or any sort of "double dipping." They still have to undo their casualty loss, but they will not be providing the IRS a windfall in taxes.

Finally, behind the numbers, it is important to remember that these are real people who have undergone a traumatic event, having their homes destroyed.

The Smith family, before Senator GRASSLEY and Senator BAUCUS came to their aid, would have had to pay over \$24,000 in taxes. These families literally are struggling to pay their electric bill, their utility bills, trying to pay double mortgages, rent and a mortgage on a house trying to keep their house together. They could not have possibly come up with \$25,000. That is what we have corrected it.

I thank this Senate for sending special care and attention to a group, hundreds of thousands of homeowners. It is not millions, it not tens of millions, but it is hundreds of thousands of homeowners along the gulf coast who would truly benefit immediately and correctly. This money will go into their pocket and hopefully they will be spending it on their new home or their new apartment or using it to pay back bills they had to charge to their credit cards to literally survive these last several years.

This bill also extends an important provision to spur investment in residential and commercial property along the gulf coast. In response to Katrina and Rita, Congress enacted legislation that would permit bonus depreciation on new buildings.

In order to take advantage of the bonus depreciation, investors needed to start construction on the property by December 31, 2007, and have the property placed into service by December 31, 2008, for lesser damaged counties and parishes and by December 31, 2010, for the most damaged counties and parishes.

However, replacing the basic infrastructure needed to begin this construction has been slow and difficult. New environmental standards, building

codes, and the high price of insurance and labor have delayed new construction. Many projects are planned, but these delays have resulted in few actual construction starts.

This bill would simply remove the commencement date to ensure that the gulf coast can sustain and strengthen its recovery in the housing and commercial sectors. It does not change the completion date. By doing so, we can continue to build new residential and commercial properties that are necessary to our recovery.

I know this overall bill contains many critical parts to address our Nation's housing troubles but I thought that it was important to personalize how this bill will help thousands of people struggling to rebuild on the gulf coast.

I am very proud of the Senate. I do believe we should give tax relief when it makes sense. This most certainly makes sense. And \$1 billion is a lot of money. I know we are struggling to balance our budget, but I think this was a very worthy expenditure. I thank Senator DODD again, thank Senator GRASSLEY and Senator BAUCUS particularly for remembering the families on the gulf coast and for helping them to achieve substantial tax savings by the passage of this bill. It will go a long way, with the other provisions in this bill, to help our recovery that is underway in the Gulf of Mexico.

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

The PRESIDING OFFICER (Mrs. MCCASKILL). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

CALIFORNIA FIRES

Mrs. BOXER. Madam President, I rise today to express my deep gratitude to the men and women who are fighting the wildfires now raging in my magnificent State of California. Over the last month, a swarm of dry lightning storms sparked more than 1,800 fires across drought-ridden land in California.

Governor Schwarzenegger and President Bush have declared a state of emergency in 11 counties and crews are still working to bring under control over 300 fires burning across more than 600,000 acres of public and private land. Three hundred fires, and it is early July, and we do not get rain usually until November.

In the fight against these fires, support has come from all quarters, including the National Guards of 11 States. I say to my colleagues all: Thank you for your contribution. Help has come from the U.S. Marine Corps, the Navy, even from NASA.

I give special thanks to the more than 18,000—18,000—local, State, and Federal firefighters who have put their

lives on the line over the last several weeks and continue to do so to fight these fires and protect our communities.

The people of California owe a tremendous debt of gratitude to the brave men and women of CalFire and the U.S. Forest Service as well as the California National Guard and all of the local fire departments who have gone above and beyond the call of duty in fighting these fires.

Your courage and swift action during this recent series of firestorms have truly been heroic. You have risked your health and your well-being for the benefit of our people, of our communities, and we are all grateful. You are the heroes.

Some 233 firefighter injuries have been reported in the past few weeks—233 firefighter injuries—and that is a testament to the great personal risk these men and women undertake every day. These fires are unpredictable. The winds are unpredictable, and the danger shifts at a moment's notice.

I am sad to report that these fires have claimed the life of one of our firefighters. Robert Roland, who had been with the Anderson Valley Volunteer Fire Department in Mendocino County for only 3 months, passed away on July 3, 2008, battling wildfires near the town of Philo. He was 63 years old—a volunteer firefighter.

One of America's greatest strengths is its spirit of voluntarism, and nowhere is that spirit more evident than in the tradition of volunteer firefighting.

We mourn his loss, and we remember and give thanks for his selfless efforts and those of all the firefighters—volunteer and professional—who put their lives on the line throughout California.

The scale of these fires so early in the year is a stark reminder that we cannot afford to shortchange our fire preparedness. Being prepared means making sure adequate resources are available to fight and prevent fires. That is why I have consistently fought against the proposed cuts to the Assistance to Firefighters Program. This program provides Federal grants for equipment and training to local fire departments and emergency medical services organizations. I do not think you need to look farther than the efforts being undertaken to save lives and protect communities right now in California to understand that those proposed cuts are wrongheaded.

Preparedness is about more than funding. It also means making sure we have a fully staffed firefighting force on our public lands.

I am concerned about the reports of inadequate staffing in our national forests in California. Earlier this year, I called on the U.S. Forest Service to resolve the pay disparities and retention issues that have prevented them from recruiting and keeping qualified Federal firefighters in California.

We also need to support the State and local efforts in order to manage

the risk posed by wildfires. One of the keys to preparedness is hazardous fuel reduction. Local communities and State agencies that do their part to remove hazardous fuel on local and State lands should not be left at risk for fires because inadequate funds limit hazardous fuel reduction on Federal lands.

The Federal Government must be a good partner in not only fighting the wildfires but in preventing them. That is why I have urged that we include \$910 million for U.S. Forest Service and Interior Department firefighting and fire prevention efforts—including efforts such as hazardous fuel reduction—in the legislation that Congress is expected to take up this session to address critical domestic priorities.

The unprecedented onset of the fire season in California is an important reminder that we cannot afford to continue reducing the resources available for disaster preparedness and expect emergency responders to still be able to effectively protect our communities.

They are exhausted. They are working overtime and more. I want to read from a letter I am sending today to President Bush. I wrote this letter after speaking at length with my Governor, Governor Schwarzenegger:

With over 300 fires still actively burning in California, I am writing to request that you immediately allocate additional resources to assist with ongoing firefighting efforts throughout my state. Governor Schwarzenegger has informed me that an additional 41 helicopters, 302 hand crews, 616 fire engines, and 773 support personnel are urgently needed to help the thousands of Federal, State, local, and volunteer fire fighters who are working so hard to protect our communities from these dangerous fires.

Governor Schwarzenegger also informed me he plans to call up as many as 2,000 more members of the National Guard in addition to the over one thousand members that are currently supporting fire fighting activities. In order to ensure that our National Guard is ready for this mission, I request that the Administration make available out-of-State Federal firefighters to help train National Guard members for fire fighting duties. Active fire crews are currently being taken away from the front lines of fires to train National Guard members, but if Federal personnel were on scene to help train new arrivals, our crews could continue to fight active fires.

I might say what is happening is we are taking firefighters off the line to train the National Guard because they need to be extensively trained in firefighting, and we need to get those firefighters back on the line. So if we could have some Federal firefighters sent in, we would be able to keep these firefighters on the line.

The Governor has also informed me that he requested the U.S. Forest Service's Maximum Efficiency Level be increased to 100 percent for the current fire season in California. This will allow Federal incident commanders to make tactical firefighting decisions as needed to protect lives and homes without having to receive prior approval from the Office of Management and Budget. I strongly support his request and urge you to grant it immediately.

This unprecedented start to the fire season in California has put incredible stress on the

State's resources and on the brave men and women fighting these fires. While the support provided by the Administration has been very helpful thus far, the severity of the ongoing fires and the strong potential for more fires indicates an urgent need for additional resources and support.

The residents of California need the Administration's continued assistance and cooperation in protecting their lives and property.

Madam President, this is one Nation under God, and we know that, and we say it when we pledge allegiance every day here.

The fact is, we need to come to the aid of our citizens, whether it is in the devastating floods in Iowa or it is Hurricane Katrina or it is the fire that I will remember in North Dakota or what is happening today in California.

We must work together. I want to say right now that I will be making a call to the head of Homeland Security, Mr. Chertoff. I hope he has heard my words. I hope he has received a copy of my letter. We are going to need this help quickly. We expect—and this is right from my Governor—about a 5-month problem here. This is not going to be a momentary problem. We need a long-term commitment from everyone in order to save lives and save property and allow our firefighters a little bit of rest, because when they are exhausted, their lives are put in danger, and we cannot have that.

I thank you very much for the time, Madam President, and I yield the floor.

The PRESIDING OFFICER. The Senator from Michigan.

Ms. STABENOW. Madam President, I ask unanimous consent to speak as in morning business.

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

Ms. STABENOW. Thank you, Madam President.

THE ECONOMY

Madam President, I come to the floor after reading something I find very shocking. This is evidently in an interview with the Washington Times, referred to today by Jonathan Weisman. It has this quote. Former Senator Phil Gramm, a top policy adviser of Senator JOHN MCCAIN's, said the Nation is in a "mental recession," not an actual one, and suggested the United States has "become a nation of whiners."

Senator MCCAIN is in my State of Michigan at this moment today. I certainly want to go on record here on the floor of the Senate to say that the people of Michigan are not whiners. The people of this country, who have seen their jobs slip away—over 325,000 jobs since January, good-paying American jobs—are not whiners. People have seen gas prices going up and up and oil prices doubling over the last 10 months. This is not a nation of whiners. We are seeing food costs go up, health care costs go up, gas prices go up, everything in people's lives going up. Every middle-class family, every family in America is struggling while they see their wages go down, if they have a job at all. This is not a nation

of whiners; this is a nation of tough people trying to survive, Americans who believe in this country, who believe in the American dream, who are fighting to keep their way of life in this country today.

Mrs. BOXER. Madam President, will my friend yield for a question?

Ms. STABENOW. I will be happy to.

Mrs. BOXER. I am just stunned that Phil Gramm, who is a top adviser to Senator MCCAIN—would you repeat exactly what he said?

Ms. STABENOW. Yes. I would be happy to. He said the Nation is in a mental recession, not an actual one, and suggested that the United States has become a nation of whiners.

Mrs. BOXER. Let me get this straight. Senator MCCAIN's top adviser—one of his top advisers on the economy—says we are in a mental recession, there is no actual recession, and we are whining about it.

Ms. STABENOW. Right, absolutely.

Mrs. BOXER. Let me ask my friend, what does she hear in her State about gas prices from her constituents?

Ms. STABENOW. Madam President, I thank my friend from California, who comes to the floor and fights every day on behalf of middle-class Americans and people struggling to make it. We in Michigan have the highest unemployment rate in the country—8.5 percent as of the last numbers. So people are losing their jobs.

Mrs. BOXER. Is that mental? Do they just think they are unemployed but they are really employed? What is he talking about?

Ms. STABENOW. The Senator from California is absolutely right. The fact is that folks who are losing their jobs or who are seeing their wages cut in half are seeing gas prices go up and up and up.

We have had two oilmen in the White House for 8 years, and we have had now the highest gas prices we have ever had to pay while they protect oil profits, oil company profits over and over again. This is not an accident, what has happened here. I think it is almost too obvious. We have two oilmen in the White House, and we are in the situation we are today, with families struggling to get to work, to get the children to childcare, maybe to go on a vacation, who can't hold things together, and they are looking around, saying: What in the world is happening? Now, we are hearing from a top adviser of someone who wants to be the next President that this is a mental recession and that we are whiners.

Mrs. BOXER. Will my friend continue to yield?

Ms. STABENOW. I am happy to.

Mrs. BOXER. I didn't expect to stay here and engage my friend, the Senator from Michigan, but when she read this—I know what her State is going through, and I have to say that California is suffering as well. If it were not for the fact that we have seen companies invest in alternative energy, and that is taking some of the jobs—

and thank goodness—away from a crumbling housing industry, we would be in worse shape. We are not in good shape in California. We have real problems.

My friend from Michigan makes a good point. Two men in the White House—and I remember when George Bush was running in the beginning and saying: Well, put two oilmen in the White House, and we will see how we will deal with gas prices. Well, we have seen.

Is my friend aware that since George Bush and DICK CHENEY—two oilmen—took over the White House, we have seen about a 255-percent increase in the cost of gas per gallon? Is my friend aware of that?

Ms. STABENOW. I am aware of that. It is outrageous. It is so stunning that this would be happening and be so obvious in terms of allegiance.

Mrs. BOXER. Let me ask one more question, and then I will leave her to the rest of her remarks. I know she has some thoughts she needs to share. As Phil Gramm, the economic adviser to JOHN MCCAIN, says that Americans are whining, we all know that the middle class is suffering, as the Senator from Michigan said, not just from gas prices but as a result of food prices, health care prices, credit card rates. There is a middle-class squeeze going on that is hitting our people very hard, and they are falling behind by thousands of dollars a year because of increased prices. Now, Phil Gramm, he doesn't feel the pain. He probably is in the top one-tenth of 1 percent of income earners, let me say.

I wish to ask my friend, and then I will leave her to her speech, does she know how much the head of ExxonMobil made this year?

Ms. STABENOW. Well, I know this: I know ExxonMobil has made the highest profits of any company ever in the entire world. I don't know the exact number, but my guess is that it is a lot more than people in Michigan are making.

Mrs. BOXER. Well, the CEO, the chief executive officer of ExxonMobil, according to my information, including his last paycheck and bonuses and the rest, made \$400 million in 1 year. So no, he is not whining, and Phil Gramm is not whining. That is obvious. They are the winners in this economy with two oilmen in the White House.

I wish to thank my friend.

Ms. STABENOW. Madam President, I so much appreciate my friend from California and her advocacy on a daily basis on this floor for people who are feeling the squeeze on all sides.

We are seeing a situation in this country where, frankly, most middle-class families, as well as small businesses and large businesses and those who want to do business in this country, just can't take any more. We are at the limit right now of what we can absorb in terms of higher and higher costs on people every day, with lower and lower wages, maybe losing a pension, maybe losing your health care.

What we have seen over the last 8 years is the creation of a race to the bottom in a global economy, a race to the bottom where the average American is told: If you only work for less, pay more in health care, and lose your pension, maybe we can be competitive. As Democrats, we believe in a race to the top. As Democrats, we believe it is critical that we address the squeeze middle-class families are feeling if we are going to have an economy.

What has made us strong among nations around the world is a strong, vibrant middle class, folks who can have the American dream, who know they can have that job. In Michigan, it is to have a home and maybe a little cottage up north or a boat to go around the beautiful Great Lakes and enjoy fishing and hunting and know they can send the kids to college—all of those things that have meant the great American dream for families in America. It is slipping away because of the policies of the last 8 years, not paying attention to what is happening to our global economy and making it worse by, in fact, protecting those whose profits are getting higher and higher at the expense of middle-class Americans.

So I would just say that to hear we are a nation of whiners from someone who is advising someone who wants to be the President of the United States—alarm bells should be going off to every single person who drives up to a pump today and has to pay somewhere between \$4 and \$5 a gallon for gasoline or goes to the store and sees the price of milk going up and bread and everything else they need to feed their family or sees their costs of health care going up, if they are fortunate enough to have health care alone.

So I certainly invite Senator MCCAIN to come to my State of Michigan as many times as he would like, and I hope he listens very, very hard. I hope he doesn't hear it as whining. I hope he hears it as a sign of proud, patriotic, America-loving people who just expect decisions here in this Government to be made in their best interests, not in the best interests of oil companies or credit card companies or insurance companies that aren't willing to cover their health problems. People want to know that, in fact, their families will be put first for a change. That has not happened in the last 8 years. We certainly don't need more of that.

Frankly, when I look at the gas price situation alone, I must say, if I remember correctly—and I will check this for sure—if I remember right, the gentleman who now calls us a "nation of whiners" actually authored language that began to deregulate the energy markets back in 2000, which has actually created much of the situation we are in today, with lack of accountability and transparency and gas prices, oil prices, going up and up and up.

The people of this country have had enough, and they expect us to work together in their interests. They expect

that we will put them and their families first, that we will do everything possible to create a climate where they can get a good-paying job and work hard every day and know that if they play by the rules in America, they are going to be able to have a better life for their children than they have had for themselves. That is all on the line right now in America because of what has been happening in the last 8 years.

We are not a nation of whiners. America is going through tough times. Even though times are tough, so are we. We are tough, resilient, hard-working people. I am proud of the people of my State who are working hard to keep their heads above water, to keep their families and their houses, to be able to keep some kind of an income coming in in the midst of all of this. I am proud to fight for them every day, along with a caucus that understands what is happening and which is going to do everything we can to turn this around.

I ask unanimous consent that following my remarks, Senator GRASSLEY be recognized to speak, to be followed by Senator PRYOR.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The first assistant bill clerk [William Walsh] proceeded to call the roll.

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

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

CHANGES IN THE TAX SYSTEM

Mr. GRASSLEY. Madam President, as the upcoming Presidential election approaches, we are learning more about changes each of the major candidates would make in our tax system.

Most of the attention in this regard is going to issues such as income tax rates, corporate tax rates, and the alternative minimum tax. These are very important parts of our Tax Code and do deserve the attention they are getting—particularly in a Presidential race—because then you have an opportunity not only to state your views but to educate the public about the complications of the Tax Code. This is what the public needs to know more about.

Now, my purpose for coming to the floor, too, is to discuss some of the lesser known parts of the Tax Code that are becoming part of the Presidential debate on taxes. Changes made in these areas can still make big differences in what citizens pay to the Government every year.

I am here to discuss what is termed the "Pease limit," the overall limitation on itemized deductions. That name comes from a Member of Congress probably 20 years ago who thought up the term. Then the word "PEP" is a phaseout of personal exemptions. So we are talking about a

part of the Tax Code that does things in a stealth way to make people pay higher marginal tax rates, even though the law would say that the marginal tax rate is only 35 percent—or in the case of Senator OBAMA's proposal, 39.6 percent. But yet when you put limitations in there and a phaseout of the personal exemption, you have a higher marginal tax rate, but it doesn't look very—it is not transparent.

So PEP and Pease were originally enacted by a Democratic Congress as a way of evading the first President Bush's refusal to raise the top statutory tax rate. By phasing out the personal exemption and itemized deductions for upper income taxpayers, the Democratic Congress was able to enact a kind of backdoor tax increase. However, in 2001, when I became chairman of the Senate Finance Committee, Congress reduced PEP and Pease in order to reduce taxpayer confusion and minimize inequalities based on a taxpayer's understanding of the law. But from my point of view, I figured if you are going to have a higher marginal tax rate, you should not camouflage them. You ought to simply say, instead of a 33 percent marginal tax rate, we are going to have 36 or 37 percent. Maybe for people who have income from subchapter S, it is even higher than that. Why not be honest with the taxpayers and say what the marginal tax rate is, instead of hiding it in this camouflaged way called PEP and Pease?

That bipartisan simplification was done at the recommendation of the nonpartisan Committee on Taxation to get around a principle that was put in place—or that recommendation was carried out by the nonpartisan Joint Tax Committee because we ought to be very transparent in our tax laws.

Despite this, those who see more Government spending as the solution to all the problems are desperate to seize more money from the American taxpayers.

We are hearing rumors of let's go back to camouflage. The junior Senator from Illinois would need more money to fund all the promises he is making. Restoring the phaseouts for itemized deductions and personal exemptions seems a likely source of some of that money. In discussing the tax proposals of the likely Democratic nominee, I am referring to a publication titled "A Preliminary Analysis of the 2008 Presidential Candidates' Tax Plans." This was prepared by an organization called the Tax Policy Center. The Tax Policy Center is a joint venture of the Urban Institute and the Brookings Institution, both well-respected think tanks.

According to this publication, my distinguished colleague from Illinois would restore PEP and Pease. In other words, he would bring less transparency to what is a higher marginal tax rate. That is, he would restore the phaseouts and the complexity they would mean for millions of tax-paying families. However, it is also noted that

he would set an increased income threshold of \$250,000 for married couples filing jointly. This is consistent with the candidate's stated goal of targeting tax breaks to low- and middle-income taxpayers while shifting more of the tax burden on the higher income taxpayers.

If your family makes less than \$250,000 a year, you might think this sounds like a good deal. For singles, the threshold for phaseout of personal exemptions would probably be lower, but the phaseout of itemized deductions would not vary with the filing status if current law is followed.

As an aside, the proposal of the distinguished junior Senator from Illinois would create a new marriage penalty. For those considered by the Senator from Illinois to be low- and middle-income taxpayers, the idea of raising taxes on other people might sound like a good idea but hold on.

On March 14 of this year, this body approved a budget with 51 votes. One of those 51 "yea" votes was cast by the Presidential candidate from Illinois. That same Senator voted again for the budget on June 4, when the Senate voted on that conference report. I am not sure if he is not communicating with the rest of the Democratic caucus or was too busy campaigning to become completely familiar with the budget. But he is making promises that the budget he voted for will not allow.

The budget passed by Congress earlier this year would protect taxpayers in the 10-percent and 15-percent brackets but would subject filers in the 25-percent bracket and brackets above to these camouflage provisions I have been talking about that we call PEP and Pease. To get an idea of what this means, I wish to walk through the 25-percent bracket, the 28-percent bracket, and the 33-percent bracket.

These particular brackets are important because they contain families with less than \$250,000 in income and singles with less than \$125,000 in annual income. It has been implied that the junior Senator from Illinois would protect these filers from tax increases as President. But restoring PEP and Pease provisions within the confines of this year's budget would subject filers in these brackets to this backdoor camouflage, the less transparent tax increase. The Senator from Illinois may say he is going to protect families earning less than \$250,000 a year, but the budget he voted for will not do that.

According to the Internal Revenue Service, single individuals falling within the 25-percent bracket in 2008 start at taxable income of more than \$32,550. That is not a high-income person. They earn taxable income of no more than \$78,850—in a lot of places in this country, that is not a very high income. It is high for my State of Iowa, but it is not high for a lot of States. Singles in the 28-percent bracket will earn taxable income of more than \$78,850 but less than \$164,550. The important num-

ber is \$125,000. If that many filers in the 25-percent and 28-percent brackets make less than that, based on the Democratic budget, these taxpayers would be hit with a PEP and Pease camouflage, less transparent rates of taxation.

Looking at the brackets for married filing jointly for the 2008 tax year, according to the IRS, married filers in the 25-percent bracket will start at a taxable income of more than \$65,100. Taxpayers in this bracket will earn taxable income of no more than \$131,450 annually. In the 28-percent bracket, they will earn taxable income of no more than \$200,300. For the 33-percent bracket, married filers filing jointly will earn no more than \$357,700 but more than \$200,300. For married individuals filing jointly, the important number is \$250,000.

Filers in the tax brackets I have walked through may expect the Senator from Illinois to protect them from tax increases if he is elected President. But the budget he voted for earlier this year makes that impossible.

As I said, the reinstatement of PEP and Pease amounts to a backdoor tax increase. I say backdoor because it increases the effective rate for many filers without really increasing the statutory tax rate. That is why it is camouflaged. That is why it is less transparent. And if you want to increase taxes, you ought to have guts enough to say what is the real marginal tax rate and put it in the tax laws, just like the 25, the 28, the 33, and the 35 are now.

For a family of four, this backdoor tax increase would be significant. If your family falls in the 25-percent tax bracket, according to the Finance Committee Republican staff analysis from March 2001, PEP and Pease could make your actual rate 26 percent. We can see the difference between the green line and the red line is when you are hit with PEPs and Peases. Your tax increase is going to be at a higher rate than what your tax form really says it will be. Again, why camouflage it?

The news is even worse—and I will have charts on this point—for filers in the 28-percent bracket and the 33-percent bracket. In the 28-percent bracket, a family of four could pay a real tax rate of 32 percent. So if you want people of that tax bracket to actually pay 32 percent, why don't you have a tax bracket that says it instead of camouflaging it? A family in the 33-percent bracket, as we can see in the next chart, a family of four could pay a rate of 37 percent. Again, the difference between the 33 is what you are told in your tax rate chart you are going to pay, but as a practical matter, you are paying 4 percentage points higher.

I end by stating that I believe taxes are a necessary part of life. We all benefit from the services our Government provides, and that Government needs money to function. We collect that money from taxes. However, I think our tax system should be transparent

and honest, not camouflaged. Raising money by limiting personal exemptions and itemized deductions is not transparent. As I have said, it amounts to a backdoor tax increase. If anyone thinks people should hand over a greater percentage of their income to the Government, that person should openly advocate increasing statutory rates.

I am also concerned that many people around the country may be relying on the latest campaign position of the junior Senator from Illinois. That latest campaign position says he intends to protect low- and middle-income tax filers from tax increases. Right now, he is at odds with his own party and with a budget for which he voted. I bet that being subjected to a backdoor tax increase is not the sort of change most Americans believe in, to say nothing of restoring what the nonpartisan Joint Committee on Taxation stated was a very serious source of complexity for the American taxpayers, a complexity we took out in the 2001 tax bill.

A series of correspondence has gone back and forth between the Republican and Democratic leadership regarding the extension of expiring tax provisions and energy tax incentives. On July 3, Leader McCONNELL sent a letter to the majority leader urging that he work with us to find areas of bipartisan agreement in order to break the current impasse over extending time-sensitive provisions that we call extenders, both for energy and the other category of extenders, such as R&D tax credits, an example of about 40 that have to be extended.

On that day, the majority leader responded in a fairly sharp manner:

While I am pleased the Republicans appear to have abandoned their fiscally irresponsible ways when it comes to the extenders bill, it is hard to comprehend why Senators McConnell and Grassley would choose to cut programs to help working families, seniors and veterans in need of health care in Kentucky and Iowa in an effort to protect multinational corporations and hedge fund managers.

On a preliminary point, in all the back and forth on this issue, I have not criticized the majority leader by name. In the tensions that come in Senate debate and the political environment, I think it is best to stick to that course. So I am disappointed that the majority leader did not keep the discussion on that level.

With all due respect to him, he seems to have misread the letter, so I will set the record straight on a couple of important points.

First, a simple extension of expiring tax relief, including extension of the AMT patch, should not be offset with accompanying tax increases. This does not mean we are opposed to offsetting the revenue loss from new tax relief policy with spending reductions or revenue raised from tax proposals that are grounded in good tax policy.

Then my second point. The distinguished majority leader accused Leader McCONNELL and me of protecting hedge fund managers. This is simply

not the case, which I will demonstrate. In fact, the House extenders bill contains an offshore deferred compensation proposal.

This proposal that the Democrats actually support allows these same hedge fund managers a very generous tax break that is not available to the average taxpayer. The House-passed hedge fund proposal allows these hedge fund managers to avoid paying taxes on their offshore deferred compensation if they make a cash donation to a charity equal to 100 percent of the amount of the offshore deferred compensation. Meanwhile, the average taxpayer is limited in how much they can deduct even for contributions to charity. They can only deduct charitable contributions if those contributions do not exceed 50 percent of their adjusted gross income. So if a teacher donated his or her entire salary to charity, he or she would only be able to claim about half of that as a deduction. But a hedge fund manager who sheltered income in the Grand Caymans would be allowed to claim a deduction for the entire amount of his or her sheltered income.

I want to make it clear, not only do I support the policy of changing the tax treatment of offshore deferred compensation for hedge fund managers, but I would make sure that we corrected the giant loophole that came over here from the House of Representatives benefiting hedge fund managers. We should make sure that if we are going to tax the deferred income, we do not leave an escape hatch in the future.

With respect to the spending cut allegation, the majority leader's comments again, with all due respect, implied that he has not read the Republican leader's letter correctly. The Republican leader's offer to break the stalemate does not pit spending cuts for benefits for working families, for seniors, for veterans against expired tax relief provisions. The spending described in the letter is for unspecified and unwritten appropriations bills as far as 10 years in the future. The general spending account identified represents the excess of new future spending levels over the current levels for nondefense discretionary spending plus inflation. None of the current-law levels of these categories of spending would be cut. What is more, the Republican leader's offer would leave intact nearly all of the \$350 billion in new extra spending. On its face, it is an extremely modest revision of this extra spending.

I ask unanimous consent to have printed in the RECORD a copy of the letter from the Republican leader and the majority leader's response.

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

McCONNELL PROPOSES COMPROMISE TO
EXTEND TAX RELIEF, ENERGY INCENTIVES

WASHINGTON, DC.—U.S. Senate Republican Leader Mitch McConnell sent the following letter to Speaker Nancy Pelosi and Majority Leader Harry Reid on Thursday calling on

Democrats to forge a compromise with Republicans to extend expiring tax relief in a deficit-neutral manner, without permanently raising taxes.

JULY 3, 2008.

DEAR MADAM SPEAKER AND MR. LEADER: This letter is in response to a letter from the House Democratic Leadership, dated June 12, 2008 and a letter from the Senate Leadership, dated June 13, 2008. Both letters deal with the legislation, H.R. 6049, which is designed to extend certain expiring tax relief provisions and energy tax incentives.

We object to some of the assertions in both letters about the position, record, and intentions of the Senate Republican Conference regarding tax increase proposals and the tax relief extensions. However, rather than respond to overtly coordinated election-year letters in a partisan fashion, we would like to focus on areas of bipartisan agreement in order to break the impasse on these time-sensitive tax matters.

The Senate Republican Conference places the highest priority on fiscal responsibility. We believe that deficit reduction should be considered with respect to all tax and spending proposals. However, the first step toward mitigating current adverse fiscal patterns is to do no more harm to the fiscal situation.

New spending increases the deficit, whether it be the expansion of discretionary spending or the expansions of entitlement spending. New tax relief is scored as increasing the deficit, even in instances where the resulting economic growth raises far more revenue than is estimated to be "lost." Under Congressional budget accounting, however, the extension of expiring tax relief looks like it increases the deficit, while the extension of expiring entitlement spending does not. This does not make sense.

Legislation to extend expiring tax relief, including an extension of the alternative minimum tax (AMT) patch, and legislation to extend expiring energy tax incentives all enjoy overwhelming bipartisan support. Few would dispute the merits of continuing these tax relief provisions. Indeed, with these bipartisan tax relief provisions in place, aggregate Federal tax collections have yielded revenue above the post World War II average of 18.2 percent of gross domestic product. Since these tax policies have yielded revenue above the historic average, we see no reason to condition their extension on new tax increases.

The conference report on the 2009 budget resolution increases non-defense discretionary spending by \$25 billion above the President's request in 2009. When these amounts are enacted, they will be perpetuated in the baseline and will result in \$350 billion in higher deficits over the next ten years. The deficit effect of this new spending cannot be ignored. It is surely as much of a fiscal burden as \$350 billion in tax policy extensions.

As a compromise, we suggest the following. The Senate Republican Conference will agree to offset the revenue lost from new tax relief policy with spending reductions or revenue raised from appropriate tax policy proposals. In exchange, the House and Senate Democratic Leadership would revise the desired new non-defense discretionary spending in the 2009 Congressional budget downward to a level sufficient to offset the cost (relative to the Congressional Budget Office baseline) of extending expiring tax relief. If agreed to, extension of expiring tax relief, including extension of the AMT patch and expiring energy tax incentives, could be accomplished in a way that achieves your stated goal of being deficit neutral, but without the unstated and unwarranted result of increasing the size of the federal government.

The Senate Republican Conference is committed to, as the letter from the House

Democratic Leadership states, “enacting legislation extending tax relief to businesses and families in a fiscally responsible manner.” We look forward to working with our friends in the House and Senate Democratic Leadership on this time-sensitive legislation.

Sincerely,

MITCH MCCONNELL,
U.S. Senate Republican Leader.

U.S. SENATE,
Washington, DC, July 8, 2008.

The Hon. MITCH MCCONNELL,
Minority Leader, U.S. Senate,
Washington, DC.

DEAR LEADER MCCONNELL: Thanks for your recent response to the letter I sent you June 13 regarding extension of the expiring tax provisions and energy tax incentives.

Let me begin by saying I strongly share your hope that the Senate can work out a bipartisan solution to extend these important tax incentives before the August recess. Such action is as important as it is long overdue.

Although you have voted twice against just such a package, I did note that your July 3rd response contains one potentially positive thought that may make such a solution more likely. As you know, under this Republican President and a Republican-controlled Congress, the nation's debt and deficits reached historic levels. Record budget surpluses were transformed into record deficits and the nation's debt grew by more than \$3 trillion. Much of this was caused by the fiscally irresponsible decision to cut taxes and increase spending without corresponding offsets. Your July 3rd letter appears to indicate you are now ready to set aside your fiscally irresponsible ways when it comes to extenders and adhere to pay-as-you-go budget rules Democrats enacted at the beginning of the 110th Congress.

Unfortunately, rather than accept the non-controversial offsets contained in the bipartisan legislation passed by the House and the substitute put together by Senator Baucus, your letter indicates Senate Republicans believe we should instead jeopardize important investments in our nation's health, energy, and infrastructure sectors. Both the House-passed and Baucus substitute bills rely on the same two offsets—one ends the use by hedge fund managers of offshore accounts to avoid paying taxes and the other merely extends an existing delay in the implementation of interest allocation rules for multinational corporations. Neither provision has generated opposition from the affected industries and both are far preferable to cuts in health care, energy, and infrastructure programs that would harm Kentucky and many other states.

Despite your apparent decision to protect hedge fund operators over critical national priorities, I remain committed to taking up and passing bipartisan legislation to extend important tax incentives before the August recess. The fate of this legislation rests in your hands. I hope you and those in your caucus who have blocked the Senate from passing this legislation twice earlier this year will reconsider your opposition and join Democrats to extend this much-needed tax relief.

Sincerely,

HARRY REID,
U.S. Senator.

Mr. GRASSLEY. Madam President, to put the matter in some perspective, I ask unanimous consent to have printed in the RECORD an article containing a summary of an analysis by noted economist Kevin Hassett, a senior fellow and director of economic policy at the American Enterprise Institute.

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

[From American Enterprise Institute for Public Policy Research, Feb. 11, 2008]

HOW GEORGE BUSH, BIG SPENDER, DESTROYED NIRVANA

(By Kevin A. Hassett)

If you could go back in time to President George W. Bush's inaugural address and add one economic statement, what would it be? For me, there is an obvious answer.

If Bush had promised in January 2001 that the baseline of government spending that he inherited when he took office would be the cap during his term, then we would have a big budget surplus today. It would have been easy to do. He just had to say: “I will not spend one penny more than President Bill Clinton planned to. I will veto any bill that tries to.”

I have written before in this space that Bush has outspent Clinton by a mile. With government spending still out of control, the gap between where we are and where a disciplined nation could have been is getting bigger and bigger.

With a recession looming, the policy implications of the spending explosion are serious. If a deep recession occurs, we will have less wiggle room.

To see how different the world could have been, I gathered data from a number of sources and ran an alternative history. In that wishful place, government spending was set equal to the spending envisioned by the Congressional Budget Office in the January 2001 long-run forecast, plus the spending for the war in Iraq and to fight terrorism. This simulation assumes that the war would have happened in spite of Bush's spending promise, and wouldn't have induced him to seek cuts elsewhere.

The difference between that spending path and the one we are on is huge. Today, we expect federal spending in 2008 will be \$2.9 trillion. According to the alternative history, spending would be \$2.5 trillion.

SURPLUS FANTASY

With spending at the lower level, we would have a surplus of \$152 billion if revenue were equal to what it is currently projected to be.

Running the simulation forward, the gap between revenue gets wider and wider. By 2017, we are scheduled to spend almost \$1 trillion more than we would have if we had stuck to the Clinton baseline. With the low spending baseline we would have a surplus in 2017 of \$1.1 trillion, instead of the \$151 billion surplus that's currently forecast.

Think of it this way. If we now had the lower spending levels that Bush inherited, we could extend his tax cuts, repeal the alternative minimum tax, enact the current stimulus package, and still have a 10-year budget surplus of \$1.9 trillion. And, remember, that allows spending to be adjusted up for the Iraq war and the war against terrorists.

Many observers might say this scenario is unrealistic. The 2001 long-run forecast covered both discretionary and mandatory spending. No administration, the argument might go, could have held the line on the growth of Medicare and Social Security spending.

HOLD THE LINE

There are two responses to that.

First, a president could always demand that spending be capped and that discretionary spending be reduced to offset unexpected increases in mandatory outlays. Social Security might be the third rail of American politics, but it might not be.

It has been changed before. Why couldn't it be changed again? Families do that all the

time. If Johnny needs braces, then you take fewer trips to the restaurant.

The second response is perhaps more powerful. Let's see what happens when we allow mandatory spending to go up as it did. This lets Bush have his prescription-drug benefit, which is now part of mandatory spending.

If we had held the line on everything else that is discretionary, we could have had the prescription-drug plan, the Iraq war and the war against terrorists. We could have kept all the Bush tax cuts, made them permanent, repealed the AMT and added the stimulus package and still ended up with a balanced budget from 2008 to 2017.

BLOATED UNCLE

It makes you sick to think about it. All that money wasted on ethanol and bridges to nowhere has accumulated into a pile that massive. Uncle Sam ate a whopping helping of apple pie every day for seven years, and now he is obese.

This is important to bear in mind as we move forward to the general election. We don't have a deficit because of Iraq, or the tax cuts, or the drug benefit. We have a deficit because the government grew fat. We can't fix that with tax increases. Uncle Sam must go on a diet.

A simple way to start would be this: Whoever is elected president this November should pledge that he or she won't spend \$1 more than we currently plan to. If Bush had done that seven years ago, we would be in a different world.

Mr. GRASSLEY. According to the analysis, if the last Clinton administration budget were the baseline, Federal spending would be \$400 billion less than it is this fiscal year. Dr. Hassett's analysis accounts for spending increases for the global war on terror and related matters that were anticipated at the end of the Clinton administration. The analysis shows that other Government spending is trending \$400 billion above where it otherwise would be.

In essence, the Republican leader's offered offset categories are future undefined spending budget room that did not materialize until the conference report on the budget was adopted a few weeks ago. Keep in mind that this new undefined future spending sits on top of a baseline that is, as Dr. Hassett's analysis shows, \$400 billion higher than the trendline from the Clinton administration.

If the majority leader does not engage us on this deficit-neutral offer, then he is putting taxpayers in his State at risk for the loss of several deductions they used on tax returns for last year. Included are the sales tax deduction, college tuition deduction, and teachers' classroom expense deduction.

The latest IRS statistics of income data on the number of families and individuals claiming these benefits for the States of Nevada, Kentucky, and Iowa will appear in the RECORD after my discussion.

The tradeoff is clear. Deal with these tax benefits which affect taxpayers now. Offset them with undefined extra spending accounts for appropriations bills that will not be written until several years down the road under the present budget. All that can be accomplished without adding a penny to the Federal deficit.

I ask unanimous consent to have printed in the RECORD the IRS statistics of income data to which I earlier referred.

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

TABLE OF EXAMPLES OF NUMBERS OF TAX FILERS AFFECTED BY INACTION ON TAX EXTENDERS

	Nevada	Kentucky	Iowa
Sales Tax Deduction	327,532	54,602	50,163
College Tuition Deduction	32,800	45,713	48,895
Teachers Classroom Expense Deduction	22,789	39,735	35,238

Source: IRS Statistics of Income (2004 tax year).

Mr. GRASSLEY. I yield the floor.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. PRYOR. Madam President, I ask that I be allowed to speak as in morning business.

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

HONORING OUR ARMED FORCES

SERGEANT FIRST CLASS ANTHONY LYNN WOODHAM AND JUSTIN D. ENGLISH

Mr. PRYOR. Madam President, the acclaimed writer H.L. Mencken once said:

In war the heroes always outnumber the soldiers ten to one.

Today, I come to the floor to honor the lives of two of those heroes: SFC Anthony Lynn Woodham of Rogers, AR, and Justin English of Springdale, AR. Madam President, we lost Specialist First Class Woodham on Saturday when he paid the ultimate sacrifice while serving in Iraq on his second tour as a member of the 39th Brigade Combat Team. As a vehicle maintenance supervisor at Camp Adder in Talil, he kept American troops safe and their equipment and vehicles running. Throughout his 20 years of National Guard service, he also trained countless mechanics, instilling in them a strong work ethic, enthusiasm, and patriotism.

In 2004, Specialist First Class Woodham explained that a lot of solutions for maintaining equipment are not found in the training manual. He learned from trial and error and taught others the art of adapting and improvising in order to get the job done quickly and to get the job done right. For his leadership and his service, we are a truly grateful nation.

MGEN William Wofford of the Arizona National Guard said of Woodham: "No words can fill the gap left by such a loss." I know those sentiments are also true for Specialist First Class Woodham's wife Crystal and three children, Patrick, 17, Mitchell, 11, and Courtney, 6.

Arkansas suffered another loss 11 miles away from Rogers, in Springdale, AR. The English family is mourning the loss of 25-year-old Justin English. A former Springdale firefighter and EMT, he went to Iraq for a larger mission—to protect United States personnel and installations in Iraq. A week into his mission—just a week

into his mission—English's vehicle was struck by a roadside bomb near Baghdad on Monday.

Those who knew Justin describe his friendliness, positive spirit, and willingness to lend a helping hand. Janet English, his aunt, said he had always wanted to join the military, find adventure, and serve his country. Indeed, he gave his country all.

Arkansas continues to make tremendous sacrifices to defend freedom and protect the ones we love. We will never forget the sacrifices made by the Woodham family, the English family, and so many other grieving families who have lost their loved ones in combat. I urge my colleagues in the Senate to honor the service of these brave men and women and ensure our troops have the resources they need both while in combat and when they return.

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

The PRESIDING OFFICER. The clerk will call the roll.

The first assistant bill clerk proceeded to call the roll.

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

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

AIR FORCE TANKER DECISION

Mrs. MURRAY. Madam President, 3 weeks ago, the Government Accountability Office issued a blistering decision about the Air Force's handling of one of the most important defense contracts in our history. The GAO found that in the competition between Boeing and the European company Airbus to replace our military's aerial refueling tankers, the contest was unfairly skewed toward Airbus from the very beginning. It said that but for the Air Force's prejudice, Boeing would have had a substantial chance of winning.

The GAO was clear and emphatic that the Pentagon should reopen the contract, get new proposals, and correct those errors. I rise today, because yesterday Defense Secretary Gates announced that he would follow the GAO recommendations and rebid that contract. I am very pleased that he says he is committed to a swift decision. But I have also been a close observer of the Pentagon's decisionmaking process for many years now, and I know the devil is always in the detail.

We do not know yet many of the details of this latest decision, and unfortunately I am already skeptical about whether the Pentagon is on track to get this right. The Defense Department has a high hurdle to clear in order to ensure this competition is fair and is transparent.

As I said earlier, the GAO raised serious questions about the Air Force's previous decision, and it described the competition as unreasonable, improper, and misleading. The GAO found that the Air Force changed direction midstream about what criteria were more important. It didn't give Boeing credit for providing a more capable

plane, according to the Air Force's description of what it wanted, yet it gave Airbus extra credit for offering amenities it didn't ask for. It said the Air Force deliberately and unreasonably increased Boeing's estimated costs. And when that mistake was corrected, it was discovered that the Airbus tanker actually costs tens of millions of dollars more than Boeing's.

The GAO said the Air Force accepted Airbus's proposal even though Airbus couldn't meet two key contract requirements. First, Airbus refused to commit to providing long-term maintenance, as specified in the RFP, even after the Air Force asked for it repeatedly. Second, the Air Force could not prove that Airbus could refuel all of the military's aircraft according to procedure.

Those are very serious findings. It is still unclear whether the errors were due to incompetence or impropriety, but the result was that the military chose a plane that didn't meet the fundamental requirements that were set out in their own RFP. That cannot happen again. The Defense Department must do everything it can do to ensure that this competition is fair and transparent.

That means the Pentagon must go back to the original request for proposals. It must ensure that both of the companies get the same information throughout the entire competition. It must prove the tanker it selects can actually perform all of the missions that are required by the military. It must do a full accounting of all of the life cycle costs of flying and operating both planes. And it has to ensure that the companies can only earn credit as it was spelled out in the original RFP.

That last point is extremely important. In its decision last month, the GAO said the request for proposals was crystal clear about what kind of tanker the Air Force needed. Yet I have already heard that the Defense Department plans to reevaluate the life cycle costs of both tankers using a 25-year lifespan instead of a more accurate 40 years. It wants to revise the RFP to give greater benefit to a larger plane, even if that means the tanker it buys is not capable of meeting its own mission. That fundamentally changes the rules of the procurement and is not what is in the original RFP.

I am very concerned about both of these proposals. Changing the rules of the game when we are in overtime is simply going to result in a repeat of the last contest—an unfair result, more protests, and more delays. I look forward to hearing a thorough explanation from the Defense Department about how it is going to carry out this new competition and how it is going to ensure that this contract is finally fair.

Finally, I agree with Secretary Gates that it is vitally important that we move quickly to finish this contract. Air men and women who fly out of Fairchild Air Force Base, in my home State of Washington, fly these tankers.

I know they need these planes. They need them now. But we also have to do this the right way. We have to have a competition that is not overshadowed by questions of ethics or competence. If we don't, we risk another challenge that is going to draw out this procurement process even further.

Even more importantly, we have got to get the right plane. Our aerial refueling tankers—the ones we are talking about with this contract—are the backbone of our global military strength. They are stationed today across the world, and they refuel aircraft from every branch of our Armed Forces. Before our taxpayers spend \$35 billion, they deserve to know the planes we are buying can actually refuel our military's aircraft. Our service members deserve to know they are getting a plane that will enable them to do their jobs and return home swiftly.

I welcome Secretary Gates' announcement yesterday that this contract is going to be rebid, but I remind all of my colleagues—those of us who have watched this procurement process for many years now—to follow the bouncing ball and see where it leads. We are going to follow this carefully. It needs to be rebid with the original RFP, not changed in overtime, to make sure this is a fair contract that results quickly in making sure our air men and women get the right aircraft as quickly as we can possibly bring it to them.

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

The PRESIDING OFFICER. The clerk will call the roll.

The first assistant bill clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. SALAZAR). Without objection, it is so ordered.

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

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

SHUTDOWN OF DHL

Mr. BROWN. I share with my colleagues some bad news from my State that I hope turns into better news; that is, there is a company in Ohio called DHL. It is an airfreight company. They are the second-largest, single-site private employer in Ohio next to the Honda Corporation in Marysville and other nearby places.

DHL is in Wilmington, Clinton County, southwest Ohio, where some 8,000 people work pretty much in one facility in Clinton County. Wilmington is the county seat of Clinton County. Wilmington is the home of Wilmington College, a Quaker school, a wonderful private 4-year institution in southwest Ohio.

Wilmington has only 13,000 people living there. This company, DHL, employs close to 8,000, through a couple subsidiaries, a couple people they con-

tract with there, ABX and ASTAR. The announcement to close by the owner of DHL, a German company called Deutsche Post, which I believe is the largest freight company in the world and which used to be the German Post Office but now is a privatized company, will have a devastating effect on this region and these people.

Deutsche Post owns many facilities of all kinds around the world; one of them is DHL. They made a decision to shut DHL down in Wilmington, a loss of up to some 8,000 jobs. I was in Wilmington last week, conducted a roundtable, listened to the concerns of pilots and material handlers and clerks and computer operators and mechanics and engineers and all kinds of people who fly the planes and service the planes and move the baggage, often in the middle of the night. There are local farmers who work there part time who get health care, there are very skilled pilots, there are very skilled machinists and mechanics.

DHL is everything to a community of 13,000. Those 7,000 to 8,000 employees live all over southwest Ohio, obviously not all of them in Wilmington or in Clinton County. Many of them live in Hillsboro, Highland County; some live in Brown County and Adams County and Hamilton County and Montgomery County and Clark County and Green County, all over southwestern Ohio.

We are not just accepting this tragedy as is. The mayor, Mayor Raizk, Governor Strickland, Lieutenant Governor Fischer, the development director, Senator VOINOVICH, Congressman TURNER and I and others are banding together to fight this perhaps as an antitrust violation, perhaps in some other ways that we are working to try to stop this from happening.

The contract has not yet been signed. We are hopeful that DHL, that Deutsche Post, this German company will, in fact, listen to us and listen to proposals from ABX and ASTAR to stop the bleeding, if you will, to keep these jobs here. They have been productive. They took over a company called Airborne Express 4 years ago. The State of Ohio and Governor Taft in those days put together a \$400 million package for them. We thought it was the start of a long friendship, a long relationship between Deutsche Post and DHL and the community of Wilmington, the County of Clinton, and the State of Ohio. We have been disabused of that notion, at least temporarily. We hope something better comes of it.

What I wish to share today is the background. I wish to share for 4 or 5 minutes some e-mails I received. I asked people in Clinton County, in Brown, Adams, Highland, Montgomery, Clark and Green Counties to share with me on my Web site what this closing might mean to them and what this company means to them and to their prosperity and their middle-class lifestyle and all that.

I told them I would read some of these on the Senate floor. Last week

when I had a roundtable discussion with about 20 people, we talked about many of these issues. I wish to share with you today some of these, three or four of these entries, if you will, from statements written by people who are affected directly.

I am not going to share the name. I think I probably could, I think they gave us permission, but I will share their hometown. This gentleman from Wilmington wrote:

I am in my 15th year as a pilot with DHL/ASTAR. I was hired by DHL Airways in January 1994 after serving as a C-5 pilot in the United States Air Force. DHL later became ASTAR Air Cargo due to U.S. Airline ownership laws. The airline pilot's career is based on seniority; there are no lateral moves to another airline. Losing my job with ASTAR due to Deutsche Post's forcing DHL to use UPS [that is what actually happened here] will result in the loss of not only my job but the loss of my career. I do not have enough years left, due to mandatory pilot retirement age at 65, to restart a commercial pilot career with another airline and regain the salary I earn now. I also own property in Wilmington based on working for ASTAR Air Cargo. As these jobs go away my property approaches being worthless and makes it likely I will have to turn it back to the bank. The DHL deal will destroy many careers, families, and create a duopoly in the U.S. Express shipping industry, driving down competition, driving up costs for business and for consumers.

A lady from New Vienna writes:

I know you are well aware of what is going on in Wilmington with ABX/DHL. But you probably do not have any idea what it is already doing to all of our workers. Our morale is at an all-time low. We already know our time is short, but DHL is cutting the rope shorter and shorter. I really do not know how much more some of the people can take. I have heard of many problems in marriages already. I know of many husband and wives who work out there, my husband and I included.

The majority of us on days are full-time employees and are scheduled to work 8-hour days. As of today, DHL has dictated that whenever our work is finished we are to leave whether we worked 6 hours, 7 hours or 8 hours.

My husband and I were planning on taking whatever we could out of our last paychecks and put away because of what awaits us. Now we are not even allowed to stay and get our 8 hours so we only get paid for time worked.

Generally, at these roundtables I heard this discussion over and over. We are not giving up. We are still trying to save these jobs. People who work at ASTAR, who work at ABX, who are part of DHL, obviously have real fears.

Another lady from New Vienna writes:

My husband is one of the many employees being laid off by ABX after putting in 26 years with them. I cannot begin to tell how much this is going to hurt us in many, many ways, along with 6,000 plus other employees here.

When I said up to 7,000, I was including, you know, some of the ancillary supply jobs in the vicinity.

The reason I am e-mailing you is to see if there is any way you or any government employee can help all of the employees and their families that are being let go. With the economy the way it is, it is hard enough trying to keep food on your table let alone trying to do without a job. Please, Senator

BROWN, fight for all of us at ABX, ASTAR and DHL. We need all of you in our government to fight hard for us and Ohio.

Someone from Blanchester, just south of Wilmington, said:

I am a 19-year pilot for Astar Air Cargo; a 16-year member of the pilot's union. My wife and I became residents of Ohio when DHL consolidated their main sort facility in Wilmington, OH.

At first we did not want to move, but as a loyal employee I wanted to live close to my employer. So my wife and I built a home in Brown County near town, and I looked forward to finishing my career there. We, unlike DHL, made a long-term commitment to the local area. I am realistic that I realize the last flight of ASTAR is on the horizon. I know in today's business environment there is usually little chance of stopping large corporations from following through with their announced plans. My wish is that you use any influence you might have with the Department of Justice or other agencies that will have to approve DHL's planned partnership with UPS to compel DHL to abide by their commitment to the pilots of ASTAR, the commitment to job security, growth and a long career they promised in the latest collective bargaining agreement.

DHL and their owner, the Deutsche Post, needs to be held accountable for commitments they made to the people, the workers, and the communities of southwest Ohio.

The last note I will share is from someone in Midland.

I am writing today to ask you to all consider the devastating effect that the loss of these thousands of jobs will do to our families, counties, and State, if DHL does, in fact, pull out of Wilmington, OH. Everyone I know has a family member or friend who works in that facility. I have two daughters who work there as well. They are single parents, and the fear of loss of income, home, and car is in their every thought at this time. I cannot imagine how terrible this will be for them, and they have family to fall back on. What will happen to others who do not have that support system in place?

We are all fighting to keep this place open. It matters to our economy, it matters to our State, it matters individually to so many people.

Those were four or five of them. In the communities, you know what happens when people lose their jobs, and there are so many of them, especially in a small town. You know what it means to the school system, what it means to police protection, fire protection, all that people in our middle-class society and workers rely on. That is why I share these stories. I will share these with the White House, I will share those same stories with Deutsche Post. We want them to come to the table and talk to us about a different contract that can keep those workers there. It will matter for Wilmington, it will matter for southwest Ohio, it will matter for our country.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. LEAHY. I ask unanimous consent that the order for the quorum call be rescinded.

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

EXECUTIVE SESSION

NOMINATIONS OF GENERAL DAVID H. PETRAEUS AND LIEUTENANT GENERAL RAYMOND T. ODIERNO TO BE GENERAL

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to executive session and continue consideration of the following nomination, which the clerk will report.

The legislative clerk read the nomination of Gen. David H. Petraeus, Department of the Army, to be general.

Mr. BYRD. Mr. President, I will vote no on the nomination of GEN David H. Petraeus, the current commander of the Multi-National Force—Iraq, to be Commander, U.S. Central Command. I was unable to attend General Petraeus' nomination hearing before the Armed Services Committee because I was managing the supplemental appropriations bill on the Senate floor, but I reviewed his testimony. I also posed a number of questions to General Petraeus after the hearing, and studied his responses.

I appreciate General Petraeus' evident intelligence and his expertise and experience in Iraq. He wrote the book on countering insurgencies for the Army. He led the 101st Airborne Division during the V Corps drive to Baghdad in 2003. He established the Multi-National Security Transition Command Iraq in 2004. He has served as Commander of the Multi-National Force—Iraq since January 2007. He is the architect of the so-called surge strategy that is even now being played out in Iraq.

The surge strategy is, in fact, one of the reasons why I believe General Petraeus should remain in his current position as Commander of the Multi-National Force—Iraq. Marshal Ferdinand Foch, Supreme Commander of the Allied Armies at the conclusion of World War I, observed in his 1920 book, "Precepts and Judgments", that "Great results in war are due to the commander. History is therefore right in making generals responsible for victories—in which case they are glorified; and for defeats—in which case they are disgraced." The book is still out on the success or failure of the surge strategy. General Petraeus should bring it to its conclusion before he is rewarded with a promotion.

Continuity of command has been a problem in Iraq. Historically, when the United States has been involved in protracted conflicts, continuity of command has been maintained, be it Generals Eisenhower or MacArthur during World War II, or General Westmoreland during the Vietnam conflict. General Petraeus has only been in his current position for 18 months. Since President Bush believes that General Petraeus

has done well in his current position, but he, Secretary Gates and General Petraeus have all described the security situation in Iraq as tenuous and reversible, it does not seem prudent to remove the mastermind behind the fragile successes that have been thus far achieved.

Almost 1 year ago, on July 14, 2007, President Bush said in a radio address that, "When America starts drawing down our forces in Iraq, it will be because our military commanders say the conditions on the ground are right—not because pollsters say it would be good politics." That strategy does not work well, however, when you keep changing commanders. No new commander is going to come in and say 'reduce the troop levels on my watch,' because if, through their lack of familiarity with the conditions on the ground, they are wrong, that defeat would be their disgrace, just as Marshal Foch observed in 1920. So, a year after President Bush's statement, troop levels in Iraq are only just returning to something close to the pre-surge levels of January 2007, when General Petraeus assumed command in Iraq. If, as General Petraeus has said, no further decisions on additional drawdowns will be made until sometime in the fall of 2008, a new commander will be called upon to make that decision.

I am also concerned about General Petraeus' unwillingness to address questions regarding other regional issues, such as in Afghanistan or Iran, during his nomination hearing. Such evasiveness is not politic; it is troubling at a time when news reports suggest that the Taliban is resurgent in Afghanistan and that President Bush may be contemplating military action against Iran. Despite the press of his responsibilities in Iraq, General Petraeus must be concerned with how other operations or other political considerations in the same theater affect his options in Iraq. Equally, he must consider how political changes in his chain of command might affect his operations in Iraq, yet he will not admit even the existence of contingency plans for potential troop drawdowns that might be required by a new administration. If the competing priorities for manpower and materiel are to be sorted out at the CENTCOM level, it must be done with a clear understanding of what is possible and what is achievable, by someone willing to take a stand in support of all the men and women who will be called upon to carry out those priorities, not by someone who only salutes and carries out orders or by someone who knows only a fraction of the full situation. General Petraeus' career will be judged in large part by his role in the Iraq conflict; his reticence to address other regional issues raises questions about his willingness to devote the focus and the resources needed to address them properly.

Finally, the repeated rotations of U.S. soldiers to Iraq and Afghanistan