implementing the permanent delay our country needs—a delay that would give Republicans and Democrats the chance to start over and work together, this time on a bipartisan step-by-step set of health reforms that would actually lower costs.

But we cannot get there until the President changes his mindset, until he puts the poetry down for a moment, flips the campaign switch off and the governing switch on. When he does, I think he will be surprised to find just how many Republicans want to do exactly what we have said all along—to work with him on solutions to get our economy moving, our jobs growing, and our health care more affordable. We are waiting. Americans are waiting. I hope he will finally be ready soon.

I yield the floor.

RESERVATION OF LEADER TIME

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

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will be in a period of morning business until 11 a.m., with Senators permitted to speak therein for up to 10 minutes each, with the time equally divided and controlled between the two leaders or their designees, with the majority controlling the first 30 minutes and the Republicans controlling the second 30 minutes.

Mr. MCCONNELL. I suggest the absence of a quorum.

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

The assistant legislative clerk proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.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

CREDIT RATING AGENCIES

Mr. FRANKEN. Mr. President, I rise today to discuss a problem I have spoken about many times over the past 3 years, beginning with debate on the Dodd-Frank Wall Street reform bill. That bill, which Congress passed in July 2010, contained a provision I authored with my Republican colleague Senator ROGER WICKER of Mississippi. Our provision gave the Securities and Exchange Commission the authority to issue rules to address the conflicts of interest inherent in the credit rating industry—conflicts of interest which contributed mightily to our recent financial collapse and which have continued to plague that industry through today.

I am speaking about this issue again because even though the conflicts continue to put our economy at risk, the SEC still has not proposed meaningful reforms. The SEC has studied the issue, the Financial Crisis Inquiry Commission has studied the issue, and the Permanent Subcommittee on Investigations has studied the issue. Now it is time to move forward and take action on the issue.

Let me start off by briefly reminding everyone what this conflict of interest is about and why it is important. In the years leading up to 2008 financial collapse the credit rating agencies were enjoying massive profits and booming business. There is nothing inherently wrong with massive profits and booming business, but there was one fundamental problem: Booming business was coming at the expense of accurate credit ratings, which is supposed to be the entire reason for the existence of the credit rating agencies.

Credit rating agencies were and still are paid to issue ratings directly by the big Wall Street banks issuing the paper and requesting the ratings. If a rating agency—let's say Moody's—does not provide the triple-A rating the bank wants, the bank can then just take its business over to Fitch or S&P. That is called ratings shopping, and it continues to this day. The opportunity for ratings shopping creates an incentive for the credit raters to give out those triple-A ratings even when they are not warranted, and that is exactly what happened with the subprime mortgage-backed securities that played such a crucial role in the financial crisis—and it happened over and over. It became ingrained in the culture of the industry.

The Permanent Subcommittee on Investigations, chaired by Senator LEVIN, took a close look at the big three rating agencies, examined millions of pages of documents, and released an extensive report detailing the internal communications at Moody's, S&P, and Fitch. Among the many troubling e-mails, there is one in particular from an S&P official that sums up the prevailing attitude quite nicely: ''Let's hope we are all wealthy and retired by the time this house of cards falters.''

With all the risky bets in the financial sector—and bets on those bets—our financial sector indeed became a house of cards. But without the conduct of the credit raters, the house of cards would have been just one card tall.

Two years after that e-mail was written, that house of cards did not just falter, it collapsed. Because that house of cards had grown several stories high, when it collapsed it brought down the entire American economy with it. The financial meltdown cost Americans $3.4 trillion in retirement savings. It triggered the worst crisis since the Great Depression with its massive business failures and mass foreclosures and job losses and the explosion of our national debt.

The crisis profoundly affected the everyday lives of millions of Americans in so many negative ways, including in Minnesota. People lost their homes, their jobs, their retirement savings, and their health insurance.

I have previously shared on the floor the story of my constituent Dave Berg from Eden Prairie, MN. He testified at a field hearing I had in May of 2010 and told his story about having to start over—finding a new job and rebuilding his retirement savings—at 57 years of age. His reflections on his experience in the recession mirror those of millions of other Americans.

He said:

> The downturn of the economy, caused in part by the abuses on Wall Street, led to the loss of my retirement security. Reforming the way Wall Street operates is important to me personally, because I have a lot of saving yet to do—and I simply cannot afford another Wall Street meltdown. I need to have confidence in the markets—and I need to know there is accountability to those who caused a financial crisis.

It is hard to overestimate the extent to which the credit rating agencies contributed to the financial crisis in which millions like Dave Berg lost their jobs, their homes, and far too many Minnesotans had their hopes for the future dashed.

These Americans are not necessarily seeking retribution from Wall Street. They just need to be assured it will not happen again. They know there is a problem and the problem needs to be fixed.

We do not need further proof of that, but we get it in the February complaint filed by Department of Justice against S&P in which DOJ alleges—as it stated when it filed the complaint—that the credit rating agency ''falsely represented that its ratings were objective, independent, and uninfluenced by S&P's relationships with investment banks when, in actuality, S&P's desire for increased revenue and market share led it to favor the interest of these banks over investors.''

The complaint highlights the patently problematic way the credit rating agencies habitually did business. One e-mail obtained in that investigation from a high-level S&P official reads:

> We are meeting with your group this week to discuss adjusting criteria for rating CDO's of real estate assets . . . because of the ongoing threat of losing deals.

CDOs—collateralized debt obligations—are one of those derivatives, or bets, that added stories to the house of cards. This official had apparently become so comfortable with the culture of conflicts of interest that he appeared to have no reservations about putting it in writing.

In fact, a while ago, S&P asked the judge in the case to throw out the Justice Department lawsuit against them by pointing to a previous decision made by a U.S. district court judge in an earlier securities fraud case against them. That earlier suit against the S&P had been filed by shareholders who said they had bought their shares believing that S&P's ratings were independent and objective—as the S&P had long declared. But the judge in the earlier case dismissed the shareholders' suit, finding that the S&P's statements that their ratings were independent and objective were ''mere puffery.'' In other words, no one could take S&P's statements about their ratings objectivity and independence seriously. It was just puffery and advertising that no one could believe.

Very recently, S&P tried to use—in the Department of Justice's case against them in their filing—the earlier ''puffery'' ruling to try to get the Justice Department suit thrown out against them. So S&P's legal argument was that no one could reasonably think that they had a reputation for producing independent and credible ratings.

Thankfully, earlier this month, the judge in the DOJ suit ruled that the DOJ suit could go forward and said last week he found S&P's puffery defense to be ''deeply and unavoidably troubling.''

S&P's rationale should strike us all as deeply and unavoidably troubling because their legal defense—this is S&P's legal defense—said no one could possibly rely on their ratings. But their job is to provide independent, objective, and accurate ratings. Millions of Americans lost their jobs because S&P didn't do its job. S&P didn't do their one job. They have one job and that is to provide accurate ratings. They didn't do their one job. They have no other job.

I am glad the Department of Justice is pursuing this case, but DOJ's action is not enough. It is backward-looking and addresses past harms. My concern is that the conduct continues to this day.

The ACTING PRESIDENT pro tempore. The Senator's time has expired.

Mr. FRANKEN. Mr. President, I ask unanimous consent for 5 more minutes.

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

Mr. FRANKEN. Mr. President, I am glad the DOJ is going forward in pursuing this case, but as I said it is not enough. It is backward-looking and addresses past harms. My concern is that the conduct continues to this day. The credit raters are still influenced by the relationships with the banks because that is who pays them. It is a clear conflict of interest, and we need to prioritize actions that will prevent another meltdown in the future.

The Dodd-Frank provision I wrote with Senator WICKER, if implemented in full, would root out the conflicts of interest from the issuer pays model. The amendment we offered and the Senate passed directed the SEC, Securities and Exchange Commission, to create an independent self-regulatory organization that would select which agency—one with the adequate capacity and expertise—would provide the initial credit rating of each structured financial product.

The assignments would not be based just on the agency's capacity and expertise but also, after time, on its track record. Our approach would incentivize and reward excellence. The current pay-for-play model—with its inherent conflict of interest—would be replaced by a pay-for performance model. This improved market finally allows smaller rating agencies to break the Big Three's oligopoly.

The oligopoly is clear. The SEC estimates that as of December 31, 2011, approximately 91 percent of the credit ratings for structured finance products were issued by the three largest credit rating agencies—Fitch, Moody's, and S&P—each of which was implicated in the PSI investigation. The other five agencies doing structured finance make up the remaining 9 percent.

The current oligopoly does not incentivize accuracy. However, if we move to a system based on merit, the smaller credit rating agencies would be better able to participate and serve as a check against inflated ratings, thereby helping to prevent another meltdown.

In our proposed model, the independent board would be comprised mainly of investor types—managers of university endowments and pension funds—who have the greatest stake in the reliability of credit ratings, as well as representatives from the credit rating agencies, the banking industries, and academics who have studied this issue.

Our amendment passed the Senate with a large majority, including 11 Republican votes. This is not a progressive or conservative idea, it is a commonsense idea.

The final version of Dodd-Frank modified the amendment and, to be frank, put more decisionmaking authority in the hands of the SEC as to how to respond to the problem of conflicts of interest in the credit rating agency industry. The final version directed the SEC to study the proposals that Senator WICKER and I made, along with other alternatives, and then decide how to act.

The SEC released its study in December. The study acknowledged the conflicts of interest in the credit rating industry and reviewed our proposal and many of the alternatives. They laid out the pros and cons of each proposal without reaching a definitive conclusion on which route to pursue.

The study also proposed holding a roundtable discussion to further examine reform opportunities. This SEC convened this roundtable on May 14, and both Senator WICKER and I had the opportunity to present opening remarks. Bloomberg News had a good article on the roundtable on March 14, including several key quotes that I am going to use in my remarks. The roundtable provided a rigorous examination of our proposal and of the alternatives.

One executive who was from a smaller rating agency endorsed the concept of a rotating assignment system to help break up the current oligopoly. Jules Kroll, the CEO of Kroll Bonding Credit Agency, said of the Big Three: ''They're selling themselves out, just as they did before.''

The Big Three were also represented at the roundtable. An S&P representative argued against meaningful reform by suggesting that ''a government assignment system could create uncertainty, could slow down markets, and disrupt capital flows at a time when we could least afford it.'' He didn't mention puffery. Unsurprisingly, I disagree with his characterization and would indeed suggest that what we can least afford is to maintain the status quo.

An alternative proposal, the continuation of the 17g-5 proposal, was met with more than a little skepticism. The 17g-5 Program seeks to encourage unpaid, unsolicited ratings by requiring the sharing of data on which ratings are based. The theory is, unsolicited ratings will keep paid ratings honest. Joseph Petro of Morningstar Credit Ratings said using the unsolicited rating program ''is not the best use of resources as we're trying to build out our ratings platform.'' SEC Commissioner Troy Paredes made a strong point when he noted that negative, unsolicited ratings by a firm ''may not be the best way to get business in an issuer-pays setting.'' By the time the report was written, the 17g-5 Program had produced only one or two ratings.

I have said all along that I believe the proposal of Senator WICKER and myself is a good one and the right one, and I continue to believe that more and more as I have thought about it and looked at it in the years now since we originally wrote the legislation. But I have also said I am open to any other meaningful proposals, and I will support any proposal the SEC recommends that addresses the conflicts of interest in a meaningful way. But the Roundtable made very clear once again that reform is necessary and that the status quo is inadequate to protect American investors, workers, and homeowners in the years ahead.

Dealbreaker.com, a satirical blog that covers Wall Street, ran a post on the day of the SEC Roundtable with this title: ''The SEC Will Keep Talking About Credit Rating Agencies Until Everyone Stops Paying Attention.'' That is one approach Wall Street regulators can choose to take and it would be completely unacceptable. To do that would be to fail the American people. Senator WICKER and I have worked with the SEC continuously over the past 3 years, and I will continue to pursue this issue until the SEC fulfills its directive to address the conflicts of interest in the credit rating industry. I am obligated to my constituents and to the American public to make sure that satirical headline does not become reality.

I look forward to working with the SEC on the next steps toward a proposed rule on credit rating reform.

I yield the floor, and I note the presence of both of my esteemed colleagues from Hawaii, including the one presiding, and Senator HIRONO, who is about, I believe, to ask for the floor.

The ACTING PRESIDENT pro tempore. The Senator from Hawaii.

TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT APPROPRIATIONS

Ms. HIRONO. Mr. President, I rise today to speak in support of S. 1243, the Transportation, Housing and Urban Development and Related Agencies Appropriations Act for 2014. I wish to thank Senators MURRAY and COLLINS as well as Senators MIKULSKI and SHELBY for their hard work. The bill before us reflects the bipartisan agreement that funding our Nation's transportation and housing infrastructure is vital to creating jobs and supporting strong communities.

I wish to thank the committee for funding programs that support projects that are especially crucial for my home State of Hawaii.

First, the committee's bill provides nearly $2 billion for capital improvement grants which support transit projects across the country. Especially important for Hawaii is Honolulu's rail transit project which, when completed, will provide much needed relief for Oahu's commuters. Studies have shown that during the morning peak period, the average travel time from East Kapolei to Honolulu is 89 minutes—89 minutes for a 17-mile drive. The rail will turn that into a 40-minute ride above traffic. The project is estimated to remove roughly 40,000 cars from Oahu's congested roadways, providing relief for buses and other surface public transportation services.

While the rail project is a crucial step forward for developing Hawaii's most populous island, it is the committee's support for Hawaii's indigenous people for which I especially extend my thanks. The committee's funding of both the Native Hawaiian Housing Block Grant and the 184A Loan Guarantee Program will help our Nation continue fulfilling its trust obligations to Native Hawaiians.

In 2010, the American Community Survey reported that 27.2 percent of Native Hawaiians in Hawaii live in overcrowded conditions, compared to 8.5 percent of Hawaii's total population. In addition, the overall cost of living in Hawaii is almost 50 percent higher than the United States average, and housing costs are almost 150 percent higher. Coupled with these costs is the fact that 18 percent of Native Hawaiians live in poverty.

The ACTING PRESIDENT pro tempore. The time of the majority has expired.

Ms. HIRONO. I ask unanimous consent for an additional 5 minutes.

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

Ms. HIRONO. Thank you, Mr. President.

Congress created the Hawaiian Home Lands trust to provide housing and settlement opportunities for Native Hawaiians. However, as the statistics I just laid out show, this indigenous population continues to struggle with finding affordable quality housing in their place of origin.

That is why the Native Hawaiian Housing Block Grant, or NHHBG, is so important. These funds can be used for a variety of initiatives. For example, the current wait list for access to housing on homestead land is long and continues to grow. Funding the NHHBG helps the Department of Hawaiian Home Lands to continue developing lands to meet the housing needs of those on the wait list as well as future beneficiaries, allowing the Department to effectively administer this trust responsibly.

The 184A Program is another important tool for assisting Native Hawaiians in securing homes on homesteads—lands they cannot own. As I have mentioned, the cost of living—especially housing—in Hawaii is among the highest in the country. On top of saving up the cost of a downpayment for a mortgage, there is the tricky task of securing a mortgage for a home without ownership of the land beneath it. This has proved problematic not only for Native Hawaiians but also Native Americans and Alaska Natives. The 184A Loan Guarantee Program helps get Hawaiians onto homesteads by providing a guarantee for lenders who are unfamiliar with the Hawaiian homes program.

I also wish to thank the committee for supporting the Essential Air Services Program. Being an island State, Hawaii is uniquely affected by any changes to air transportation policy. For us, driving between counties is not an option. So air service is, for all intents and purposes, the only way to get from one island to another.

There is a population in Hawaii that uniquely demonstrates the reason for the Essential Air Service Program: the residents of Kalaupapa. Kalaupapa is an isolated peninsula on the island of Molokai. Beginning in 1966, this area was used as an exile for Hansen's disease patients. This practice continued until a quarantine of the area was finally lifted in 1969. It was precisely because of Kalaupapa's remoteness and isolation that it was selected to serve this function for Hansen's disease patients.

There are Hansen's disease patients who still reside in Kalaupapa. Their only option for getting in and out of the area for medical treatment, or to visit family and friends, is flying. Maintaining proper funding for the Essential Air Service Program directly translates into assuring continued access for the people of Kalaupapa to other communities and the services they need.

The committee's bill also provides appropriate levels of funding for larger national programs such as the Community Development Block Grant, or CDBG. Certainly, Hawaii has been able to put CDBG funds to good use, and agencies across the country rely on this essential block grant funding to continue meeting the needs of their most vulnerable populations.

The HOME Investment Partnerships Program is yet another example where the funding level in the Senate's bill is warranted. If Hawaii is any indication, HOME funds move out the door so quickly that many subgrantees with equally worthwhile projects are left waiting for the next fiscal cycle to compete.

The support for CDBG, HOME, and other programs in the bill provides communities across the country with the means to provide safe, affordable housing for the least fortunate, the elderly, and others. However, as the wide support for these programs demonstrates, there is more need in our communities than there are resources. Since the sequester has taken effect, things have only gotten harder for those who are struggling the most. Every day it seems we hear about housing vouchers being frozen or rescinded or about how elderly or support services are being cut back or about how the lines for limited public housing grow as people who have been out of work for too long exhaust their savings. For many of the people who rely on these programs, there is nowhere else to turn.

This bill doesn't fix all of the problems caused by the sequester, nor does it fully address the critical needs to create jobs. However, it is a bipartisan step forward that makes positive progress in all of these areas. Perhaps it will give us some momentum in tackling those big challenges our Nation faces in a more comprehensive way.

I urge my colleagues to support this important legislation.

Thank you, Mr. President. I yield the floor.

The ACTING PRESIDENT pro tempore. The Republican whip.

Mr. CORNYN. Mr. President, we now know, the IRS targeting scandal implicates senior officials at the very highest levels of the Internal Revenue Service. Indeed, we know the Office of the Chief Counsel of the IRS, headed by an administration appointee, was aware of the abuses, according to sworn testimony in the House of Representatives. We know that former IRS Commissioner Douglas Shulman categorically denied those abuses in March of 2012, even though senior IRS officials learned about them as early as June 2011. We know the IRS official who first revealed the abuses to the American people decided to take the Fifth Amendment, invoking her right not to incriminate herself, rather than testify before Congress. Finally, we know IRS officials improperly targeted not only conservative organizations but also political candidates and donors.

Still, yesterday the White House Press Secretary called the various