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Senate

The Senate met at 9:15 a.m. and was called to order by the President pro tempore [Mr. STEVENS].

The PRESIDENT pro tempore. This morning the Senate will be led in prayer by a great personal friend and father of one of my staff on the Appropriations Committee. I present to the Senate Pastor James C. Hayes of the Lily of the Valley Church of God in Christ of Fairbanks, AK. He is a three-time former mayor of Fairbanks.

PRAYER

The guest Chaplain offered the following prayer:

Oh, gracious and eternal God who rules Heaven and Earth and has been with all of us from the very beginning of time, You have never left us. As you stated in Your word, ''Lo I am with you always even unto the end of the world'' (Matthew 28:20). We thank You. We also thank You for America, the greatest Nation founded upon the belief ''In God we trust.''

God, I pray no prayer that You have not heard before. I speak no words that have never been uttered. Ezekiel 22:30 says, ''And I sought for a man among them that should make up the hedge, and stand in the gap before me for the land, that I should not destroy it; but I found none.'' God, as Your servant, I stand in the gap and pray an intercessory prayer of faith, hope, and love. I pray for these men and women who are elected to serve Your people in the U.S. Senate as they deliberate and make tough and sometimes unpopular decisions that affect all of us who live in the land of the free. I Timothy 2:1–2 says, ''I exhort, therefore, that first of all, supplications, prayers, intercessions, and giving of thanks be made for all men; for kings and for all that are in authority, that we may lead a quiet and peaceful life in all godliness and honesty.'' I pray that You empower each Member with Your vision and courage as they seek to continue making this Nation the greatest nation on Earth.

God, let us remember that You are the author and finisher of our faith. Let us also remember You are our Father, and You have the last word. Amen.

PLEDGE OF ALLEGIANCE

The PRESIDENT pro tempore led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one Nation under God, indivisible, with liberty and justice for all.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDING OFFICER (Mr. BROWNBACK). The majority leader is recognized.

SCHEDULE

Mr. FRIST. Mr. President, this morning the Senate will begin consideration of the jobs and economic growth package which was reported by the Finance Committee. Under the agreement reached yesterday, there are 14 hours remaining for consideration of the bill.

I again ask that all Senators who intend to offer amendments contact the chairman and ranking member of the committee to facilitate their structuring of consideration of this bill for today and tomorrow morning.

As I indicated last night in closing, I expect a very busy day today and, indeed, a busy day tomorrow and on Friday. We will have a busy day and likely a busy night tonight as we address this important jobs and economic growth package.

When we complete this measure tomorrow, we will proceed directly to the bipartisan global HIV/AIDS bill. The Senate will complete both of these important issues this week. A number of Senators do have engagements planned Saturday, a number of commencement addresses and interaction with their constituents, so we will not be in on Saturday, but we will likely be voting late into Friday. I urge them to make appropriate arrangements but to be here Friday. We will clearly be voting through tomorrow as well.

Mr. President, I made a few statements yesterday on the fact that this HIV/AIDS bill will be addressed this week. The focus today and much of tomorrow will be on the jobs and economic growth package. I hope we can go to the HIV/AIDS bill tomorrow afternoon. This virus, HIV/AIDS, casts a shadow of death that reaches across oceans; it knows no borders, and it is sweeping across continents. It goes to remote villages and countries all across the globe. It has killed 23 million people, and 42 million people are living with this virus. Of those 42 million people, most don't know they have the virus. Another 60 million people will likely die of HIV/AIDS by 2020.

We have an opportunity to reverse this moral, this humanitarian tragedy. The work has been done by the House of Representatives, by the President of the United States, and now it is up to this body. As I have mentioned before, history will judge whether America has led in the fight against HIV/AIDS, which has caused the greatest destruction in human life in recorded history, and whether we stood up in a timely fashion and performed heroic rescues. President Bush opened the door to that possibility, the House acted, and we will act this week to pass legislation and get this program established without further delay.

RECOGNITION OF THE ACTING MINORITY LEADER

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. REID. We have two of the most experienced managers in the Senate working on this bill, Senators GRASSLEY and BAUCUS. The rules of this tax

● This ''bullet'' symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

debate are not the ordinary rules of the Senate. They are unique in this piece of legislation. So we need to make sure that Members understand that, and that those who have amendments, as the majority leader has indicated, give the managers some indication as to when they will be ready. We don't have the luxury, as we have on a lot of pieces of legislation, to just wait around until they show up. With some exceptions, the time runs all the time—with the exception, of course, if there are rollcall votes.

I ask that all Members understand that the rules of this debate are different than others. If we are going to complete all of the work people want—we have a significant number of amendments on this side that people want to offer, and they may not be able to offer them. If the majority wants to take time on our amendments, they can do that, of course.

This is also one of those times when we have the ability to enter into debate and have amendments voted on. We are going to have this trimmed down as much as we can on our side, but we have a lot of amendments. Voting alone on this bill could take several hours. So I hope everybody will cooperate with Senators GRASSLEY and BAUCUS and help us move this important piece of legislation.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER. Under the previous order, leadership time is reserved.

JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to the consideration of Calendar No. 97, S. 1054. The clerk will state the bill by title.

The legislative clerk read as follows:

A bill (S. 1054) to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004.

The PRESIDING OFFICER. Under the previous order, there are 14 hours of debate on the measure to be equally divided.

The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I yield to our majority leader whatever time he might consume.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. FRIST. Mr. President, we are now on the jobs and economic growth package. By statute, the clock is running and we will have a very healthy and productive debate in the next 14 hours, as the assistant minority leader said.

It is critically important that we do this in a disciplined and organized way. The rules are different than on the usual debate. They are very clear. What it means is that we need to have participation as early as possible with the two leaders who will be managing this bill. I want to reiterate what the assistant leader said.

The legislation that we will be discussing—and, ultimately, I believe will pass—will clearly lower tax burdens, increase jobs, and expand and grow the economy in the short term, midterm, and in the long term. That is an objective I think both sides of the aisle share—expansion of the economy. With that, you have job creation and an increase in savings and investment.

The House has done its work on the bill, and now it is time for the Senate to do the same, to send a very clear message to the American people that we are serious as a body, as an institution, as a Government, as the Congress, about creating jobs. When you say creating jobs, you are really saying to give job security to the people who have jobs, and also to those people across America who don't have jobs but who want jobs and are willing to work, to have that opportunity.

Growing the economy is sort of a surrogate of what we say because if you look at the economy and you make that pie larger and larger, in truth, you are creating jobs and growing our gross domestic product in a way that is consistent with the increased productivity of individuals that has occurred over the last 15, 20 years.

A lot of people ask how much. It is hard to give an exact number. We all look for those exact numbers. How much will the Senate Finance Committee jobs and tax package grow the economy? We make references to other proposals, and the other side of the aisle put a package on the table and quantified it. The President's proposal has been quantified, and those numbers have been used. People are asking: What about the package that passed out of the Finance Committee last night? How many jobs will it create?

The Heritage Foundation's Center for Data Analysis specifically studied the Senate Finance bill, and the results paint a very clear picture of growth—growing the economy. The study shows that the Finance Committee package will raise the economy's growth rate in 2004 from 3.3 to 3.6 percent. That six-tenths of 1 percent may not seem to be much, but what it does do is translate into an additional 437,000 jobs in 1 year, in 2004 alone, and an increase in gross domestic product that year of more than $42 billion.

I want to remind my colleagues that outside of the White House, the Senate is perhaps the only place in Washington where one person literally can make the difference. We have seen that play out in many of the votes thus far this year in our very closely divided Senate. One vote makes a difference.

So I say to each of my colleagues, please remember that the people back you, and how you participate in this debate and in growing the economy is important to our constituents—constituents in your State but indeed people all across the country. We will, through this bill, make a difference in the lives of each and every one of our constituents. Our constituents want to feel good again about the economy. They want to be able to find a job or get a better job. They want to be able to grow their businesses, most of which are small businesses, as we all know. They want a fighting chance to grab a piece of that American dream.

In closing, I urge my colleagues to move this jobs and growth package through the Senate quickly over the course of today. We can complete our job in this body in preparation for a final vote in the conference committee before we leave for the Memorial Day recess. In the form that is created over the next really 24 to 36 hours, building upon the very solid package put forth by the Finance Committee, we will be able to create jobs and we will be able to put Americans to work.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself such time as I might consume.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, we are in a position where there is a lot of anxiety about the economy. That anxiety probably started back in March of 2000, when we first saw a downturn in the manufacturing index, and the manufacturing index has been in a downturn for 33 months, at least as far as it relates to employment.

There is anxiety that the economy might go back to mid-2000 and later in 2000 when Nasdaq lost half its value. Then September 11 happened. There is anxiety about the war on terrorism, reinforced by the murder of Americans in Saudi Arabia yesterday. There is anxiety about the economy because of the war in Iraq and the war in Afghanistan. As far as war and foreign relations are concerned, there is not a lot we in Congress can do about it because people expect us to fight a war against terrorists. They expect us to make sure that bases for terrorism training against American citizens are not maintained by protection of foreign countries, such as Afghanistan.

Americans expect us to not allow a nation such as Iraq, where there has been a great deal of evidence of the existence of weapons of mass destruction that could be used against American citizens, to continue to exist, or a nation such as Iraq that supports terrorist organizations such as Hezbollah or Hamas, to create greater turmoil in the Middle East, threatening the oil supply coming to the United States which will affect our economy. There is not much we can do about that, but the American people expect us to do what we can.

Also, there are some actions we can take domestically that deal with the anxiety about the economy, whether it is related to the downturn of the domestic economy or whether that downturn is related to our international relations, our international responsibilities, or the protection of American citizens.

What we are doing today is responding, as best we can, through the tax policy of our country, to the anxiety about the economy. We have had the good fortune of a President with vision, with ideas to stimulate the recovery and, in the process of this legislation, as economists will tell us, create more than 1 million new jobs through changes in tax policy.

We are responding to the issues that are on the minds of Americans, and those issues are the need to create jobs and bringing robust growth to the economy.

I have the good fortune of serving in the Senate at the same time we have a President who has a tax policy that tries to accomplish what I have been working for in the Senate as a member of the Finance Committee for a much longer period of time than President Bush has been President of the United States.

As chairman of the Senate Finance Committee, that good fortune gives me the opportunity to work for my goals simultaneously with the goals the President seeks. Many times being a member of the Senate Finance Committee—I was not chairman at that particular time—I found myself trying to fight what I thought were bad ideas put forth by Presidents of the United States on tax policy. Today I have the good fortune of trying to accomplish for President Bush good things for our economy along the lines that I have tried to accomplish over a long period of time. Not often do Senators have that opportunity.

On the other hand, we faced a challenge in meeting the President's goals. As many of my colleagues know, several weeks ago the Senate agreed upon the size of the reconciled tax relief cuts for jobs and for growth. I join many of my colleagues in wishing the reconciliation amount had been larger, and I believe we have put together a good proposal, given the limitation we face of the realities of compromising on the budget which we adopted 1 month ago.

I am pleased that the Finance Committee was able to report out legislation that received bipartisan support, although not as broadly bipartisan as I had hoped. While I wish the number of supporters from the other side of the aisle had been greater for final passage, I think the vote reflects broad bipartisan support for a significant majority of the provisions in this bill.

The vote also reflects a common goal: to see our economy strengthened by tax relief policies. At least three-fourths of this bill enjoys bipartisan support, for instance, with major parts of the income tax policy that is in this legislation, meaning personal income tax policy.

I believe the bill before us today is a balanced package of consumption and investment incentives that will provide short-term stimulus and provide the building blocks for meaningful future economic growth.

There is wide support for the provisions that accelerate the child tax credit, the marriage penalty relief, expansion of the 10-percent bracket, almost all of the marginal rates expanding small business expensing, and providing much needed alternative minimum tax relief.

These six provisions make up approximately $300 billion of the total package of economic growth proposals before the Senate and represent the three-fourths of the bill that I described that had broad bipartisan support. Unfortunately, from the statements by a few of my colleagues, one would never know about these items having broad bipartisan support.

I believe the American people sent us here to get the people's business done. Sadly, despite a bill that provides so much benefit to working families and will create over 1 million new jobs, there are many who put partisanship first and turn the other song on its head: accentuate the negative and eliminate the positive.

Let me try to counter the efforts to eliminate the positive by briefly taking Members through key provisions of the bill. I will emphasize first those that I can say categorically would have overwhelming support, meaning overwhelming bipartisan support, if they were voted upon separately.

With regard to the child tax credit, we immediately bring the child tax credit to $1,000 per year instead of waiting for that to be phased in over the rest of this decade. In addition, we also accelerate the refundable portion of the child credit.

In other words, we are going to speed up the giving of money to people who have not even paid income tax so that they benefit from our emphasis upon helping families with children.

Finally, we simplify the definition of a child for several different tax programs. I know it is not imaginable to the average taxpayer that somehow we would complicate the Tax Code by having half a dozen different definitions of the world ''child,'' but we do have. We simplified this by expanding who is eligible and making more families eligible for certain tax benefits. This is what that means: Over $75 billion that hard-working families will get to keep in their pockets. Thus, by far and away the biggest part of this bill is direct benefits that help middle and lower income families.

There is one more thing. Not only are hard-working families getting the biggest benefits, they are first in line to get the benefits of this bill because we include the President's proposal that would send checks—rebate checks, if you want to call them that—to those who receive the child credit in their 2002 tax year. The Treasury Department states that these checks will be sent out within 6 weeks of Congress approving this bill. So in just a few weeks, eligible families will receive a check from the Treasury of up to $400 per child.

Why $400 per child? Because presently the child credit is $600 and it would not reach $1,000 until later in this decade, gradually phased in. We make that $1,000 credit effective right now for the year 2004.

Now, there is another very popular change in this bill that a vast majority of this body believes should have been done a long time ago and was done in the year 2001 tax bill but phased in over this decade. What we do is provide marriage penalty relief of $51 billion in this package to de-emphasize the penalty for people being married, meaning they pay a higher tax bill than people who would have the same incomes not being married. So these people will not be penalized for being married and having both husband and wife working.

It also enhances tax relief for those families where one spouse decides to stay home and spend their time, rather than outside the family and the workforce, doing that work in the family, raising kids. As my wife reminds me, raising the family is one of the hardest and most important jobs, and that has been emphasized very effectively by the President of the United States.

So the marriage penalty would have been phased in over this decade, and now, retroactive to January 1, 2004, we are going to have the marriage penalty fully brought in under the 2001 tax bill policy.

There is another problem particularly for middle-income taxpayers, and that is how the alternative minimum tax is hitting an increasing number of American taxpayers. The bill before us actually ensures that fewer Americans will be subject to the alternative minimum tax through the year 2005, and we devote $49 billion in this bill to addressing the alternative minimum tax.

I want to be candid with the taxpayers of America and tell them that we are not doing in this bill, because of costs now, what we did in 1999 when, during the Clinton administration, the Senate and House sent to the President a bill abolishing the alternative minimum tax. That was vetoed by President Clinton. I am sure I am going to have Members on the other side of the aisle saying we are not doing enough for the alternative minimum tax. I hope they remember that when it was not as far down the road as it is now on covering more Americans being hit by the alternative minimum tax, this Congress had the foresight to do away with the alternative minimum tax and President Clinton vetoed it.

In this regard of how we handle the alternative minimum tax, we eliminate more people from being hit by the alternative minimum tax than we would have under the 2001 tax law.

In another area where we want to increase investment to create jobs, the bill provides for increasing expensing of depreciable investment by small business. We increase that from a $25,000 a year write-off to a $75,000 a year write-off, to encourage expansion and investment by small business today and the new jobs that will result from that small business investment.

The acceleration of the expansion of the tax brackets at the 10 percent bracket benefits all taxpayers and will mean thousands of taxpayers no longer even owe Federal income tax. That 10 percent bracket relief reports $44 billion of revenue loss in this bill, meaning that people hit by the 10 percent bracket will pay $44 billion less in taxes. This is another one of the provisions in the 2001 tax bill that would have been phased in over the next decade that we are bringing back effective January 1, 2004, fully implemented.

The reduction of tax rates at all other levels—and this does reduce marginal tax rates back to January 1, 2004, rates that would have otherwise been reduced gradually over the rest of this decade, making those marginal tax rates fully effective this year. The reduction of the top rate amounts to less than 7 percent of the total cost of this package, although I fear that many speakers will have us think it is 93 percent from all the words spent on this matter.

The reduction of all tax rates will help the husband and wife who, after years of hard work, have finally achieved good paying jobs and now face the triple threat. That triple threat is the cost of paying for their children going to college, saving for their own retirement and, oddly enough, probably helping their own parents in retirement.

The reductions of rates as well as expensing will help small business owners, as in my own city of Dubuque, IA, and small business owners across the country. These small business folks are key to job creation. If they hire more workers, if they expand their businesses, we are all better off.

That brings me to the point of who most benefits from the reductions of rates as well as small business expensing: The people who are hired by the small business owner. What this bill is all about is the creation of jobs. Of all the people benefiting, it is going to be those who want to work and will have an opportunity to work because of the 1 million-plus jobs that will be created by this legislation. These new jobs and the people who will be in them do not show up on any of the charts that we will see. They do not show up on the benefit table. But it is those people and their families who benefit greatly from this bill.

This is jobs creation legislation. This is based on the presumption that if money is in the taxpayers' pockets and 110 million taxpayers in America decide how that money is going to be spent or invested, it will do more economic good, turn over the economy many more times, than if it comes through the Federal Treasury and 535 Members of Congress decide how it will be divided.

Do not buy into the argument: How can we afford a tax cut when the budget deficit is what it is. A lot of the same Members who are going to be bringing that issue forward are some of the same Members who offered amendments on the Budget Act or offered amendments on the appropriations bill in January to spend more money. A lot of the votes on the budget took money away from tax relief in the budget and spent it somewhere else. Anyone who is concerned about the budget deficit ought to have reduced taxes and put it against the bottom line, not spend it someplace else.

The conclusion can be drawn that a lot of Members expressing concern over the budget deficit are not really concerned about the budget deficit but want more tax money coming through the Federal budget, through the Federal Treasury, so 535 Members of Congress can spend the money rather than 110 million American taxpayers having it in their pockets.

I happen to believe how 535 Members of Congress spend the money is not going to respond to the dynamics of our free market system, compared to 110 million taxpayers making the decision of how that money is spent.

Much of the discussion I have spoken about, worry of the budget deficit, is going to be related to discussion regarding the top rate and whether or not we should reduce the top rate from 38.6 to 35. Remember, that was already legislated in 2001 but not going to be fully effective until the year 2006. We made a judgment that putting money into the pockets of people who will invest it and create jobs, particularly small business owners, is better to do now, starting January 1, 2004, rather than waiting until 2006.

For those listening, do not look exclusively at the number of taxpayers impacted by those rates. Such an analysis fails to tell a complete story about the efficacy and efficiency of lowering top rates and seems to focus instead on who gets what in a distributional sense, not the economic good that comes from the policy decisions.

In my opinion, the better way to think about it is to focus on: One, what most efficiently changes behavior of taxpayers; two, what provides incentives for the creation of jobs; and, three, what has the largest multiplier effect on the economy. And by "multiplier effect," I mean what is going to be done with the money by the 110 million taxpayers who create jobs. That has to be one of two ways. Either they spend it and it enhances two-thirds of the economy related to consumer spending or it will be invested and, with investment, the creation of jobs.

We will hear a lot about distributional analysis of how this tax bill might affect certain classes of taxpayers. It also ignores the fact that successful businesses—in other words, profitable businesses that pay proportionately higher taxes and the highest marginal tax rates—are the ones who will disproportionately add the most labor and capital. This is an important point to keep in mind.

Everyone knows most of my livelihood outside of Congress or even while I have been in Congress has been from farming. But throughout my lifetime I have had jobs with small business people in the Waterloo-Cedar Falls area of Iowa. I have had those jobs because I started out as a small farmer. If you are farming 80 acres, you cannot make a living so you moonlight someplace else to provide income to support your family. I had an opportunity to work at a little business called Universal Hoist. We made grain-moving equipment for farmers and grain elevators to buy. That business is still operating in Cedar Falls. I worked 10 years, from 1961 to 1971, as an assembly line worker at a company called Waterloo Register Company. We made furnace registers. I had the beautiful job of putting screw holes in those registers. Do that for 10 years and you have a lot of time to think about public policy, too, I guess. Regardless, that is what I did. That factory closed down in 1971. It no longer exists.

The point I make about higher income people, they provide jobs for people in my State. They probably provide a lot more jobs than the John Deeres and Maytags. These are outstanding businesses in my State and I do not denigrate their contribution to the economy. I had jobs because of small entrepreneurs investing and creating a job for me that I could not create for myself on an 80-acre farm. I created a part-time job on an 80-acre farm. Someone else invested money. These were middle-income taxpayers, as I knew them at that time. It takes people with money to create jobs.

Also, people who have money have not always been rich. And they are not always going to be rich. We have economic mobility studies that show that. One might get the opinion from debate on this bill—and I hope I am accurately anticipating because I have heard these debates before. One gets the idea from the debates on class warfare that somehow people who are poor in America are poor throughout their lifetime, and people who are rich are rich throughout their lifetime. People at the top levels have problems and they come down, and there is great mobility upwards in our society. I want people who discuss we are not doing enough for the poor or we are doing too much for the rich in America, I want these Members to understand the studies show as we divide our working people into quintiles of income, these studies show the people in the lowest quintile after 10 years have moved to the second, third, and fourth quintile, maybe some even up to the fifth quintile. But there is only 10 percent of the original 20 percent in the lower quintile after 10 years. That is 2 percent of our workforce.

There is great upward mobility. Those studies also show a lot of people in the top quintile after 10 years are not in the top quintile. There is mobility downward.

What we are talking about in this legislation to create jobs, to give tax relief to American workers, is to give small business, and even large business, an incentive to create jobs in one of two ways: Either take the money and invest it and create jobs rather than spending it for you or for consumers to take their extra money and buy things and create consumer demand, in turn creating jobs.

It also has something to do with enhancing the capital-to-labor ratio. That is because when capital is more available, when there is a surplus of capital, that is when labor in America does its best because labor is going to be much more in demand when there is a surplus of capital. That is where labor is going to make its progress, with higher wages and more jobs being created. This bill will enhance the capital-to-labor ratio.

To further be definitive on what I have said as a philosophical statement with statements that are backed up by studies that have been made, we have, as far as cutting the marginal tax rate is concerned, studies suggesting that a 5 percentage point reduction in the top marginal tax rate would increase small business investment by as much as 10 percent. The Treasury has indicated that 80 percent of the benefits from the top rate acceleration go to small business.

I will digress for a minute to talk about something that troubles me about the debate on bringing down the top rate to 35 percent. Some folks, especially those who have acquired their wealth through professions, big business, or inheritance, are the ones most violently opposed to reducing the top rate. It makes you wonder why these people so oppose bringing down the tax burden on businesses that they probably do not even know about—small business.

I gave this some thought while I was out in the field helping to plant corn the other day. I asked myself, Could it be that they are envious? No, that doesn't make sense because these folks generally have more money than successful small business people.

I asked myself another question: Could it be they do not want others, maybe those looking to make the transition from modest success to very successful status, to make that transition that is possible given the economic mobility of our society? Could it be that they see high taxes as a way to bar others from moving up? Could it be that they believe high taxes are the necessary tool to block successful small business people? Could it be that these elitists want to block a class of people who move up because of hard work rather than by pedigree? Could it be that high taxes on small businesses is a way to sustain the status quo?

I hope that is not true, but it makes you wonder. I know in the heartland of America people do not resent or try to block success of those who acquire it through developing small businesses. In my State of Iowa, the opinion of a successful small business person is very important, if not more important, than that of a corporate CEO.

I was amused to read some press reports about how K Street lobbyists and the Fortune 500 have reservations about this Finance Committee bill before us. There were too many revenue raisers, too many loophole closers, too much to ask from big business.

I would like to ask a different question. Are we doing enough for small business and the people who want to hire them? I want to focus on that question. Small businesses, as I have indicated, are engines of growth for our economy. In the recent past, they have been the source of most newly created jobs. I also continue to believe it is important to ensure that small businesses do not operate at a competitive disadvantage vis-a-vis large corporations because they are forced to pay higher marginal income tax rates. Currently, successful small businesses incur a 10-percent rate penalty when compared to their big business counterparts. In other words, if you are not incorporated, you pay the higher marginal tax rate of 38 percent. There is a bias in favor of corporations away from small business, individual entrepreneurs, because of the 38-percent bracket on personal income versus the 35-percent bracket for the corporate tax rate.

Even common sense would tell you that does not make good economic sense. Why should you have a bias in the Tax Code against people who do not want to incorporate?

I want to leave that issue now and turn to the last major part of the bill, and that is the part of the bill that provides for a partial exclusion of dividend income from taxes. As my colleagues know, the President called for a complete end to this double taxation of dividends. He would even go further, as I would, and say that double taxation of anything is wrong, dividends or otherwise. I have to admit that our bill is not a bill that is an absolute victory against double taxation because the proposal as reported covers only 86 percent of dividend-receiving taxpayers and is a good step in the effort to eliminate economic distortion resulting from that tax policy framework. When in full effect, this policy would ensure that dividends would be subject to the top rate of 28 percent. All other ordinary income would be subject to a top rate of 35 percent. This means that dividend income would enjoy a significant preference over other forms of periodic investment income such as interest.

Let me note to my colleagues that we provide State fiscal relief in this bill. A lot of Senators, over a 2-year period of time, have talked to me about the necessity of doing this, both members of the Senate Finance Committee as well as people even in my own Republican caucus, and people who are not on the Senate committee. They have been indicating to me that they view State fiscal relief as a key component to an overall agreement on taxes and on growth.

To be perfectly candid, we have Members of this body, right or wrong, who are telling us if we don't have something in here for fiscal relief, this bill is not going to get 51 votes to pass. Like it or not, they have a great deal of leverage. So we are dealing with that and hopefully dealing with it in a responsible way, through programs where there has been a Federal/State partnership, such as Medicaid. There are some areas where there has not necessarily been a State/Federal partnership. These funds, under our agreement—and there will be an amendment that fleshes this out to a greater extent—could be used for education, health care, law enforcement, and essential Government services. I look forward to continuing to work with my colleagues on this important issue as we start filling in the details of that that will be part of an amendment offered later on.

I conclude by commenting briefly about the offsets that are in this bill.

Let me first note that there has been some surprise in the media about the fact that these are offsets. I respond by saying that if the media is somehow shocked that we would have offsets, they haven't been paying attention to a lot of tax bills which have been going through here. The fact is you are not going to get a tax bill through this body under what you call regular order unless there is unanimous consent to do it without a point of order. If there is a point of order, you have to have 60 votes, or you have to avoid a point of order, which is hard to do, by having offsets, meaning it would be revenue neutral.

As the President's own spokesperson stated, the President in his budget provided several billions of dollars in offsets—not necessarily the same ones we are using in this bill. In addition, my counterpart in the House has stated that he will look to offsets to pay for improvements in the international tax arena. Offsets are not new.

I will not discuss all the offsets at this point. But my colleagues should know that many of these offsets deal with the scandals we have seen recently at Enron and many other bad actors in corporate America.

That is not denigrating corporate America because the bad actors are a few compared to tens of thousands of legitimate, ethical, honest corporations in America.

It is my view that while we are trying to help shareholders with reductions in dividends, we should also be closing down the loopholes, the games and the gimmicks that executives have been playing. The shareholders and the workers—and many of the workers who also own shares—have been greatly harmed by the actions of corrupt executives. This bill takes great strides in ending these loopholes.

Thus, shareholders benefit greatly from the dividend deductions as well as our efforts to end the fast and loose games being played in some corporate suites.

I haven't thanked Senator BAUCUS yet for his continued efforts to work with me despite our inability to find common ground on all the elements of this economic recovery package. Senator BAUCUS, ranking Democrat and former chairman of the committee, has worked very hard to help me move this bill along even though he could not vote for it in committee. That is particularly in the tradition of our committee. Rarely does a bill come to this floor where he and I are not on the same side of the fence. Yet there are going to be a lot more bills coming to the floor this year, as before, on which we are on the same side of the fence.

I look forward to continuing to work through our differences to produce legislation that will be helpful and getting things moving again as quickly and effectively as possible.

AMENDMENT NO. 555

Mr. GRASSLEY. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER (Mr. GRAHAM of South Carolina). The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Iowa [Mr. GRASSLEY] proposes an amendment numbered 555.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To increase the criminal monetary penalty limitation for the underpayment or overpayment of tax due to fraud)

At the end of part I of subtitle C of title III add the following:

SEC. 335. INCREASE IN CRIMINAL MONETARY PENALTY LIMITATION FOR THE UNDERPAYMENT OR OVERPAYMENT OF TAX DUE TO FRAUD.

(a) IN GENERAL.—Section 7206 (relating to fraud and false statements) is amended—

(1) by striking "Any person who—" and inserting "(a) IN GENERAL.—Any person who—", and

(2) by adding at the end the following new subsection:

"(b) INCREASE IN MONETARY LIMITATION FOR UNDERPAYMENT OR OVERPAYMENT OF TAX DUE TO FRAUD.—If any portion of any underpayment (as defined in section 6664(a)) or overpayment (as defined in section 6401(a)) of tax required to be shown on a return is attributable to fraudulent action described in subsection (a), the applicable dollar amount under subsection (a) shall in no event be less than an amount equal to such portion. A rule similar to the rule under section 6663(b) shall apply for purposes of determining the portion so attributable.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to underpayments and overpayments attributable to actions occurring after the date of the enactment of this Act.

Mr. GRASSLEY. Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I very much thank my friend and colleague, Senator GRASSLEY, chairman of our committee. He has done an excellent job working on this bill. As he said, I do not support the bill but I do support the process and the will of the Senate to proceed; let Senators vote as they wish. That is, frankly, why we are standing here—to get things done, although we may not always agree.

I now yield to the Senator from Illinois 15 minutes from the time on our side.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. I thank the Senator from Montana.

I would like to acknowledge my friendship and respect for the Senator from Iowa. We have been working together, as we will in the future. We come from neighboring States and have a lot of neighboring concerns. I think we will find common ground in the future to work on many issues. I look forward to that opportunity.

Let me tell you that today we couldn't be further apart. There is such a chasm and such a divide between those who support this bill and those who oppose it. It really comes down to a very fundamental issue. It is not a question of who is good and who is evil or who is right and who is wrong. It comes down to the way you look at the world. The way Senator GRASSLEY looks at the world as he describes it in his opening remarks and the way he puts the reasoning forward for this legislation describes a vision of the world. I have a different view of the world.

It comes down to this: From Senator GRASSLEY's point of view, when it comes to taxes in America, our Government should find ways to provide more comfort, more help, and more financial assistance to the elite in America, the investors who have made a lot of money, successful businesspeople—those who have done well in America, some by their own hard work, some by virtue of being born into a family with a lot of money. But the belief of the Senator from Iowa and those who support the President's tax package is that those are the people who really are the future and hope of America; if we can just make life more comfortable for them, if we can give them more of our national resources, then the economy will move forward and all boats will rise. That is their view of the world—help the elite and America will be better off.

On this side of the aisle, we see it a little differently. We kind of view the world in terms of the people who get up every morning and go to work and struggle—teachers, policemen, firefighters, people who own small businesses, those who get up and work every day for a paycheck and pay more in payroll taxes than they do in income taxes—and some who are struggling under difficult family circumstances. From our point of view, if we focus on these God-fearing, middle-income, hard-working Americans and give them a helping hand, give them an additional small slice of the pie so they can enrich their lives, we on this side of the aisle believe that America will be stronger; these people will have stronger families, stronger neighborhoods, stronger churches, stronger schools, and they will spend their money building a stronger economy in each community.

We have two very different views of the world.

Senator GRASSLEY, a Republican, sees the Bush tax plan as a way of helping the elite. We on the Democratic side believe it is far more important to make certain that what we do is fair and balanced, particularly when it comes to working families who are struggling to get by.

Senator GRASSLEY said in his opening remarks that "it takes people with money to create jobs." I quote him. That is his point of view. That is his philosophy. It takes people with money to create jobs. What he overlooks is the fact that people who may not be rich, when given a tax break, will spend it. They will buy washers, dryers, refrigerators, and stoves in addition to a house, paying their bills, and making certain their kids are taken care of and the school tuition is paid.

I suggest to the Senator from Iowa and those of his point of view that it not only takes people with money to create jobs, but to create jobs you ought to give people who are struggling every single day with the burdens of family life a helping hand. In so doing, they will help us create jobs.

The Senator from Iowa said, incidentally, that this is about class warfare; the speech I am giving is about class warfare.

A month ago, we had a visit from a man named Warren Buffett. He is one of my favorites. You may have heard of him. He is one of the most successful businessmen in the world. He lives in Omaha, NE. He owns a company called Berkshire Hathaway. He is extremely successful. Warren Buffett came to talk to us, as he does once in a while, about his view of the world. I always enjoy it. I think his annual report should be must-reading for anybody interested in American business because he has such a refreshing and honest point of view.

We asked Warren Buffett, the second wealthiest man in America, about this claim of class warfare and this tax bill. He said: You bet there's class warfare going on, and my class is winning. He said: My class is winning. And he is right.

This bill is designed so Warren Buffett and the wealthiest people in America will get the tax breaks. Warren Buffett knows that is unfair. He said that publicly. I think most Americans know it is unfair.

Take a look at this morning's New York Times. Consider this for a moment: Despite all of the hectoring by rightwing television, despite all of the best efforts of the President of the United States visiting America from one corner to the next, despite all the speeches by Republicans in Congress, this is what the American people think about the debate in which we are engaged.

Question to the American people, across the board: Which is a better way to improve the national economy: cutting taxes or reducing the Federal budget deficit? Simple choice. Well, 31 percent said: cut taxes, which is what Senator GRASSLEY, President Bush, and the Republicans propose. But 58 percent said: reduce the deficit—almost 2 to 1.

The American people get it. They understand this cutting taxes is not the answer to every problem, and yet that is all we hear from this White House.

Then they asked the American people: Have the reductions in Federal taxes enacted since 2001 under President Bush been good for the economy, bad for the economy, or have they made much difference? So think about this, for a tax cut which most people usually applaud, they asked the American people: Take a look at the President's last tax cut. Did it help the economy or did it not? Those who said it was good for the economy, 19 percent; those who said it was bad for the economy, 12 percent—not much difference: 63 percent.

We took $1 trillion out of the Federal Treasury, gave it to the wealthiest people in America, ran our deficit to record levels, and by a margin of 63 percent to 19 percent the American people said it did not make much difference to those who said: Good idea. Do it again.

Then they asked the American people: If adopted, do you think President Bush's latest tax cut will or will not make a significant difference in the amount of money you have after taxes? Will: 33 percent; will not: 58 percent.

The American people understand. The winners in the Bush tax bill are the elite in America. It isn't the working families and small businesses that will come out ahead. They are going to be saddled with this deficit created by a tax cut when the country is in recession, a tax cut when we are still trying to find out how much we are going to pay for the war in Iraq and the war in Afghanistan and the war against terrorism.

Then, the final question: Would a new tax cut be good for the economy, bad for the economy, or won't have much effect? Good: 41 percent—not bad, huh?—and then those who said bad or won't have much effect: 52 percent. So a majority of the American people think it is either not going to have any impact or it is going to be bad.

They get it. They understand it.

I listen to my fiscally conservative Republicans come to this floor and say: For goodness' sake, don't mention the ''D'' word. Don't mention deficits. Deficits don't count anymore. Deficits aren't important. Why are you Democrats tied in knots over deficits?

Well, the reason they do not want to talk about it is because the record is so miserable. Look where we are ''Stuck in the Bushes'': Federal deficits, surpluses, and then deficits again. Here we have a runup, from the first President Bush, a bad deficit situation; then the beginning years of the Clinton administration, deficits, still red ink; finally, at the end of the Clinton years, we break out of it, and for the first time in over 30 years we start generating surpluses in America; and then comes President George W. Bush, and here we go again, red ink for as far as the eye can see. My fiscally conservative Republican friends say: It doesn't count.

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

Mr. DURBIN. I am happy to yield.

Mr. REID. Is the Senator aware of some statements made by some of our friends on the other side of the aisle?

For example, I quote Senator SANTORUM. And this is from the Pittsburgh Post Gazette on November 15, 1995:

> The American people are sick and tired of excuses for inaction to balance the budget. The public wants us to stay the course towards a balanced budget, and we take that obligation quite seriously.

I quote the majority leader at the time, Senator TRENT LOTT:

> I think the most important thing really does involve the budget, keeping a balanced budget, not dipping into Social Security, and continuing to reduce the national debt.

I quote Senator HAGEL, from the Omaha World Herald, on February 6, 1997:

> The real threat to Social Security is the national debt. If we don't act to balance the budget and stop adding to the debt, then we are truly placing the future of Social Security in jeopardy.

Final quote—there are others—but the final quote I will give you is from Senator JUDD GREGG. This is from the New Hampshire Sunday News, February 1, 1998:

> As long as we have a Republican Congress, we're going to have a balanced budget, and if we can get a Republican President, we can start paying down the debt on the Federal government.

I give you these quotes.

Also, very soon, in the next few days, we are going to take up the issue of increasing the national debt by almost $1 trillion. So will the Senator comment on these direct quotes from Republican leaders and the fact we are being asked by the President of the United States to increase the national debt by almost $1 trillion in the next few days?

Mr. DURBIN. I say to the Senator from Nevada, it is totally unfair to call out the quotes of our Republican colleagues about deficits because he has failed to take into account this new era of compassionate conservatism. Things have changed. The Senator from Nevada, in all fairness, should understand when Republicans stood on the floor of the Senate and the House and railed against deficits, it was before we came into this new era where deficits don't count. We are now in a new era where the debt we are leaving our children is not important. What is important is giving tax breaks to the elite in America.

The Senator, once he comes to grips with this, once he comes to understand this, will really understand the Bush economic policy. But I say to the Senator, he is in good company because I struggle with this concept, and the majority of the American people do. This just does not compute and it does not work.

For the President and his supporters to stand before us and say this Bush tax plan is going to increase jobs—take a look at the job growth we have seen in the last few years. Take a look, starting with President Truman, at all the job growth, and then take a look at what has happened when we get to President George W. Bush.

The President told us, 2 years ago: If you will just let me cut taxes on the wealthy, America is going to have more jobs.

Well, we have lost 2 million jobs. Sorry, Mr. President, you missed it by a mile.

Now he says, this time around, the best thing for us to do is more of the same. I can tell you that more of the same is not good for America. Take a look at those who are facing long-term unemployment: 6 percent. It is back to the highest rate—President Bush has not matched his father's 7.5-percent unemployment rate, but he is creeping up there. It is higher and higher each year. That does not say much for his economic plan.

I think America gets it. The President, as Commander in Chief, is sounding retreat when it comes to the economy of America. He is walking away from the greatest challenge our families face today. It is not just the threat of terrorism; it is the threat of economic insecurity.

Let me be specific. The Republican plan does not address, does not spend one dollar, does not even concern itself with an overwhelming issue I find from businesses across Illinois: the cost of health insurance. Go to any business—large or small—and ask them what they are facing. Ask them what the premiums are. They are going to tell you that the health premiums are killing them, killing their competitiveness, killing their ability to offer health insurance protection to their employees. Many of them are facing absolutely awful choices they have to make.

Not one penny, not one word, not one provision in the Bush plan for businesses deals with health insurance, but the Democratic plan does. The Democratic plan provides that we are going to increase the tax credit, a small business tax credit for those offering insurance for their employees.

I will tell you, I will take that to any chamber of commerce, any meeting of the National Federation of Independent Businesses—you pick it—and let them decide which is better for the future of their business, a tax credit for health insurance or reducing the tax rate on the wealthiest people in America. I will take that referendum and I will go to the bank on that one. I know what the outcome is going to be.

What we believe is that there should be a tax cut, if there is going to be one, for every American taxpayer, particularly for those in lower income categories. We should accelerate the child tax credit to $800, even higher than the Republicans have proposed. We should eliminate the marriage penalty. We should have a small business health tax credit. We should triple the amount that small businesses can expense. We should encourage business investment. We should make certain that we limit the amount of this tax cut to what we can afford; otherwise, we are digging ourselves deeper and deeper and deeper in this deficit hole.

The Republicans who push this tax plan have to face stubborn facts, and facts can be stubborn. The last time they got a tax cut through, the American economy fell backward. We did not make progress. We lost jobs. We lost opportunity. We lost a lot of hope in this country.

We need to move forward. We can do it with a sensible tax plan, one that does not reward the elite but rewards working Americans across the board.

I yield the floor.

Mr. BAUCUS. Mr. Chairman, I yield 5 more minutes to the Senator from Illinois.

Mr. REID. If the Senator would allow me to ask him a question.

Mr. DURBIN. I would be happy.

The PRESIDING OFFICER. Does the Senator from Montana yield?

Mr. BAUCUS. I yield 5 minutes off the amendment to the Senator from Illinois.

Mr. REID. Is the Senator from Illinois aware that the Congressional Budget Office, the White House Council of Economic Advisors, and the private sector economists who helped the President analyze this proposal have stated that the President's tax break plan will weaken the long-term health of our economy? This is from the Congressional Budget Office, the first part of April of this year. Is the Senator aware that these institutions and individuals have so stated?

Mr. DURBIN. I say to the Senator from Nevada, the interesting thing about that is—I was aware of it—this is the new Congressional Budget Office that brought us the new economic concept of dynamic growth. The Republican conservatives have been screaming for years that the Democrats and those following their point of view were too conservative: We don't take into account what a tax cut will do, that it will just mushroom growth. Here comes the new Congressional Budget Office. They are now believers in this new dynamic growth economic religion, and they still don't buy it. As the Senator from Nevada said, they believe as we do, that this Bush tax plan for the elite investors is not going to create jobs or create the kind of growth that we want to see. I think the Senator from Nevada has pinpointed one of the weaknesses in their argument.

Mr. REID. Is the Senator aware that in the State of Illinois the number of jobs lost since the beginning of the Bush administration is nearly 200,000, and last month alone it was almost 20,000 jobs?

Mr. DURBIN. I am aware of it. Virtually every State has lost jobs. We have lost over 20,000 manufacturing jobs in the last 12 months with the last Bush tax cut. Adding insult to injury is the fact that this administration resists providing additional unemployment compensation for people who are out of work. When his father faced recession, five different times we increased unemployment compensation, three times under President Bush, and twice under President Clinton. We have only done it twice in this situation.

To me, it is heartless to ignore what is happening to unemployed people. They have lost good jobs. Some of them have been victims of corporate scandals. They are in trouble, trying to find some way to get by. Every single day is a challenge. We find over a fourth of them have had to leave their homes and move in with family and friends. We find over half of them struggling to pay utility bills. More and more of them are paying less for food and clothing for their family and ultimately many of them are losing health insurance—words Republicans don't want to talk about, the cost of health insurance. That is an indication of what we should be focusing on in terms of our priorities. Instead, what we are doing is increasing the deficit at the expense of Social Security and Medicare. That is not fair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside and that the amendment to be offered by the Senator from North Dakota be in order.

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

The Senator from North Dakota.

AMENDMENT NO. 556

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

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from North Dakota [Mr. DORGAN], for himself and Mr. BAUCUS, proposes an amendment numbered 556.

Mr. DORGAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To repeal the 1993 income tax increase on Social Security benefits and to offset the revenue loss)

Strike section 102.

Strike title II.

At the end of subtitle C of title V, add the following:

SEC. ___. REPEAL OF 1993 INCOME TAX INCREASE ON SOCIAL SECURITY BENEFITS.

(a) RESTORATION OF PRIOR LAW FORMULA.—Subsection (a) of section 86 is amended to read as follows:

"(a) IN GENERAL.—Gross income for the taxable year of any taxpayer described in subsection (b) (notwithstanding section 207 of the Social Security Act) includes social security benefits in an amount equal to the lesser of—

"(1) one-half of the social security benefits received during the taxable year, or

"(2) one-half of the excess described in subsection (b)(1)."

(b) REPEAL OF ADJUSTED BASE AMOUNT.—Subsection (c) of section 86 is amended to read as follows:

"(c) BASE AMOUNT.—For purposes of this section, the term 'base amount' means—

"(1) except as otherwise provided in this subsection, $25,000,

"(2) $32,000 in the case of a joint return, and

"(3) zero in the case of a taxpayer who—

"(A) is married as of the close of the taxable year (within the meaning of section 7703) but does not file a joint return for such year, and

"(B) does not live apart from his spouse at all times during the taxable year."

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 871(a)(3) is amended by striking "85 percent" and inserting "50 percent".

(2)(A) Subparagraph (A) of section 121(e)(1) of the Social Security Amendments of 1983 (Public Law 98–21) is amended—

(i) by striking "(A) There" and inserting "There";

(ii) by striking "(i)" immediately following "amounts equivalent to"; and

(iii) by striking ", less (ii)" and all that follows and inserting a period.

(B) Paragraph (1) of section 121(e) of such Act is amended by striking subparagraph (B).

(C) Paragraph (3) of section 121(e) of such Act is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(D) Paragraph (2) of section 121(e) of such Act is amended in the first sentence by striking "paragraph (1)(A)" and inserting "paragraph (1)".

(d) MAINTENANCE OF TRANSFERS TO HOSPITAL INSURANCE TRUST FUND.—There are hereby appropriated to the Hospital Insurance Trust Fund established under section 1817 of the Social Security Act amounts equal to the reduction in revenues to the Treasury by reason of the enactment of this section. Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had this section not been enacted.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2003.

(2) SUBSECTION (c)(1).—The amendment made by subsection (c)(1) shall apply to benefits paid after December 31, 2003.

(3) SUBSECTION (c)(2).—The amendments made by subsection (c)(2) shall apply to tax

liabilities for taxable years beginning after December 31, 2003.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the following staff of the Joint Committee on Taxation be granted the privilege of the floor, and I send the list to the desk. We worked out an arrangement so they rotate.

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

The list is as follows:

Thomas A. Barthold.
Ray Beeman.
John H. Bloyer.
Nikole Flax.
Roger Colinvaux.
Harold Hirsch.
Deirdre James.
Lauralee A. Matthews.
Patricia (Tricia) McDermott.
Brian Meighan.
John F. Navratil.
Joseph W. Nega.
David Noren.
Cecily W. Rock.
Carol Sayegh.
Gretchen Sierra.
Ron Schultz.
Mary M. Schmitt.
Carolyn E. Smith.
Allison Wielobob.
Barry L. Wold.
Tara Zimmerman.

Mr. DORGAN. Mr. President, let me briefly describe the amendment I offer on behalf of myself and Senator BAUCUS. This amendment deals with repealing the 1993 provision that would increase the amount of Social Security income received by a senior citizen to be reported for tax purposes. Let me describe the history of this a bit and then talk about why I believe we ought to do it.

For a good many years after Social Security was created, the Social Security receipts that a senior citizen would receive would not be required to be reported for tax purposes on their income tax return. It was exempt income. Then at one point the Congress decided that one-half of the payments for Social Security that go to a recipient should be described as income on their income tax return. So we went for a long while with 50 percent of the Social Security payments to senior citizens being required to be reported for tax purposes.

In 1993, in a rather large piece of legislation that moved this country towards a different fiscal policy in a very significant way—the results of which throughout the 1990s expanded the economy, created jobs, did a number of things—one of the provisions was to increase from 50 percent to 85 percent the amount of income that would be required to be subject to income tax and reported on the tax return for single beneficiaries with incomes over $34,000, married couples income over $44,000. So moving that 50 percent to 85 percent now means that roughly 8 million senior citizens pay an average increased income tax of about $1,500 a piece per year. I propose that we repeal that provision, go back to previous law which is a 50-percent reporting requirement.

Let me talk for a moment about the Social Security issue and senior citizens. There is discussion on the Senate floor—and there will be much more, I expect—that this tax proposal that comes to the Senate will use all of the trust funds that are to be set aside for Social Security to pay for tax cuts. I don't think that is going to be disputed. I don't think that is subject to contest. There will not be Social Security trust funds if we pass this tax cut.

This is a circumstance where upper income Americans will receive very generous tax cuts and senior citizens will see their Social Security trust funds depleted in order to finance it.

I mentioned yesterday that on page 4 of the Budget Act, which brings us to the floor under reconciliation, the description of what is happening to the debt is it goes from $6.7 trillion to $12 trillion in a decade.

Some say: That is not much to worry about. Don't worry about debt.

I don't understand that. The debt, of course, is going to be inherited by our children because they will inherit this economy and this country. We are saying to them: We have a new plan. Our fiscal policy plan will double the Federal debt to $12 trillion in 10 years.

I have never heard of a plan doubling the debt described as a success. But that is what I am hearing in the Senate. This is a plan that is gearing this country towards long-term economic solvency, economic opportunity, growth, hope, and most especially jobs by doubling the Federal debt to $12 trillion—a rather curious argument.

I managed to teach economics for a couple of years. I don't think there is anything in any book anywhere that would have you teach this lesson. This is apparently a new form of economic theory.

I recall the book written by Tom Brokaw called ''The Greatest Generation.'' I have visited with many of the folks described in that book, the folks who lie on their belly on the sands of Normandy, risking their lives for their country, seeing their comrades die in foxholes beside them, those who were asked to go halfway around the world to fight for liberty and did so without complaint, never asked for much, but were told by this country a couple things: When you get back from serving your country, we will provide free health care for life for you in the veterans health care system.

That turned out to be a promise this Congress is unwilling to keep, regrettably. They also were told: When you come back, there will be a Social Security system you can count on; you can rely on. Of course, what is happening now is we have people who don't support that system, don't believe we ought to keep the promise, don't believe trust funds ought to include the word ''trust.''

If I can digress for a moment, I recall one day going to a veterans hospital in Fargo, ND, about which I have told my Senate colleagues before.

When we talk about the greatest generation and senior citizens, I went to a veterans hospital on a Sunday morning to provide the medals that had been earned by a Native American veteran. His name was Edmond Young Eagle. He was dying of lung cancer. I learned later that he died a week after I had been there. His sisters asked if we could get his medals, and so I did. I presented them to him at the VA hospital that Sunday morning. The doctors and nurses gathered, and his sisters were there. We cranked up his bed so that he was in a seated position, and I pinned the medals he had earned during the Second World War on his pajama top.

Edmond Young Eagle never had much in life. He fought in Africa and in Europe, and he went where this country asked him to go. He risked his life and served America with great distinction. He came back to live on the reservation, and he never had very much, never had a very good life. He had it pretty tough. That day, on a Sunday morning, having the medals that he earned 50 years previously pinned on his pajama tops, Edmond Young Eagle, 7 days from dying of lung cancer, said: ''This is one of the proudest days of my life.'' He didn't have much, but he deeply valued the service he had given his country. I told him how much this country valued the service he had provided and how proud we were of him.

Edmond Young Eagle and millions of others have answered the call to serve this country in so many ways. I talk about the greatest generation. Yes, it was the soldiers and it was ''Rosie the Riveter'' back then. Moving forward, so many people have served this country, and this country made a bargain with them and a promise to them. We said to them: If you will pay from your paycheck, every time you receive a paycheck, a tax that goes into a trust fund to fund something called Social Security, when you reach retirement age, that Social Security payment will be there for you. Yes, we want you to save and invest yourself, but at least this will be a basic insurance retirement payment for you.

We have always made that promise. In fact, we changed that promise in 1983 and said: You know what? Because the largest baby crop in the history of this country will retire after the turn of the century—and that is called the war babies, the group of babies who came after the soldiers came home after the Second World War and the largest outpouring of affection in the history of the country occurred, and we had so many babies born, the largest baby crop in the history of America. They will begin to retire now. When they retire and hit the retirement rolls, then we have maximum strain on the Social Security system.

So in 1983, we put in place a little different approach. The approach was to say we are actually going to collect more money than we spend on a current basis in order to have a trust fund balance that begins to save so that the resources are there when the baby boomers retire. That is what the trust fund is about. I mentioned that if we decide to increase the Federal debt—as is the case in the bill brought to the floor of the Senate, and as was the case with respect to the Budget Act—from $6 trillion roughly to $12 trillion, there won't be a Social Security trust fund. It is to say that that which is to be put away in a trust fund for Social Security will be used as an offset to provide tax cuts for Donald Trump. I know I should not use his name, but he likes to have his name used. I think he is an interesting guy, a good businessman and investor. He does very well. He puts his name on his buildings, so he certainly won't mind my using his name.

The question is, Should we decide that the trust funds we are trying to save for the future, which we need when the baby boomers retire, will be used as offsets so that we can give Donald Trump, or others in the upper income bracket in the country, large tax cuts?

Is that what you would sit around a table and decide as an American family that represents the priorities, values, and needs? Is that what you would decide we ought to do now? Is that the urgency for our country in public policy? I don't think so.

In addition to trying to save money in a trust fund, in 1993 we changed the mechanisms by which we assessed taxes, and especially with respect to senior citizens. We said: We will require you to report more of our Social Security payments as income on your tax returns—from 50 percent to 85 percent. That means about 8 million senior citizens now pay $1,500 a year in additional taxes.

I wish we had not done that in 1993. I voted for a bill that included it because it had a lot of things in it that put this country back on track, but I wasn't pleased that was in it. Twice since then, I have voted to try to repeal it. Now if we are going to have a substantial change in tax laws and evaluate who ought to get a tax break and who should not, and where should we cut taxes or where should we not, perhaps we ought to consider this at the top of the list. Why not make this change now? Why not go back to the 50 percent? That is where it was. Why not say that senior citizens—those who reached their declining income years—are those who ought to get the tax breaks?

That is what my amendment does. It is fairly simple. Senior citizens are living longer and better lives. Really, people say we have all these problems with Social Security and Medicare. Do you know what they are? They are problems of success. Just go back to the old life expectancy. People are living longer and better lives. I know a woman who is 89 years old. She bought a car a while back, and she used 5-year financing. God bless her. I have an uncle who is 81 years old. He runs in the Senior Olympic events. He has 43 gold medals. He runs the 400 and the 800. Thirty years ago when one reached 80 years of age, they had to find a La-Z-Boy. You were then at that age where it was time to find an easy chair because you were not going to run races or buy a car and finance it for 5 years.

Now things have changed in a very dramatic way. People are living longer and much better lives. But it is true that as they live longer lives, they reach a period of time when their income declines. Inevitably, they stop working and retire. Their income declines. As they reach the declining income years, then the question of what kinds of taxes they pay is a very important question. Do they, as some are required, go into a grocery store, where the pharmacy is in the back, and have to ask themselves: Should I buy groceries first so I can see how much I have left for prescription drugs? Of course, they make those choices.

When they reach their declining income years, the question is, What should their tax obligation be? How should we construct this tax obligation? My amendment is devastatingly simple: Let's relieve them of that 30 percent in extra income on Social Security they are required to report, which will save 8 million people $1,500 a year. These are not the top-income folks. These are folks who have retired and now have less income than they had during their working years. In many cases, they are folks who saved and are trying to help their kids and grandkids. They have less income, and they are now in the last 10 years, and they are required to pay higher taxes.

This provision will relieve them of some of that burden. I was thinking the other day about this tax debate because it is the case that some will benefit and some will not. There is an old saying: When you rob from Peter to pay Paul, you can always count on Paul being grateful.

The fact is, this bill is going to make some people in this country very grateful—but it is not the senior citizens, unless we pass this amendment; it is the folks at the very top of the income ladder. We have people come to the floor of the Senate and say the big priority here is to exempt dividends from taxation.

First of all, most dividends are not double taxed. I will make that point. Second, if you want to talk about double taxation, why talk about double taxation just for the top of the income heap—those who clip coupons to get unearned income to the tune of millions of dollars a year? Why talk about them being exempt? Why do you have a philosophy that says let's exempt investment and tax work? What kind of value system is that? Nobody is saying let's exempt work, let's just exempt investment. I don't understand that.

The tax system ought to be about values. But if you are talking about double taxation, which I think is the principle by which some brought to the floor this issue of dividends, how about double taxation of Social Security? That is a good example. Wages. We tax on your wage, you put some money away, and then you come back and get a Social Security payment, and you have to pay a tax on part of that. It is 85 percent now. I propose 50 percent. Double taxation on Social Security. Is that more or less important? I guess you could talk about almost anything, could you not? Go buy a car this afternoon. You pay taxes on the wages you earn, and when you buy a car, they are going to charge a big old excise tax. Double taxation.

So the question I have is, When some people apparently got bottled water and sat around a big old mahogany table and started thinking, the biggest problem in America is double taxation so let's try to get rid of that, how did they come up with the notion that dividends represented that priority? Were there people smoking Cohibas there who were getting a lot of dividends and said: The biggest problem for me is that I get $10 million of dividends and, by God, that is double taxation? Is that where that came from?

Or were there perhaps some senior citizens who were supposed to be there and their chairs were empty? I assume they would have said: Double taxation? Here is an example of double taxation. Help us.

No, that is not the priority. The priority is not about helping them. The priority is helping the folks at the top and then saying: And if we do that, we are going to create a massive amount of new jobs in America.

We have heard this argument before—massive new jobs—new jobs. Jobs is a four-letter word, but it is a good one, as long as jobs are present someplace. We went through this with a very large tax cut 2 years ago, and now we have 2.3 million fewer jobs. It might be because other events happened. They certainly did.

One wonders, if the first dose of medicine makes you sick, whether you ought to trot out the same bottle and label another batch to an unsuspecting public. Is there a time perhaps when we decide maybe the way we create new jobs in America is to put the economy back on track and say we are not going to double the debt, we are not going to run the largest deficits in history, and we are not going to tell the working folks who represent, in my judgment, the engine of our economy and of our country: By the way, you do not matter much.

I will finish my remarks. I am going afield. The fact is, in the Senate, you speak when you have the opportunity to do so.

My amendment deals with senior citizens. I am trying to describe some of the circumstances that would persuade senior citizens to think they have not been treated fairly in this bill, and this is a way to remedy that.

It seems to me both political parties have something to offer this country that is constructive in discussing taxation and economic policy. I happen to think those on the Republican side are a little better at trying to make sure we tamp down spending. They are a little better at that than we are. Sometimes I do not think they have the judgment they should have when they tamp down spending, but the fact is they are a little better at it than we are.

It seems to me we are a little better at the notion of how you do things that give people confidence in the future that can provide the buoyancy, the growth, and the lift to the American economy. Getting the best of what both parties have to offer is better than getting the worst of either. I think often we get the worst either party can offer this country.

My proposal is just to begin to amend this tax bill. I am not saying the bill is worthless. There are some provisions in this bill that have great worth, some provisions I support. The child tax credit and others, I think, make sense. We should do what is contained in these provisions, even as we try to put this economy on track so that the numbers add up.

There is not any way the numbers add up. My colleague, Senator CONRAD from North Dakota, has spoken on the floor at great length about this issue. We also were together yesterday at a presentation. Even as we do these things, some of which have great worth and some of which, in my judgment, are just waving a flag to the upper income folks in America to say our party is still with you—those on the other side of the aisle—it seems to me you need to do them in the context of saying to the American people that the future of this economy is not going to be a future mired in debt and choking on yearly deficits.

I will make one final point. As we do this, understand that what is being proposed now is the largest deficits in history, in fiscal policy, on top of the largest trade deficits in history. Those two problems together potentially can cause very significant problems for the value of this country's currency.

As Mr. Friedman says in ''The Lexus and the Olive Tree,'' when the electronic herd runs and begins to move to other currencies, it has a profound impact on your economy, and we should be concerned about that.

To come back to my amendment, this amendment is about priorities—what is important and what is not; what should we do and what should we not do. It seems to me one of the high priorities for us in dealing with reducing taxes ought to be to say to senior citizens, among them the greatest generation and others who are struggling and who are trying to make sure they get through these difficult times, those who have reached their lowest income years: We are going to repeal that portion of the law that was passed 10 years ago. We are going to do it because we believe the 8 million people who are now required to pay $1,500 apiece in additional taxes ought to be relieved of that burden.

As I indicated, I have on two previous occasions voted to repeal this tax. It has never gotten done. I know there is disagreement as to whether it should get done. I believe it should get done because, frankly, this is double taxation. It is not just dividends. It is this as well.

I am proud to offer this amendment with my colleague, Senator BAUCUS from Montana, and I assume many other colleagues would like to cosponsor it before they vote. I hope we have a vote on it.

I did not mention this will be paid for by offsets. We would not accelerate the scheduled rate reductions in the highest rates, and we would strike the dividend income relief in the bill. We do not increase taxes. If someone stands up and says what you are going to do is increase taxes with your offset, that is not the case. There is no increase in taxes in this amendment, but we do not accelerate the top rates and, at the same time, we decide not to proceed with the dividend income tax relief in the bill, the bulk of which goes to upper income Americans.

I hope, perhaps, this amendment will be accepted on a voice vote. If that is not the case, we will have some debate and then I am hoping we will have a successful record vote. Perhaps I will be inspired to speak again after I have heard the debate on this amendment. I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from Iowa.

Mr. GRASSLEY. Mr. President, the Senator from Alaska has asked for time to speak as in morning business for whatever time she needs. I will be glad to yield time to the Senator from Alaska.

Mr. REID. Mr. President, it is my understanding the Senator is asking that in the form of a unanimous consent agreement she speak in morning business.

Mr. GRASSLEY. Off our time, not extra time.

Mr. REID. I am not going to object to this request, but I do want everyone to understand that the majority leader asked that we expedite the tax bill. We are trying to do that, but speaking in morning business is not going to expedite consideration of this bill. There is limited time. We have 7 hours on our side. We are going to try to spend all 7 hours on tax matters. I want everyone to understand this when the majority leader is asking why this is not moving more quickly

Mr. GRASSLEY. Let me explain why the distinguished Senator from Nevada is wrong. We are going to take it off the time on the bill, not extra time. This will come off the 7 hours we have on the bill.

I yield whatever time the Senator from Alaska may consume. I understand she is only going to take about 5 minutes.

The PRESIDING OFFICER. The Senator from Iowa has that right. Without objection, the Senator from Alaska is recognized.

NATIONAL POLICE WEEK 2003

Ms. MURKOWSKI. I thank the Chair. Mr. President, I do appreciate the consideration of my colleagues and the chairman in allowing me a brief opportunity to speak. I do recognize that taking this time out of the very important consideration of the legislation that is before us is significant, but I remind Members that the events that happened last evening, at the National Law Enforcement Officers Memorial, are equally significant. I will take a few moments this morning to speak to that.

Last evening, some 10,000 law enforcement officers, representing all corners of our Nation and foreign lands, gathered at the National Law Enforcement Officers Memorial to pay tribute to 377 of their colleagues and comfort their survivors.

Each of the 377 honorees bears the distinction of having lost his or her life in the line of duty. The attendees represented a cross-section of many different agencies that make up the law enforcement community, including Federal law enforcement officers, State troopers, municipal cops, sheriff's deputies, corrections officers, game wardens, and National Park Service rangers. Most came in uniform. Many were joined by their spouses. Many were joined by their children, not only those who are old enough to understand, but also the little ones.

At dusk, thousands of candles were lit, and the names of each of the 377 departed officers was read.

The purpose of this annual event is not to reflect on the events that prematurely ended the lives of these brave officers, but those who created this memorial remind us that ''It is not how these officers died that made them heroes, but how they lived.''

This year, the names of three Alaskans were added to the memorial. Two of the three died in the line of duty in 2002, while the third died in the line of duty in 1917, in the days when Alaska was still a territory. This third individual was added to the memorial as a result of diligent research by the City of Seward, AK and its police department. I would like to introduce these exemplary Alaskans to the Senate.

Correctional Officer James C. Hesterberg, was known as ''Jamie.'' At age 48, he was killed in the line of duty. A 19 year veteran of the Alaska Department of Corrections, he was contemplating retirement in September 2003. On November 19, 2002, Officer Hesterberg, and his partner, Officer Dennis Nilsen, were transporting seven prisoners to the Spring Creek Correctional Center by van on a snow and slush covered highway. Their van was struck by a large semi truck, killing Officer Hesterberg and four prisoners.

Officer Hesterberg was the first employee of the Alaska Department of Corrections ever to die in the line of duty. He leaves behind his wife, Debra, his three children, Scott, Catherine and Mark, his mother and father, and many good friends and fellow officers. The people of Alaska mourn his loss. Jamie's commitment to protecting Alaska's citizens and to fulfilling the mission of the Department of Corrections will not be forgotten.

Thomas Patrick O'Hara, at age 41, was a protection ranger and pilot for the National Park Service at Katmai National Park and Preserve in the Bristol Bay region of Alaska. On December 19, 2002, Tom and his passenger, a Fish and Wildlife Service employee, were on a mission in the Alaska Peninsula National Wildlife Refuge. Their plane went down on the tundra. When the plane was reported overdue, a rescue effort consisting of 14 single engine aircraft, an Alaska Air National Guard plane, and a Coast Guard helicopter quickly mobilized. Many of the single engine aircraft were piloted by Tom's friends. The wreckage was located late in the afternoon of December 20. The passenger survived the crash, but Ranger O'Hara did not.

Tom O'Hara was an experienced pilot with 11,000 hours as a pilot-in-command. He was active in the communities of Naknek and King Salmon where he grew up, flying children to Bible camp and coaching young wrestlers. Tom provided a strong link between the residents of Bristol Bay and the National Park Service.

Tom leaves behind his parents, Dan and Sharon O'Hara, who are in Washington, DC, today and who are distinguished leaders in the Bristol Bay region, his wife Lucy, and three children, Jonathon, Nicole and Heidi. I also had an opportunity to meet with his brother this morning. The deputy director of the National Park Service characterized Tom as one of its finest and he will be missed deeply by all of us.

The third Alaskan, Charles H. Wiley, came to Seward from California to work on the construction of the Alaska Railroad. He was appointed to the post of night marshal in April 1917. On the evening of October 2, 1917, Marshal Wiley went to the Overland Hotel in Seward to investigate an incident. Marshal Wiley knocked first, but entered the hotel room when nobody answered. He was met by a round of gunfire. Marshal Wiley died two days later.

I thank the Chair for allowing me to share a bit of the lives of these brave Alaskans. I want to thank the organization Concerns of Police Survivors and the staff of the National Law Enforcement Officers' Memorial for their hard work in organizing the candlelight memorial last evening.

To the children of Jamie Hesterberg and Tom O'Hara, I to say, your fathers lost their lives doing something important for Alaska and the Nation. Public service is an honorable profession and I hope that each of you will consider making it a part of your lives. In valor, there is hope.

I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. Who yields time?

The Senator from Minnesota.

Mr. COLEMAN. Mr. President, I ask unanimous consent that I be permitted to speak as in morning business for up to 5 minutes and that the time be charged against the majority's control of time on S. 1054.

Mr. DORGAN. Mr. President, reserving the right to object, I shall not object, but I want to clarify with the Chair, do I control the time on the amendment on this side?

The PRESIDING OFFICER. The Senator does, and the Chair recognizes the Senator from Minnesota as the first person seeking recognition.

Mr. DORGAN. Mr. President, following the presentation, then, it would be my opportunity to yield time; is that correct?

The PRESIDING OFFICER. That is correct.

Mr. REID. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. My dear friend from Iowa was wrong in saying that the time would be used up anyway, and here is the point I am making: We have been asked to move the tax bill. That is what we should be doing. We have turned down a number of requests on this side of people wanting to speak, no matter how important it might be, on issues other than those relating to the tax bill. The time used on the bill talking about morning business, no matter how important it might be, does not deal with the tax issues of this country. The majority leader has asked us to cooperate in trying to move this bill along. It is obvious as the day is clear that we are not moving this along when we are talking about extraneous matters. That is the point I am making. I have no objection.

The PRESIDING OFFICER. The Senator from Minnesota.

BRING YOUR DAUGHTER TO WORK DAY

Mr. COLEMAN. Mr. President, today I am engaging in my own version of ''Bring Your Daughter to Work Day.'' As we all know, this day does not fall on May 14, nor does it involve the daughter bringing along 40 of her friends, but this was the unique situation I faced today when my daughter Sarah stopped by my office with some of her schoolmates from the Twin Cities Academy in St. Paul, MN.

Like many other students from across the Nation, seventh and eighth graders from the Twin Cities Academy are in Washington this week for a school trip. Their plans include visiting the countless museums and monuments throughout the city, a Capitol tour, and also the chance to be with us today in the Senate Chamber.

I want to again welcome Sarah and her schoolmates to the Senate, and I am glad they have the opportunity to observe the activities of this body.

In honor of their visit, I want to talk a while on the importance of young people understanding how Government works. So that they can better follow along, and since I trust the students are familiar with it, I am going to use parts of the Twin Cities Academy mission statement as an example.

The Twin Cities Academy mission stresses collaboration between the school, parents, and the community to develop each child's talent, potential, and character. When this process succeeds, the mission statement says that the end result is a group of productive citizens who will contribute to sustaining American democracy.

Thomas Jefferson, one of the great leaders and legislators of this Nation, had a vision for public schools and the role they were to play in America, to create a public of informed and engaged citizens capable of sustaining the Republic he and his colleagues had formed. Twin Cities Academy had modeled its vision after these ideals, and they are committed to fostering productive citizens, as stated in its mission.

Having a strong history program at school is a good thing for young people like my daughter Sarah. Students need to understand how the three branches of Government work together. Also import is having the opportunity to come to Washington and witness first hand the rights and duties of citizens. It helps them realize what it means to celebrate freedom, to celebrate opportunity, and to be an optimist and have a hopeful spirit.

My good friend and colleague Senator ALEXANDER understands the importance of sharing these values with the next generation, which is why he introduced The American History and Civics Education Act, an act which will help us ensure young people grow up learning what it means to be an American. I was pleased to have the opportunity to cosponsor this legislation.

When their school trip comes to an end, I hope that my daughter Sarah and her schoolmates have thoroughly enjoyed all that they experienced in Washington, particularly my version of ''Bring Your Daughter to Work Day.''

I mentioned earlier in this statement how I hoped to give them an understanding of how Government works. If these Twin Cities Academy students were to look up the word ''understand'' in a thesaurus, they would see as a synonym the word ''appreciate.'' I hope at the end of the day, these students have even a greater appreciation, not just understanding, of this great institution and our process of Government that makes us the greatest Nation in the world.

I yield the floor.

Mr. DORGAN. I yield 5 minutes to the Senator from Montana.

The PRESIDING OFFICER. The Chair advises the managers of the bill and those controlling time that there is no requirement that the Senator speak on this legislation when yielded time.

Mr. BAUCUS. I thank the Senator.

The amendment the Senator from North Dakota is offering, that I cosponsor, is a tax cut amendment. Most Members of this body like to cut taxes. That is what this amendment is all about. It is cutting taxes.

Second, which group is getting the benefit of the tax cut under this amendment? Under the amendment offered by the Senator from North Dakota, cosponsored by myself, it is senior citizens who get the benefit of the tax cut.

I join the Senator in offering this amendment. It repeals the 1993 tax of Social Security benefits, the tax this body imposed on certain senior citizens in 1993.

We are currently debating a $350 billion tax cut reconciliation bill. This bill is about priorities, about values. That is what budgets are about. Part of the budget is $350 billion in tax cuts. The budget we are working under that was adopted by the Congress set those numbers. I am pleased there was a commitment to limit that reconciliation bill through conference to $350 billion. That was the commitment made by certain key Senators on this side.

It is within this tax reconciliation bill we debate and decide how the changes in revenues and outlays affect our constituents. The debate is about who the $350 billion benefits: do we give more money to some taxpayers or others? The choices are real. We are here to make decisions. We are here to decide.

We need to make sure our Nation's seniors receive a significant benefit. If this bill before the Senate will allocate benefits to certain groups, certainly senior citizens in our country should be a main beneficiary of a tax reduction. This amendment offered by the Senator from North Dakota is just that, a tax reduction for senior citizens. It repeals the 1993 provision which imposed taxes on certain senior citizens.

The bill reported by the Finance Committee provides a tax break for taxpayers with dividend income. That proposal costs $81 billion over 10 years out of the $350 billion. That proposal provides a few seniors, not very many, a few with a small amount of tax relief; 77 percent of seniors in our country will receive no relief, no tax reductions, under the Finance Committee bill on dividends; 77 percent of Americans do not receive any of the $81 billion that will go to very few Americans, the most wealthy, the least in our country.

In contrast, our amendment will provide 8 million seniors with a significant tax cut. All the cost of this goes back to America's seniors. That means $150 billion over 10 years is put back into the pockets of our senior citizens.

The current law enacted in 1993 has two significant flaws. First, in 1993 we changed the rules in the middle of the game for people receiving Social Security benefits. I will never forget. Suddenly that was enacted. It came out of the blue, an additional tax on our senior citizens and their benefits. We began to tax Social Security benefits at a higher rate for individuals at certain income levels.

The second flaw in 1993, we failed to adjust the income levels for inflation. For the past 10 years, there has been no adjustment. This means more and more seniors will be subjected to this tax as each year passes. We need to correct those flaws.

Again, this debate is about choices. We make choices here. Life is making choices. We think the choice here is clear. If we have $150 billion to spend, spend it on seniors. As such, we offset the cost of our amendment to repeal the tax to Social Security benefits. That is the purpose of the underlying amendment by striking the dividend proposal in the bill and also striking reductions in the top rates.

Again, this is a tax cut amendment. Those seniors I mention are currently paying that tax. We are proposing that tax be repealed. That is a tax cut amendment. It is being paid for by a promise to the future. Those provisions of the Finance Committee dealing with dividends are not currently in effect. They are future promises, we suggest, to be repealed so our seniors get the benefit of the repeal of the taxes imposed upon them in 1993.

A couple of numbers: Repealing the 1993 tax of Social Security benefits gets an average of $1,500 into the hands of 8 million seniors. Contrast that with the dividend proposal in the Finance Committee bill. The dividend proposal in the bill gets an average of $19,000 to fewer than 5,000 seniors. Again, what is better: $1,500 in the hands of 8 million seniors or $19,000 in the hands of the most wealthy, only 5,000 seniors? And fewer than 1 million taxpayers, regardless of whether they are 65 or 25, would benefit from the top rate reductions. Remember, there are 130 million filers in America. Fewer than 1 million taxpayers who are not seniors, who are between 65 and 25 get reductions from the top rate reductions.

Members on the other side of the aisle have supported this in the past. Repealing the 1993 Social Security tax is a better choice for our constituents than enacting dividend proposals in the top rate reductions contained in the underlying bill.

Mr. REID. Will the Senator yield?

Mr. DORGAN. Mr. President, I yield 2 minutes to the Senator from Nevada.

Mr. REID. Mr. President, the amendment offered by the Senator from North Dakota will be voted on as it stands. If there is any suggestion that there will be an offer or attempt to second-degree the amendment or somehow not give us a straight up-or-down vote, we will continue to offer this second-degree amendment on other things. There will be a vote on this amendment.

It would be to everyone's best interest to get that out of the way as quickly as possible and vote on this very important amendment offered by the Senator from North Dakota.

Mr. DORGAN. I yield 10 minutes to the Senator from North Dakota, Mr. CONRAD.

Mr. CONRAD. Mr. President, I ask unanimous consent I be named as a cosponsor of the amendment of my colleague.

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

Mr. CONRAD. Mr. President, I wish my colleague a happy birthday. This is his birthday, and I hope it is a happy one for him. I hope what helps make it a happy birthday is this amendment passing.

This is a good amendment. This is reversing a tax increase previously imposed on recipients of Social Security. That was part of a deficit reduction plan back in the 1990s that helped get us back on track. We did that. Now in the context of this bill, since there will clearly be tax reductions, we ought to do it in a way that is fair and balanced and that recognizes a tax increase previously imposed that could be reversed at this moment.

My colleague mentioned what is happening to the Federal debt under the President's budget plan. This chart shows it in graphic form. The debt of the United States is absolutely skyrocketing. It is over $6 trillion now, and it will be over $12 trillion in 10 years if the President's plan is adopted, including the overall tax bill before the Senate.

All of this is at the worst possible time. Right now, the trust funds of Social Security and Medicare are running surpluses. The blue bar is the Medicare trust fund; the green bar is the Social Security trust fund; the red bars are the tax cuts, both those enacted already and those proposed. You can see that when the trust funds that are now running big surpluses turn cash negative within the next decade, at that very time the cost of the tax cuts proposed by the President explode, driving us deep into deficit and deep into debt. That is right as the baby boom generation retires, right as we are least able to have deficits. You don't have to take my word for it or the word of the Congressional Budget Office; this is the President's own analysis of the long-term effects of his plan.

Some have said these deficits are small. The deficits currently are at record levels. We are going to have the biggest deficit this year we have ever had in our history. That is right here.

But look where we are headed, according to the President's own analysis. This is from his budget document. It shows deficits now are small compared to what they will be, even though they are at record levels now. These are the biggest deficits we have ever had, and they are tiny compared to what is to come if we adopt the President's plan, because the costs of the retirement of the baby boom generation explode at the very time the costs of the President's tax bill explode.

Some on the other side are saying if you cut taxes you are going to get more revenue. Let's do a reality test. They said that 2 years ago. This was the range of possible outcomes, looking forward, that was given to us 2 years ago by the Congressional Budget Office. They adopted the midpoint of this range. That was what told them we were going to have nearly $6 trillion of surpluses over the next decade.

Republicans said, Oh, wait a minute, that is too conservative. If you cut taxes, as we did 2 years ago, you will get much more revenue. They are making the same claim now: If we cut taxes again, we will get more revenue.

Let's look back at history. Let's look at the record. What it shows us is here is what actually happened. This is what the projections were; this is the midpoint of those projections that said there would be nearly $6 trillion of surpluses. This red line is what has actually happened. We didn't get more revenue. We didn't get more surpluses. We got less revenue and no surpluses. Instead, we got deficits, massive deficits, record deficits. Now we get the same old song: Let's just do another big round of tax cuts; we will get more revenue.

It didn't work last time. It didn't come close to working. In fact, we just got the latest numbers from the Treasury Department. Revenue this year is running $100 billion below the forecast made just 7 months ago. They said, based on the tax cuts of 2 years ago, we would get more revenue. We are not getting more revenue. In fact, if this trend continues this year, we will have the lowest revenue as a percentage of our gross domestic product since 1959.

All those who claimed we were going to get more revenue were wrong. The President was wrong. Our Republican colleagues who told us we were going to get more revenue with the big tax cut enacted 2 years ago were wrong. They were not wrong just by a little bit; they were wrong by a lot.

That is why some of the most distinguished economists in the country are telling us that this tax cut plan is not going to do the job. These are the names of the economists who signed this statement. Ten of them are Nobel laureates in economics, the most distinguished economists America has produced. This is what they say:

> The tax cut plan proposed by President Bush is not the answer to these problems—of weak economic growth.
>
> Regardless of how one views the specifics, there is wide agreement that its purpose is a permanent change in the tax structure and not the creation of jobs and growth in the near term. The permanent dividend tax cut, in particular, is not credible as a short-term stimulus. As tax reform, the dividend tax cut is misdirected in that it targets individuals rather than corporations, is overly complex, and could be, but is not, part of a revenue-neutral tax reform effort.
>
> Passing these tax cuts will worsen the long-term budget outlook, adding to the nation's projected chronic deficits.

They conclude:

> To be effective, a stimulus plan should rely on immediate but temporary spending and tax measures to expand demand, and it should also rely on immediate but temporary incentives for investment.

It is not just 10 Nobel laureates. This morning a distinguished Republican economist was quoted in the Washington Post reacting to a plan to phase-in and later sunset the President's dividend proposal. Here is what he wrote in a website editorial:

> Administration sources admit that dividends will likely decline relative to today under this plan between now and 2005.

Dividends are going to decline.

> How can that be a harmless event, given that increases in dividend payments are viewed to be so wonderful?

This Republican economist, distinguished Republican economist whom they have called to testify before committees of Congress repeatedly concluded:

> Clearly, this proposal is one of the most patently absurd tax policies ever proposed.

This is from a Republican economist whom they have called repeatedly before committees to testify on economic proposals.

It is not just 10 Nobel laureates. It is not just a distinguished Republican economist. It is even the people they have hired to do the analysis of their plan, Macroeconomic Advisers, hired by the White House, hired by the Congressional Budget Office to do macroeconomic forecasting. Do you know what they say? The President's plan will give you a little boost, less than half of 1 percent of additional GDP, until 2004. Then look: straight down. That is what this policy provides. It hurts economic growth. In fact, past 2004 it is worse than doing nothing. That is a great economic growth plan. That is a great jobs plan. It is worse than doing nothing, according to the people they have hired to give them advice on what the results will be.

It is not just those Nobel laureates, it is not just a distinguished Republican economist, it is not even the firm the Congressional Budget Office and the White House have hired to do macroeconomic analysis. This is the chairman of the Federal Reserve: ''Greenspan Says Tax Cut Without Spending Reductions Could Be Damaging.''

He is saying:

> With a large deficit . . . you will be significantly undercutting the benefits that would be achieved from the tax cuts.

The President of the United States is not proposing cutting spending. He is proposing increasing spending and he is proposing massive tax cuts when we already have record deficits. There can only be one result: massive deficits, massive debt, that will hurt economic growth, that will hurt the economic security of the country, and finally, on an amendment that involves Social Security, that will take virtually every penny of Social Security surplus over the next decade to pay for these tax cuts. What a profoundly mistaken policy.

The PRESIDING OFFICER. The time of the Senator has expired. Who yields time?

Mr. BAUCUS. Mr. President, how much time is remaining on both sides?

The PRESIDING OFFICER. The Senator from North Dakota has 20 minutes on the amendment. The Senator from Iowa has 1 hour.

Mr. DORGAN. Mr. President, I was unable to hear.

The PRESIDING OFFICER. The Senator from North Dakota has 20 minutes. The Senator from Iowa has an hour.

Mr. DORGAN. I ask if the Senator from Iowa wishes to use some of his time at this point.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself such time as I consume.

I have enjoyed listening to this debate. It is just like being in another world. The reason I say that is, why do you think that we tax 85 percent of Social Security income for certain Americans in the higher income tax brackets—I would say even in the middle-income tax brackets—at 85 percent? That was done in 1993. Do the people who have just spoken forget that every one of them voted that increase, to have the Social Security income be taxed at 85 percent of that income that has to be reported? Every one of the people who have spoken are responsible for that level of income reporting of 85 percent being on the tax books. Why do they want to repeal what they are responsible for passing? During the debate on the tax bill, every one of the Democratic Senators now serving in the Senate, except for Senator BINGAMAN from New Mexico, voted to have this money taxed. Now they are trying to take it out.

On June 24, 1993, there was an amendment offered by Senator LOTT to change the amendment which was in the Democrat tax increase bill at that time to not report 85 percent of Social Security income for taxation. The rollcall shows that the motion to table was agreed to 51 to 46. The 51 Members who voted at that particular time were the ones who were voting to keep the level of Social Security income that was taxed at 85 percent and which needed to be reported. Every Democrat still serving in the Senate voted to table Senator LOTT's amendment. Every Republican voted not to table the Lott amendment, which meant that every Republican was voting against that. We had the support of Senator BINGAMAN—the only Democrat from whom we had support.

They wonder why I am amused? If they think it is so bad today, why didn't they think it was bad 10 years ago? And we wouldn't even be debating this issue. It looks to me as if they want to maybe detract from the mistakes of the past. I don't know.

But also, earlier this year, on an amendment by Senator BUNNING to the Budget Act, the very same Members opposing this amendment voted against the very same amendment when Senator BUNNING offered it. What has happened in the last month? Do they realize that maybe the vote at that time was wrong and they have to have cover? I don't know. But every one of the Members who are proposing this amendment or speaking for it voted just the opposite way on Senator BUNNING's amendment. That amendment was defeated 48 to 51.

But there are bigger things to worry about than how people voted in the past. I want the public to understand that there is some game playing going on here. We are talking about serious business as well. We are talking about a jobs bill before the Senate to give tax relief to American working men and women so they can have more money in their pockets.

To get the cover that some people need for previous votes, they are going to take tax decreases away from middle-class Americans to pay for that. I will be a little more specific on that in just a minute.

I have to repeat something I said in my opening remarks. We just heard a speech on the debt situation which might be forthcoming if we grow the economy. Reducing taxes is one way to grow the economy and will not have the debt situation we found with the growth we had in the 1990s. We paid down the national debt $550 billion.

We hear about this debt situation. My friends on the other side of the aisle are worried about the debt. They said if we adopt the President's plan, we are going to have greater debt. If they are so concerned about the debt, why didn't they offer all of their amendments on the budget bill about a month ago? They wanted to take money away from the tax reduction aspect of the budget. It begins at the bottom line. They took money away from tax decreases and spent it someplace else. If they are concerned about the national debt, it seems to me—and they believe that one more dollar coming into the Federal Treasury is going to reduce the national debt—they shouldn't have been offering amendments to spend it someplace else. But they are very consistent in doing that. Amendment after amendment after amendment took money away from the tax reduction figure in the budget, which this bill is a result of, and spent it someplace else.

Do you know why? I think there is a difference in philosophy between my party and the other party. That difference in philosophy is very basic to this debate going on today. I just think people ought to realize that this is not a Republican-Democrat fight, or some little cat fight over some little bill in the Senate.

There is the difference between one party that believes money in the pockets of 110 million taxpayers is going to do more economic good if the 110 million taxpayers spend it or invest it than if I, Senator GRASSLEY, and 534 others here in DC are going to make that decision. We have to believe that if the money is in the pockets of 110 million taxpayers and they spend it or invest it, it is going to do more economic good. It is going to turn over more times in the economy. It will respond to the dynamics of our free market economy rather than a political decision being made about what to do with it.

Obviously, I believe people on the other side of the aisle have the attitude that we in Congress know better than they do how to spend the taxpayers' money. If we are going to have a tax reduction, that will mean less money for us to spend. But it ignores the economic good that comes from private sector investment and private sector spending as opposed to public sector spending.

I think there is very much an inconsistency here. What we are talking about is a $430 billion tax reduction package—net $350 billion. As we have been told, we have been led to believe that this is responsible for doubling the national debt. This tax package is only one-half of 1 percent of all the dollars that are going to be collected by the Federal Government under existing tax law over the next decade. That is going to be $24.7 trillion. Tell me things are so tight here in Washington, DC, that somehow one-half of 1 cent on the dollar left in the taxpayers' pockets is going to be responsible for doubling the national debt. No. What is going to be responsible for doubling the national debt—if it were to happen; I don't think it is going to happen—is not because the people of this country are undertaxed; it is because this Congress overspends.

There again I would remind the Senator from North Dakota, the distinguished ranking member of the Budget Committee, the President's plan does not follow the pattern of the last few years, where back to back we had 9-percent increases in domestic discretionary spending each of those years. But the President's program, plus the budget of this Congress, has domestic discretionary expenditures not at 9 percent but at 4 percent. Now, yes, that is an increase. That is an increase, but that is an increase that is sustainable over the long haul. Nine-percent budget increases are not sustainable.

We are in a situation where nothing around here surprises me anymore. The very people offering this amendment are the same ones who created this tax increase back in 1993. As I indicated, they even voted against repealing the tax just 2 months ago on the budget resolution.

I think this is an amendment that is trying to fool the American people. Just about every Member on the Republican side has vehemently opposed the Democrats' 1993 tax increase on Social Security. Except for Senator BINGAMAN, every Democrat in the Senate today voted for that back in 1993. Now they want to try to cover up their votes supporting this tax, and they want to do it by destroying the underlying jobs and growth bill.

This is how they destroy it: The Dorgan amendment strikes our efforts to reduce all marginal tax rates above 10 percent. The efforts to reduce marginal tax rates for the middle class are eliminated by this amendment. As a result, a single mom making $40,000 in taxable income will see no reduction in the tax on her small pay increase. A family with taxable income of $70,000 will see no reduction in their marginal tax rate.

The Dorgan amendment takes away our bill's tax cuts for middle-income Americans. The Senator from North Dakota says this isn't a tax increase. I would like to have you tell that to the single mom, who is one of the targets of this amendment, who, on her pay raise, will not see a reduction in her tax. A vote for this amendment is, in fact, a tax increase, no matter how the authors want to try to dress it up.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. DORGAN. Mr. President, I yield myself such time as I may consume.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, this was an interesting and clever argument to listen to. I have great respect for my colleague who chairs the Finance Committee. We have worked on many issues together. But I listened to his argument, which was more about motives with respect to this amendment than it was about merits.

It is, I guess, perfectly plausible to talk about the motives of others. I won't do that at this moment, but he was describing the motives of people dealing with this amendment. Let me talk a bit about the merits and correct some of the misstatements, if I might, and then describe why this is an important amendment.

Let me take the last point first. My colleague says this is going to take away the tax cuts for middle Americans. Nonsense; simply untrue. Is this going to take away the tax cuts for the child credit, which is going to be very significant to that single mom? Does this take that away? The answer is no.

So if someone says this takes away the tax cuts for middle Americans, they are wrong, just wrong. It is not supported by the facts. I will go through a whole list of others that this does not take away.

This does take away the tax cut that accelerates the rate reductions going down to the 28 percent. It is not all those above 10 percent, as my colleague suggested. But let me go back to the top and take his arguments one by one.

The Senator from Iowa is right, this was put in place 10 years ago as part of a large plan. I was not happy it was there 10 years ago, but it was part of a plan we passed.

Twice, since that time, I have supported efforts to get rid of this tax on Social Security—the 50 percent to 85 percent—but we have been unsuccessful. The question now is, Are we willing to cut taxes now by abolishing the 85 percent back down to 50 percent? That is the question for us now.

As a result of the 1993 new economic proposal, which included this piece, we had unprecedented economic growth that turned this country around, turned the biggest budget deficits then into the biggest budget surpluses we have ever had. Now, we have people who are still huffing and puffing that it really was not the result of that economic plan, but, notwithstanding that, the fact is, that put this country back on track. This piece was a part of it. I am not pleased it was, but it was. As I said, I voted previously to try to get rid of this piece. Now we have the opportunity.

If the prospect of the majority is to come to the floor of the Senate and say, let's have very large tax cuts, the question is, it seems to me, Where do you start? Who benefits most? Wouldn't it be a good thing to cut these taxes so 8 million senior citizens who are paying $1,500 a year more in taxes as a result of that change 10 years ago would be able to begin to pay less as a result of our repeal of that provision?

My colleague said: Gee, there was just an amendment offered by Senator BUNNING on the floor of the Senate that dealt with this very issue. Total nonsense. It was offered during the budget debate, and the budget debate did not have anything to do with what we were going to do on specific tax cuts. That can only be done with respect to the Finance Committee and on the floor of the Senate.

The Bunning amendment was a proposal to increase the overall tax cut by $146 billion. But the Bunning amendment—if I just ask you to go read it—says nothing about this issue that I have as a matter of the amendment today. I assume my colleague will say: Everybody knew what he was doing. No, you can't do that during a budget debate. There is no vote during the budget debate that is going to affect what the Finance Committee does to cut taxes at some point later. So the Bunning issue is a specious issue.

We are told this is a jobs bill, and we are also told by my colleague as to this ''debt situation,'' don't worry so much about that because we are going to grow the economy and the debt isn't going to happen. This reminds me of that old joke in the movies: Who are you going to believe, me or your own eyes? Well, let's take a look with our own eyes here.

When somebody says, this doubling of the Federal debt, from $6 to $12 trillion, is probably not going to happen, let me refer you to the budget that was passed by this Senate, embraced by the previous speaker and all on his side of the aisle, I believe—or almost all—except two. On page 4 of that conference report, they say, if they get all they want—they grow the economy, they create the jobs, they get all they want in budget and appropriations and tax cuts and so on—they say they will have a $12 trillion debt in the year 2013. This isn't a case of, well, if we grow the economy, the debt situation will not happen. No. This is what they predict will happen if they get all they want.

So I would refer you to page 4 of the conference report, that you voted for—I say to those who voted for it—and ask yourselves: Were you creating a plan and supporting a plan that doubles the Federal debt? The answer is yes. Case closed. No more discussion about that, I am sorry.

Now, the question was asked: Do we want to repeal this or don't we want to repeal this? The reason I have offered the amendment is, yes, I think we ought to repeal that provision. I did not like that provision when it was put in, but it was. It was part of a larger plan we all protected in order to make that plan work. The fact is, I did not like it then. I do not like it now. I think we ought to repeal it.

The question now is not, What did you think about someone doing that 10 years ago? The question is, In the year 2003, do you support repealing this provision or don't you?

This, in fact, is a tax cut for senior citizens, 8 million of them who have reached their declining income years and who have earned the opportunity to go back to the provision we used to have where 50 percent of their Social Security payments are counted as income for tax purposes rather than the 85 percent. That is what my proposal does.

We are told that what this larger tax bill is about is putting money in the pockets of American taxpayers. That is true. It will be borrowed, of course. We are going to borrow money to provide tax cuts. But if we are going to provide tax cuts, it is perfectly appropriate to ask the question: What are the priorities? Who ought to be first in line? Those at the very top of the income ladder who earn the biggest dividends, should they be first in line? Is that who edges up to the trough here? Or perhaps should we take a look at the issue of the tax burden on senior citizens and especially the income they receive from Social Security?

If this is about putting money in the pockets of the American taxpayers, I say without respect to the motives of those who disagree with me, if the motive is to put money in the pockets of senior citizens who have had to pay a higher tax than they should have to pay, this amendment gives you the opportunity to vote yes or no.

We can have people stand and steam and bluster about other people's motives, but in the end, we will vote on this. And the vote is going to be, do you believe we ought to relieve senior citizens of this tax obligation they have had to pay? In my judgment, the answer ought to be yes. My hope is that enough colleagues will join me so we can make this kind of affirmative change that will be helpful to cut taxes for 8 million senior citizens to the tune of $1,500 a year. These are taxes that ought to be cut. I hope my colleagues will support this amendment.

One more time. There are a lot of mirages created in this Chamber, a lot of word castles being built: We will grow; we will create jobs; we will grow the economy; we will expand all these things that we hear about.

It is not contestable that we have a fiscal plan passed by one vote in this Congress that says: Let us borrow a great deal of money, provide very large tax cuts mostly to upper income folks, double the Federal debt from $6 to $12 trillion, increase funding on defense, increase funding for homeland defense and security, and then shrink domestic discretionary and at the same time double the Federal debt. That is a legacy we will leave to our children if everything goes as is predicted.

I happen to think this fiscal policy makes little sense. If we are going to cut taxes, let's make sure we have a priority in terms of the value system we want to exhibit as we cut taxes. I say those who have reached their declining income years and who are now paying higher taxes because of this provision put in 10 years ago deserve the opportunity to see this provision repealed, and my amendment does exactly that.

I yield 3 minutes to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, there isn't anybody in this body for whom I have higher respect and more affection than the Senator from Iowa. I must say when I listened to his arguments against this amendment, virtually nothing was said that addressed the merits. In fact, there were some statements which were a little bit misleading. Lawyers like to call them red herrings. That is when you say something to try to get people off track so they don't think about the subject at hand. It is called a red herring.

One of the red herrings we heard was that Democrats voted against this amendment in the past, and it was Democrats who voted for this increase in Social Security taxes back in 1993. That was 10 years ago. That is a different time, a different situation, different circumstance. Back then the Congress voted to reduce deficits, and that was part of a large deficit reduction package. This is 10 years later, 2003. We are faced with the question, within a $350 billion tax bill, how should the tax cuts be allocated. That is the question before us.

Many of us believe it is a far wiser policy that seniors receive more of the tax benefit as a result of the cuts than is the case under the Senate Finance Committee bill. That is why we think the 1993 provision should be repealed because then seniors will receive significant benefits if it is repealed, and we believe that is a higher priority than giving a lot more dollars to very few Americans who are the elite, the extremely wealthy Americans.

Repealing the 1993 tax on Social Security benefits gets an average of $1,500 in the hands of 8 million Americans. Eight million seniors will receive, on average, a benefit of $1,500 under our amendment. Otherwise, if this amendment does not pass, then by contrast, under the committee bill, which gives dividends to all Americans tax free, a few seniors, 5,000 seniors, will get $19,000.

We are saying there should be a better priority; that is, the money should be given to people who are going to spend it. It should be spread out more evenly rather than have the benefits, as in the Finance Committee bill, so heavily skewed to the Nation's elite. This should not be an elite bill. This should be an American bill. This should be a bill for Americans, and American seniors should be included as the rest of America.

There are other provisions of the bill that give tax benefits other than to seniors. We believe seniors should get a significant part of the benefit. I strongly urge passage of the amendment.

The Senator from Iowa also said there is a difference in philosophy: One party wants to put money in the pockets of people; the other does not.

That, too, is not a valid argument. We are talking about whose pockets this money should be put into, if you want to put it in those terms. We on our side are suggesting that the people whose pockets should receive the money are the seniors, that they should receive the benefits, much more than is the case in this bill. In this bill, the people who receive the money, whose pockets get the money, are the elite, the wealthy elite of America generally. That is not right. That doesn't work. It is not fair. It is not American. We believe this should be a bill that is more evenly balanced for all Americans.

For all those reasons, I urge my colleagues to support the amendment. It is good for America.

The PRESIDING OFFICER. Who yields time? The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I ask how much time remains on the Dorgan amendment on both sides.

The PRESIDING OFFICER. The Senator from Iowa has 45 minutes; the Senator from North Dakota has 7 minutes.

Mr. GRASSLEY. Forty-five minutes on my side?

The PRESIDING OFFICER. The Senator is correct.

Mr. GRASSLEY. I rise to address a couple of issues that have been presented before we go to other people who want to speak. This is on the Dorgan amendment. It might be in the form of asking rhetorical questions or what have you. But first of all, I want to say to my friend from Montana, the distinguished ranking member of this committee, that for this farmer to be called a lawyer, if he were not a good friend of mine, I would take offense.

Regardless, before us is this amendment that reduces the amount of Social Security income that must be reported for taxation. One of the issues I didn't mention in my debate against the amendment is the fact that all the money raised from this tax goes into the Medicare health insurance trust fund. We all know the Medicare Program is in much more serious condition than the Social Security Program.

The Medicare trust fund has a drop dead date of 2026. The Social Security trust fund has a drop dead date of 2042. None of those dates are anything that I am making light of, that they are so far off that we should not be concerned. We have to be very concerned. But people ought to understand that to the extent this amendment is adopted, it would take money out of the Medicare health insurance trust fund. And I don't think we ought to be doing anything to weaken the Medicare trust fund. I would rather refer to a point made by the two Senators from North Dakota, most often made by the sponsor of this amendment. I cannot help but ask both of these Senators who are trying to make an issue about this bill by saying that this bill will increase the debt. Somehow that just doesn't add up, when you consider the thrust of their amendment.

How does this amendment they have before us reduce the debt? The bottom line of the bill is exactly the same with or without the Dorgan amendment. In other words, it costs the same as the underlying bill. So, again, we have people speaking on three sides of a two-sided coin. Senator DORGAN's amendment will increase the debt, so I don't hear any more about increasing the debt on the part of the underlying bill, because with their amendment, we end up exactly in the same place.

The PRESIDING OFFICER (Ms. MURKOWSKI). The Senator from North Dakota is recognized.

Mr. DORGAN. Madam President, my colleague from Iowa just won a debate we were not having. That is an interesting thing to do. I wasn't proposing this amendment as one that would dramatically reduce the Federal debt. I never suggested that or proposed it.

My point is, we lost on that issue when my colleague and his party passed in the Senate this budget which, on page 4, says they want to double the Federal debt from $6 trillion to $12 trillion. They passed that without my vote. I didn't support it. But I didn't propose this amendment saying it will reduce the Federal debt. I am saying this: Since they won, and since they are going to cut taxes, the question is of choice and priority: Which of the taxes ought to be cut? Which ought to be cut first?

My amendment simply says I think it is more important to cut these taxes for senior citizens—8 million of them who pay $1,500 a year, at this point, more than I think they should pay. I think the priority ought to be to cut taxes for them at this point. Is it more important to do that than to, as I said earlier, cut dividend taxation? I think it is. I think those individuals are in the highest income levels.

Again, I hope Donald Trump won't mind, but since he names everything after himself, and he is a very successful businessman, he probably doesn't mind my using his name. He is at the top of the income ladder, and God bless him. But it is a reasonable thing to ask: what is the priority? Is it providing tax exemptions that will provide large tax cuts to those at the top or to provide tax exemptions for senior citizens who have reached the lower part of their income in their lives and are struggling to make it?

What I propose has nothing to do with the debt. This doesn't reduce the debt. I am not saying it does. If we are going to cut taxes, the question ought to be one of choice and priority. That is what this amendment is. I am going back to the question of debt because it is the very reason I voted against the budget in the first place. We cannot come to the floor and say this debt situation "isn't real" because it may not happen because we have this policy or plan that will grow the economy, and if and when we do these debts won't appear.

I am sorry, that just doesn't wash. This plan is a plan that says if we get all we want, if we get this economic growth, if we create these jobs, if our plan is approved, we will then double the Federal debt. Are we concerned about that? You bet your life we are. Are some others around here concerned about it? No. There is a lot of thumbing of suspenders and saying, "Aw shucks, this doesn't matter." Well, it matters. Our kids and their kids will inherit this debt. It will be their burden to pay this.

We just came through a war, and God bless the soldiers we called on to ask to fight that war. This country is enormously blessed that it lasted only a very short time. But I think it is very unusual that America sends her sons and daughters to war but says we don't choose to pay for it at this point. It is a very costly enterprise. Nobody is saying we ought to pay for this. What we said was: When you come back from the war, you can come back to the welcome arms of your family and then inherit the burden of paying the costs. That is my point about the debt and deficit.

Have I used my 7 minutes?

The PRESIDING OFFICER. Yes.

Mr. DORGAN. I yield the floor.

Mr. BAUCUS. Madam President, I yield myself 5 minutes off the bill. For the record, I want to make a correction. I know it was an oversight by the Senator from Iowa when he mentioned that the Medicare trust fund will be somewhat in jeopardy in future years.

That is true, but I know it was an oversight when he failed to state that, under the terms of our amendment, the trust fund will be made whole through transfers from the general fund over to the Medicare trust fund, so it will be made whole or kept whole and held harmless under this amendment.

I know that was an oversight, but I wanted to say that for the record.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

Madam President, my understanding is that when I asked whether I had used the 7 minutes, the response was not accurate and that there are, in fact, 3 minutes left.

The PRESIDING OFFICER. The Senator is correct.

Mr. DORGAN. I knew I talked fast, but I didn't think I finished all 7 minutes then. I thank the Presiding Officer and the Parliamentarian as well.

I wanted to make a point in response to something said earlier that, well, if this amendment passes, the tax cuts for American families will be gone. That is simply not the case. I will describe that I don't, with this amendment, change the child tax credit. That moves to $1,000. It has nothing to do with that. That stays in place. I don't propose changing expensing to $75,000. That stays in place. The increase in the AMT, the alternative minimum tax, exemption stays in place. Acceleration to the 10 percent bracket stays in place. Acceleration to the 15 percent bracket stays in place.

My point is that a lot of things are said on the floor of the Senate, and they are often said by someone who might mean them, but they might be mistaken. It is a mistake to say that this amendment somehow, in some way, jeopardizes tax cuts to most American families. It doesn't. It simply does not.

The only question the Senate will be voting on with respect to this amendment is the following: Do we, at long last, repeal the provision put in place 10 years ago? And, yes, many voted 10 years ago for that large package and put the country on track, and that led to awfully good economic times. But do we repeal that provision? I felt 10 years ago it would be better not to have that provision in the package. I have on two occasions voted to repeal it. Let's try again.

If we are on the floor saying there will be very large tax cuts, let's ask the question: Should this tax cut be one of them, a tax cut for senior citizens that says to them the $1,500 in additional taxes that 8 million of you are now paying, because we changed the rules on what percent of the Social Security receipts you get should be reported for tax purposes, should that be cut? The answer is yes.

While we are talking about double taxation, yes, some dividends—fewer than 50 percent—are subject to double taxation in this country, but all of this is double taxation—all of this. Senior citizens pay a tax on their wage when they are working. When they retire, they get a Social Security benefit and pay a tax on now 85 percent of that. That is double taxation.

If, in fact, the culprit we are chasing is double taxation, why do we start with dividends first? What about double taxation that results in Social Security recipients being taxed while they work on the same income we will now tax when they retire? It does not make any sense to me. The only question is not one of motives of someone who might be supporting this or offering it, as my colleagues suggested a moment ago, the question is when the roll is called, do you believe we ought to repeal this tax increase that senior citizens face? My answer is yes, let's repeal this tax increase. That ought to have a priority over other provisions in the bill.

One last point. The Senator from Montana clarified the point with respect to Medicare. I appreciate he did that. I failed to do it. This bill does not jeopardize the Medicare trust funds at all. They are restored in the bill.

I yield the floor.

Mr. LEVIN. Mr. President, I support the amendment offered by Senator DORGAN that would cut taxes for 8 million of our seniors that pay Social Security taxes.

This boils down to a question of priorities. If we are going to pass a huge tax cut as the majority insists, who would we rather provide the tax cuts to? This amendment would provide tax relief to senior citizens who pay taxes on their Social Security benefits. Those who oppose this amendment apparently would rather provide tax breaks that mostly go to the wealthiest among us. They apparently would rather cut taxes on dividends that studies show will disproportionately benefit upper income folks. They apparently would rather accelerate tax cuts for taxpayers in the top bracket making over $300,000 a year. I would rather cut taxes for seniors than do these things.

I will support the Dorgan amendment as a major improvement to the underlying bill reported by the Finance Committee.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Madam President, I ask unanimous consent that the pending amendments be temporarily laid aside so the Senator from Nevada may offer an amendment.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Nevada.

AMENDMENT NO. 560

Mr. REID. Madam President, I ask that amendment No. 560 be reported.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Nevada [Mr. REID] proposes an amendment numbered 560.

Mr. REID. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To ensure that Social Security surpluses are not raided in order to fund tax cuts on corporate dividends)

At the appropriate place, insert the following:

SEC. ___. MECHANISM TO PROTECT SOCIAL SECURITY

(a) CERTIFICATION.—

(1) IN GENERAL.—Each year, beginning in 2003, when the Final Monthly Treasury Statement for the most recently completed fiscal year is issued, the Secretary of the Treasury shall—

(A) certify whether there was a on-budget balance or surplus in that fiscal year; and

(B) estimate whether there would be an on-budget deficit in any of the succeeding 10 fiscal years if section 201 of this Act takes effect January 1 of the following year.

(2) ESTIMATE.—The calculations for the estimate under paragraph (1)(B) shall be consistent with the baseline rules specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1995, except for the assumption that these provisions take effect and remain in effect permanently.

(b) DELAY IN DIVIDEND TAX CUT.—Notwithstanding any other provision of law or this Act, section 201 of this Act shall not take effect until January 1 of the year following—

(1) a certification by the Secretary of the Treasury pursuant to paragraph (a)(1)(A) that no on-budget deficit existed in the preceding fiscal year; and

(2) an estimate by the Secretary of the Treasury pursuant to paragraph (a)(1)(B) that no on-budget deficits will occur in any of the 10 succeeding fiscal years even if section 201 takes effect.

Mr. REID. Madam President, I can remember as a little boy my grandmother getting what she referred to as her old-age pension check. That is what she called it. We have refined the name. That is not politically correct anymore. We now refer to someone receiving a Social Security check.

The Social Security check my grandmother received gave her dignity. She had eight children. The children helped her, but my grandmother, a proud widow, did not want to feel dependent on people, even her own children. I repeat, that old-age pension check gave her dignity. It gave her independence. She had money of her own that she could spend. She was unable to work. My grandmother, for all the time I remember her, could not walk very well. She was very heavy and did not move around very well. But that check still gave her the ability to feel free to do things on her own.

Social Security is the most important, the most successful social program in the history of the world. There has never been a program that has worked as well as Social Security. In addition to helping my grandmother as it did, Social Security has other important effects. It helps those who are widows.

I have said on this floor before and I will repeat it, I was in my Senate office in the Hart Building, and a woman was there representing an agency from Nevada. It was obvious she was very anxious to make her flight. I asked: You can make your plane easily; why are you so nervous? She had to get home to her children. She proceeded to tell me she was a widow. She was a young woman. I asked her what happened to her husband. He was murdered. Social Security steps in in situations such as that to help widows and orphans. Social Security also helps the disabled.

Social Security is more than a check for my grandmother. It is a check for the widow whose husband was murdered. It is a check for someone who has a debilitating disease and cannot work. Social Security is an important program. Our Social Security program is the envy of the rest of the world. It is a program that came about during the Great Depression, the brainchild of Franklin Delano Roosevelt, and the program has been remarkable.

Not every Member of this body is committed to protecting Social Security. That is a fact. The former majority leader of the Senate, my friend, the distinguished Senator from Kansas, Mr. Dole, is proud of the fact he voted against Medicare. He acknowledges, as do a number of other distinguished Republican leaders, that Social Security and Medicare are bad programs.

I carry in my wallet—I still have them here; I have read them so many times and I am not going to do it again—quotes from Republican leaders—Gingrich, Armey, Dole, and there are others who are not as nearly forthright as these three men who acknowledge their dislike for these programs, but we know there are people in the other body who do not like these programs. We know there are people in this body, Senators who do not like these programs.

As has already been stated on this floor by the distinguished Senator from North Dakota, the former chairman of the Budget Committee, Senator CONRAD, part of this tax program of the majority is simply to do away with programs they cannot defeat head up. They cannot get rid of Medicare and Social Security with votes on the Senate floor. So these tax programs will starve domestic discretionary spending and cause us to cut back and maybe even eliminate, if they get what they want, these important programs.

I repeat, not every Member of this body is committed to protecting Social Security. The amendment I have offered will give Members an opportunity to show not only seniors, but others, that Social Security is a program believed to be important to this country.

Young people believe in Social Security, and there has been this myth propounded by the majority that Social Security is about to go broke. Social Security is not about to go broke. We need to do things in the outyears, probably around 2040, to make Social Security a better program than it would be without our help, but even if we did nothing, Social Security recipients would be able to draw 75 to 80 percent of their benefits. We need to do something.

What is being done is exactly the wrong approach. The Republican tax bill that is before this Senate—call it growth and opportunity, call it whatever you want—is a tax bill that is devastating to the security of this country. It is devastating to the Social Security program.

My amendment is very simple. It says Congress cannot raid Social Security surpluses to fund tax cuts on corporate dividends. It is as simple as that. The Social Security trust fund is being raided as we speak.

During the Clinton years, we came to the conclusion that it was not appropriate to mask the yearly deficit with Social Security surpluses. So we had an accurate accounting system. When we talked about there being a surplus, there was a real surplus. What we have here is a report in the newspapers by the administration of what the deficit is, but that deficit is masked because of Social Security surpluses.

As we speak, there are huge amounts of money coming in to the Social Security trust fund, and these moneys are not being spent. There is a surplus.

As the late Senator Moynihan and I, in a dialog in the Senate one afternoon, talked about, it should be a Social Security trust fund, not a Social Security slush fund.

It is being used as a slush fund to cover deficits. The deficit this year will approach $600 billion. So I believe that we should protect Social Security. We used to have debates going on about lockboxes. What was a lockbox? A lockbox was a box that the Social Security surpluses were in and it could not be raided. We said: You cannot have the key to unlock that lockbox for Social Security surpluses. That debate is gone. Nobody talks about it anymore because everyone knows this administration has not only given the key away to the lockbox but thrown away the lockbox. Social Security surpluses are raided every day in this country.

The last 3 years of the Clinton administration there were huge surpluses, retiring hundreds of billions of dollars of debt. Now we have the direct opposite. We are creating hundreds of billions of dollars of debt, and in the next few days we are going to be asked to vote upon increasing the national debt ceiling by a trillion dollars, approximately, some 980-odd-billion dollars. Round it off to a trillion dollars.

My amendment is about priorities. Are we going to protect Social Security or are we going to take the money raised with payroll taxes and use it for a tax cut for the elite of this country?

Every worker pays payroll taxes. Yet every worker will not benefit from a corporate dividend tax cut. So it hardly seems right that we would support using payroll tax money to fund a tax cut that will benefit a select few of the elite of this country.

A short time ago the county assessor from Washoe County, NV, Reno, NV, came to my office. He came for one reason, to tell me: Please, Senator, do not do anything to allow this dividend tax cut to go through. It will devastate Washoe County. How we build roads, bridges, and schools is through floating bonds. That is how we do our assessment districts, to put in water systems, curbs and gutters. If the dividend tax cut goes through, State and local governments are going to be devastated. They will not be able to raise money as they did before.

So as far as I am concerned, this dividend tax cut is not good for our country. In just 6 years, the baby boom generation will begin to retire and our senior population will double—almost double from 44 million to 77 million. We need to make sure that we are prepared to meet the obligations we have made to our parents, our grandparents, as well as our children and our grandchildren.

When the Bush administration came into office, there was a projected $5.6 trillion 10-year surplus. Some say it was over $7 trillion. Now, the Government will have a record of a $1.8 trillion deficit, and maybe a $2 trillion deficit, and spend every dollar of the $2.2 trillion Social Security surplus over the next 10 years.

Before Social Security, 1 in 3 older Americans lived in poverty. Social Security has reduced that number to 1 in 10. Over the past few decades, millions of older Americans have been lifted out of poverty by Social Security.

I believe Social Security is one of the greatest success stories in the history of our country. I have already stated that.

As I said, Social Security is something everyone in this country wants to believe is going to continue to be as successful as it has been. Yet it is a success story that will be rewritten with a tragic ending if we decide to plow ahead with the corporate dividend tax cut before we meet our commitment to future generations. If we are going to build on the success of the Social Security Program, we cannot allow Congress to raid the Social Security surplus in order to fund corporate dividend tax cuts. New tax cuts will run up debt, make it harder for Social Security to meet its future obligations, and further threaten its long-term solvency. Simply, this means future generations of seniors can look forward to uncertain retirements. For many, this will mean retirements into poverty.

Social Security is a guarantee of some measure of security in retirement. It is not everything, but it is a guarantee of some security in retirement. The collapse of corporations like Enron and WorldCom underscore the importance of maintaining this guarantee and not forcing workers to depend entirely on pensions for their retirement savings.

We have just started to see what is happening to the retirements of people who have worked all their lives. For example, in the airline industry we have real concern about the future. Are they going to be able to maintain their programs so people can draw their benefits? The airline industry is only one. We have battled with the steel industry, coal miners. We have had all kinds of problems and that is only a small portion of what is probably going to happen in the future.

Not everyone agrees on how to approach Social Security reform. But one thing is certain, nearly every single Social Security reform plan that has been proposed requires additional resources, not less resources. In fact, the plan recommended by the President's own commission to strengthen Social Security required over a trillion dollars. What has happened to that? The true question is, Where does Social Security rank on the page of important issues voted on? Will this Senate say that protecting Social Security is more important than giving a dividend tax cut to the elite of this country? I hope the answer is yes. I hope people vote to put Social Security first. I hope every Member in this body agrees we should not raid Social Security trust fund dollars so we can offer tax cuts for the elite of this country.

Let's show our seniors and future generations we are serious about fulfilling our obligations to them. It is time, and this amendment is the time to demonstrate that Social Security is a top priority for this Congress and for the Nation.

A constituent said it best in a recent e-mail that he wrote to me. I do not know if that is a proper term for e-mail, but I received it. He said:

> Tax cuts are nice . . . but if we can't depend on what the Federal Government promises, then what is left for us to believe in?

Of course, that was referenced directly to Social Security.

I hope we will join to do the right thing for the millions of people who are on Social Security, the millions of people who will go on Social Security, and for those people who recognize that this program is the most successful social program in the history of the world.

The PRESIDING OFFICER. Who yields time?

Mr. REID. I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is not a sufficient second.

Mr. REID. 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. 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.

Mr. GRASSLEY. Madam President, the arguments we hear for various amendments are very interesting. It is kind of like the other side is going in a circle. In regard to the amendment of the distinguished Senate minority whip, the Senator argues against the jobs bill because Social Security funds are used.

Well, let's compare that argument to the arguments Senator DORGAN was using. How does the Senator from Nevada think the Dorgan amendment he supports is paid for? As the Senator from Montana pointed out, general revenues will be used to cover the costs of the Dorgan amendment.

We are in a deficit situation. Everybody acknowledges that. So where does the Senator think these revenues will come from? They will raid the Social Security trust fund to pay for the Dorgan amendment.

Once again, it seems to me the other side is trying to be on three sides of a two-sided coin. Maybe if we keep this up long enough with their circular arguments they will be supporting the jobs bill when we finally get to final passage.

I yield the floor.

Mr. REID. Madam President, I personally think we should have a real jobs bill. For example, there has been a lot of talk about how many jobs this tax bill will create. Let's analyze this.

There is no dispute that for every $1 billion we spend on public works projects—for example, building highways, roads, bridges, dams, water systems, sewer systems—for every $1 billion we spend, we create 47,000 jobs. The math is simple. By spending just a few billion dollars compared to the multitrillion-dollar tax program that has been recommended, we could create many more jobs. Those are direct, high-paying jobs. Every $1 billion, 47,000 jobs. Multiply that and it comes out to lots of jobs, especially those that would be created indirectly.

I hope some day we have a real jobs bill, instead of what we are talking about, jobs and growth; call a pig a horse all you want, but it is still a pig. You can talk all you want about this tax bill and how much growth it will create; the fact is it is a program for the elite of this country.

Simple and direct to the point, it is what it is. It is an effort to devastate the ability for domestic discretionary spending and cause tremendous harm to programs such as Social Security and Medicare.

I hope when we vote on this measure there will be a resounding yes vote. I understand there will be a technicality raised because, under this rule, germaneness is a very tight rule and it will require 60 votes. That is not such a high burden.

We should be able to have 60 Senators vote to put Social Security before giving tax cuts to the elite. My amendment goes only to the dividend tax cut. I hope we have support on that. If 60 Senators do not agree to support Social Security over a dividend tax cut, I feel very sorry for the remainder of the session and what it will do to the American people.

Mr. GRASSLEY. Madam President, I yield such time as he might consume to the Senator from Utah to either speak on the pending amendment or to speak on the bill.

Mr. REID. Will the Senator withhold for a brief minute?

Madam President, there are Senators wondering what will happen this afternoon. It is my understanding that the distinguished Senator from Iowa will propound a unanimous consent request that we will have a vote around 2 p.m.; is that right?

Mr. GRASSLEY. I am prepared to do that. The answer is, yes, we will have a vote at 2 o'clock, but I don't want to propound the unanimous consent right now.

Mr. REID. It is my understanding, though, that we will have a vote, try to have a unanimous consent agreement and vote on the Dorgan amendment and the Reid amendment, and the Senator from Iowa may raise points of order against those.

Mr. GRASSLEY. I could make the unanimous consent request and then raise a point of order later.

Mr. REID. That is right.

Mr. GRASSLEY. Madam President, I ask unanimous consent, notwithstanding the remaining debate time, it be in order for me to raise a point of order against the pending Reid amendment No. 560; provided further that Senator REID then be recognized and ordered to move to waive. Finally, I ask consent that the vote in relationship to the amendment occur at 2 p.m.

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

Mr. GRASSLEY. Madam President, I yield such time as the Senator from Utah might consume.

Mr. BENNETT. Madam President, I thank the chairman of the Finance Committee for his support.

We continue to hear about jobs in this debate and the question of what creates job. We heard the assistant Democratic leader say for every $1 billion we put into the economy, we get 47,000 jobs. I am not sure what study produced that number, but if it were absolutely true, any time we wanted we could say, let's appropriate another $1 billion and get another 47,000 jobs. If we need to put 470,000 people to work, appropriate $10 billion and go buy the jobs—as if jobs are used cars sitting in a car lot which can be purchased if you have enough money.

Unfortunately, the economy is not that simple and does not work that way. Jobs are created by two things. No. 1, enterpreneurism, risk taking, somebody does something. A human activity is required. No. 2, accumulated capital. Jobs come because somebody accumulates enough capital to fund the risk taking. In many instances the risk that is being taken is that the capital will be lost.

If we look at the creation of jobs through this prism, that it requires risk taking and it requires accumulated capital, we see things a little differently. It is not a matter of the Federal Government spending $1 billion to purchase 47,000 jobs. It is a matter of the Federal Government creating an atmosphere in which those who are willing to risk their accumulated capital—or in the case of borrowing, somebody else's capital—and produce the jobs that come out of that activity.

If I may be personal, I will outline my own experience as an entrepreneur in risking some accumulated capital and creating some jobs. I was given the award as Entrepreneur of the Year by Inc Magazine in 1989 for the Rocky Mountain area. Frankly, I had not thought of myself as an entrepreneur prior to that time when I received the award. I sat down and said to myself, Self, let's draw up a little tally of whether or not I have, indeed, been involved in entrepreneurial activities in my life. Because I had not kept track before, I did that inventory. I was a little surprised at what I found. I had been involved in 11 different startup or turnaround activities. That is, 11 different attempts to create new economic activity where none had been before. Then I tallied up the record of success.

Four of these efforts failed outright. The money represented by the accumulated capital being risked in our attempt to create new jobs did not work. The money was all lost. Four of these efforts were sold without having succeeded or failed. In other words, we started it, we got it going, we decided to bail out before we found out whether or not we were going to make it, and someone else took us out. We neither made money nor lost money. We lost money in the sense of our opportunities in the period of time we were working on these efforts was gone, but at least we did not lose the accumulated capital with which we went into the venture.

That left only 3 out of the 11 that had been successful. Interestingly enough, enough money was made out of those three to cover all of the expense of the other eight. Enough jobs were created out of those three to compensate for everything that went down the drain with the other eight. I decided, having done this 11 times in my life, I guess I did deserve to be called an entrepreneur, a risk taker.

Now, I will focus on one of those companies with which I was involved, to make the point that cannot be stressed too often or too strongly in this debate. I was recruited to be the chief executive officer of a company that at the time had four full-time employees. It was doing somewhere between $250,000 and $300,000 per year. Frankly, its long-term prospects were not all that bright, if you looked solely at where it was. It was not making any money. It was just barely able to support those four full-time employees, and it probably couldn't have afforded me.

Indeed, when I became the CEO, I was part-time and I was paid a consulting fee rather than a CEO's salary because the company couldn't handle that.

That was in 1984. The reason I point out that year is because that is the year many of our friends who are discussing this bill in apocalyptic terms would describe as part of the Decade of Greed. The Decade of Greed, as that phrase is used—usually in the Democratic Party and on the editorial page of the New York Times—refers to that period of time when Ronald Reagan was President of the United States and the top marginal tax rate was ultimately brought down to 28 percent.

Think of it, how greedy rich Americans were that they demanded, and Ronald Reagan and the Republicans responded, a tax rate of 28 percent. Why, that is terrible. We should clearly have moved away from that, and we have. The tax increase that occurred under President Bush the first, and then the tax increase that occurred under President Clinton, has brought us up to the rates they now insist are right and proper, an effective marginal tax rate—when combined with the Medicare tax—of 42 percent on the Nation's highest paying taxpayers.

They say 42 percent is about right; 42 percent shows the rich are paying their fair share. They say 28 percent is giving in to the demands of the greedy and isn't life much better when the effective rate is 42 percent.

Now they say President Bush the second is trying to bring us back down into the area of the Decade of Greed. He is not going as far as 28 percent, but he is going to bring us down to 35 or 32, depending on the brackets. He is going to bring us down away from the 42 and back toward the attitudes of the Decade of Greed.

So, as I say, back to my own experience. We were building that business in the Decade of Greed. I can assure you, no one in our company was earning a six-figure salary. We couldn't afford to pay that on the amount of revenue we got. But we had high hopes. We were taking big risks. I signed a guarantee on the bank loan that would have cost me my house if we had not been able to pay it, and every other shareholder in the business did the same thing. We were on the line. At that point, that was the only real asset I owned. But I signed it because I believed we could make it go.

We were on the line then, for losing our houses—talk about taking a risk—in order to get the accumulated capital that we needed to build that business in the form of a business loan. It was $75,000.

Madam President, $75,000 doesn't sound like a lot of money, but when you are going to lose your house, $75,000 is a huge amount of money. It was added to $75,000 that had been there before I showed up, so the total debt of the company was $150,000, and they were going to take after me to take $150,000 out of my house and I didn't have $150,000 in equity in the house. We had to add it all up with everybody else's houses to get to the $150,000, and then the amount on top that the bank wanted.

We were successful. I will not bore the Senate with the details of what happened, but we were successful. Madam President, 6½ years later, when I stepped down as the CEO of that company, prior to my decision to run for the Senate, we were doing $80 million a year.

The debt had grown from the original $75,000 to $7.5 million, but we didn't care about the debt because we had more than enough money to cover it. As a percentage of our sales, as a percentage of our profits, the debt was now de minimis. I make that point because the argument has been made on the floor today that the debt of the United States is going to go from $6 trillion to $12 trillion and isn't that awful?

The answer is, yes; that is awful if the U.S. economy is not going to grow. Then the debt is going to double. But if the U.S. economy is going to double in size in the period that the debt doubles in size, the debt will be no more of a problem in 10 years than it is now. And now the debt as a percentage of the economy is lower in the United States than it is in any other industrialized nation. The other countries of the world would kill to get the kind of debt-to-GDP relationship we have already. So I am not alarmed by the statistic that has been quoted on the other side because I have lived with it personally.

I have seen the debt of the company over which I presided go from $75,000 to $7.5 million, and I recognize that the $7.5 million was a benign figure whereas the $75,000 was threatening to shut us down because the sales of the company had gone from $300,000 to $80 million. The margins had gone from zero—at $300,000 we weren't making any money—to 20 percent before taxes, so we had an aftertax margin of about 10 percent. Twenty percent of $80 million is $16 million. We had a $16 million pretax profit, which makes it very easy to service a $7.5 million debt. So let's not talk about the debt figures in the aggregate and scare everybody with relationships that make no sense.

However, back to the point of the marginal tax rates. As we built that business from $300,000 a year to $80 million, we did it during the Decade of Greed when the top marginal tax rate was 28 percent. That meant of every pretax dollar we earned, we got to keep 72 cents of it to finance the growth of the business. We went from 4 full-time employees to over 700 in that period. We created 700 new jobs, and we did it without a dime of Federal money. Nobody walked out and said: Here is your portion of the $1 billion we are going to use to purchase 47,000 jobs.

The way the Federal Government helped us was they said to us, for every pretax dollar you earn, you get to keep

72 cents. We funded the growth of that company, from 4 employees to 700 employees, out of the earnings of the company.

Just for a moment, look at what would happen if we had founded that in 1994 instead of 1984. The Federal Government would have said to us, in 1994: For every pretax dollar you earn, you get to keep 58 cents because we are going to take 42 cents. The difference between 58 cents and 72 cents would have made, for that company, the difference between rapid growth and stagnation. I am not saying we couldn't have made it under the effective tax rate of 1994, but I am saying, with great certainty, that it would have been much more difficult and the growth, even if it had come, would have been much slower. In other words, the number of jobs created would have been substantially less with a marginal tax rate of 42 percent than it was with a marginal tax rate of 28 percent.

In the spirit of full disclosure I should point out that once I left the company, it then grew from 700 jobs to 4,000, and I have to say there is a direct cause and effect relationship. Getting me out of there made it grow substantially faster.

The point of focusing so firmly on a single firm and the experience is this: We were an S corporation. That is a tax designation which means that the profits of the company flowed through the company to the personal tax returns of the investors. I would show at some point in that situation a private tax return—a 1040—of over $1 million of personal income.

You can say: Good Heavens, he is the richest man around. He is earning $1 million a year. No. I was earning my salary, which was $140,000. Then I was reporting my share of the company's income so that the income didn't get taxed twice. If the company had paid taxes at the company level, and then had given me my share of the income, the company would have paid taxes and I would have paid taxes.

Does this sound familiar? That is what this debate is about with respect to the taxation of dividends. We could have avoided taxation of dividends because we had a small enough number of shareholders to qualify as an S corporation as opposed to the C, referring to the chapters in the Tax Code that describe all of this. But I was not taking home $1 million a year. I was not taking home after tax $1 million a year. All the company gave me of the million dollars that the company put on my personal tax return was 28 percent; in other words, enough to pay the taxes that were being reported on my form. But the company kept the other 72 cents to grow the business.

That was true of every other shareholder in the company. We had five shareholders, every one of whom was reporting over $1 million a year in personal income but who were in fact receiving only their salaries and giving back to the company 72 cents out of every dollar they were reportedly receiving. That is how we were able to grow the company.

That same pattern still exists even though it was badly damaged when we went to a 42-percent marginal tax rate in 1993. There are still S corporations and sole proprietorships and partnerships where the owners of the company receive a tax form saying they have $1 million or whatever their share of the profit of the enterprise might be, but they give back everything except that which is necessary to pay the taxes.

That means there are small businessmen who have tax returns that very quickly get into the top marginal rate. They are small businessmen who are struggling, and increasingly small business women who are struggling to make the business grow, only being able to keep 58 cents out of every dollar they earn. They may report tax returns that put them in the top 1 percent of taxpayers, but they are not Michael Jordan or Donald Trump. They are doing their best to get along with a little business that employs 5 or 6 people and the business is earning $200,000 plus the salary they pay themselves. They need that $200,000 desperately back in the business to keep it growing. But Uncle Sam comes along and says: The business may be earning $200,000—that shows up on your personal tax return—we are going to take $84,000 of that $200,000 in taxes. Good luck making the business grow.

If there are entrepreneurs good enough and working hard enough, they can make the business grow, but they have to delay hiring that extra person because they are paying $84,000 out of the $200,000 instead of paying at the 28 percent that we paid when we were making our business grow.

When we talk about, the rich don't need this tax cut, the rich don't need to have their effective rate rolled back from 42 percent to, say, 35 percent, and Donald Trump doesn't need that, let's make him pay his fair share, or Michael Jordan doesn't need that, let's make him pay his fair share, we are ignoring the fact that it is the small businessman and the small businesswoman hiring the extra employee, be it in Alaska, Utah, or Colorado, or wherever it is, who will drive the opportunity for new jobs to be created all over the country.

Most of the new job creation in this country comes from small business. That is a truth that has been repeated over and over on this floor. Everybody says they are in favor of small business. Everybody, regardless of where they sit on the floor, says small business is the backbone of the American economy. They are right.

One of the reasons other industrialized countries, such as Germany, France, Japan, and others, have been unable to see their economies grow at the rate ours does is that they have been unable to see their job growth come anywhere close to the rate of ours because they don't have small business. They don't have anything like the network of small business and entrepreneurial activity that is the hallmark of the American economy.

It is right and proper for us to come to the floor regardless of party and tell everybody how much we love small business. But it is deceptive to say that this is a tax cut for the Michael Jordans of the world when we realize that the primary economic activity of rolling back the top marginal rates will be for the small business men and women of this country, if they could ever get back to the level of effective tax rates during the decade of greed, who could create the kind of jobs that were created in that period, could create the kind of momentum that was created in that period.

Back to my company, it was founded in 1984. They say when I stepped down as the CEO in 1991, we had gone from 4 employees to 700, and we had created the momentum that produced that growth in that period where the top marginal rate was 28 percent. That momentum carried forward into the 1990s. That carried forward to the point where they eventually got to 4,000 jobs instead of 700.

We hear in this Congress that some of us in this Congress took credit for that. Some in this Congress looked at that and said: The Clinton increase to an effective rate of 42 percent has created jobs. This company went from 700 to 4,000; that was created by President Clinton; that was created in the Clinton administration. I submit to you it was created in the Decade of Greed. It was created when Ronald Reagan helped the Congress get the effective rate down to 28 percent when we laid the groundwork and sowed the seeds for the kind of explosive growth for which the harvest took place in the 1990s.

I submit that by establishing a top marginal rate of 42 percent in the 1990s, when that momentum of growth was going on coming out of the 1980s, we are now harvesting an opposite kind of situation. Small business faced with an effective tax rate of 42 percent, where they can only keep 58 cents out of every pretax dollar to help grow the business, is growing more slowly than they were. Just as the excitement of the 1990s was harvest of the low tax period of the 1980s, now some of the problem in 2000-plus is the harvest of the high tax rates of the 1990s.

What we have to learn around here is that there is a lag in fiscal policy. People ask me, What is the difference between fiscal policy and monetary policy? Very simply, monetary policy is what the Federal Reserve does about the monetary supply, and fiscal policy is what the Congress does about taxes.

We can pass a tax bill and say, We handled this problem. But the reality is what we have done in a tax bill either for good or ill is sow some seed that will be harvested later on.

As we look back over what was done in 2001, we begin to understand some of the things about the sowing of seeds. In 2001, we had a balanced tax cut—balanced politically, not economically. The political balance said: We have to put some money in people's hands immediately because there are those who insist that is the thing that will cause the economy to grow. So let's put money in customers' hands right away. That was the genesis of the $300-per-person rebate.

Then there are those who said: No, we have to bring down the top marginal tax rate, for all of the reasons I have been discussing. For small business to create new jobs, for all those S corporations that are reporting on their personal tax returns the corporate income that is placed there, we have to see to it those people get back down into the level where they can create jobs at the same energy and same rate in which they were creating jobs in the late 1980s.

All right. What have we learned in the 3 years since we passed the 2001 tax cut? We learned that amount of money that went out in the rebate had little or no impact on creating jobs. All of us took credit for it. We stood out in front of the Capitol, we waved the $300 check, and we had our pictures taken. We had people come up to us in airports and shopping malls and say: Thank you, Senator. I got my $300. That is terrific. But the economic impact of that, looking back on it, was negligible. Why?

Didn't you want all those people to go out and spend that money? Yes. And a very large percentage of them did not. What do you mean? Did they put it in their mattress? No. They paid down their Visa card. They paid down their MasterCard. They lowered their own personal amount of debt, which was a prudent thing for them to do. But that did not produce very much economic activity.

Also, if you take the total amount of money involved in that rebate, and then compare it to an economy of $11 trillion, you realize we were talking about a tiny percentage. There was no leverage in that amount of money. And while it was a good thing to do, and it helped a lot of people—and I am glad they got their credit card debt down by an extra $300—it did not produce any jobs. And that is what we are talking about.

However, simply the promise that the top marginal tax rate would come down did, in fact, cause some small businesspeople to say: All right, the effect is not immediate, the relief is not here right now, but I can see it coming, and I can plan on it.

The most important quality a small business man or woman has to have in order to succeed in business is the ability to somehow, some way correctly see the future because every business enterprise is involved in selling in the future. No business enterprise survives on the basis of what it did in the past. It is all tied to what it can see in the future.

So as these small business men and women looked out into the future, they said: This 42-percent effective rate that came in with President Clinton is going to start to come down. And as I make my plans for what I will do, as I try to invest and I try to create jobs in the future, I can plan on that coming down. And the mere anticipation and sense of certainty that came out of being able to plan for a reduction in the amount of money that Uncle Sam would take out of their businesses caused some beginning stirrings in the small business community toward the creation of new jobs. But those stirrings were not enough.

We are in recovery, but the recovery is far from robust. Chairman Greenspan calls it a "soft patch." And the soft patch, unfortunately, has gone on longer than he or any of the rest of us would like.

So how do we get out of this soft patch? The most important thing we could do is say to these small business men and women: Guess what. You were planning on this reduction in the amount of money Uncle Sam takes out of your entrepreneurial activity in a few years. We are going to make that reduction effective right now. As a matter of fact, we are going to make it effective January 1, 2003.

All right. Now, as I make my plans as a small businessman, I can say: I am going to be able to keep more than 58 cents. I will be able to keep 60 cents, 62 cents, maybe even 65 cents. Now I can plan on having that much more money coming out of my enterprise. I can go hire that extra person. I can go buy that extra piece of machinery, which means that the manufacturer of the machinery can hire an extra person. Now that I see that marginal rate coming down, and coming down more rapidly than was promised in 2001, I can react accordingly. And now we can start to see the small business job machine get cranked up.

We all need to understand this about economics: Economics turns on incentives. No one will invest in an enterprise where the Government would take 100 percent of the profits because there is no incentive. You say, all right, the Government will take only 99 percent of the profits, and there is still no incentive. So the Government says, all right, we will take 80 percent of the profits. Well, maybe you begin to get my interest now. The Government will only take 50 percent of the profits. All right, now there is an incentive for me to invest.

In the 1980s, the Government said to small business, we will only take 28 percent of the profits, and you saw a period of job growth, job creation, and economic expansion unparalleled in our history. And, based on my own experience, I believe it was an impetus and an inertia of job creation that carried over into the 1990s, for which the Congresses and the President in the 1990s took credit.

But the inertia, as I say, has changed because the incentive got a little less in 1991 when President Bush went to Andrews Air Force Base and said: Let's tell the small business man and woman we are going to take more of their pretax money away from them. And there was a sense: Well, we better not buy that new piece of machinery. We better not hire that new person. We are going to have a problem.

And then President Clinton said: Let's tell the small business man and woman we are going to take even more in 1993, and bring the top marginal tax rate up to the level that I have described.

You sow the seeds of incentive, you reap the fruits. If the incentive is to invest, if the incentive is to hire, if the incentive is to take risk, you get the benefits of higher economic activity and higher job creation. If you sow the seeds of negative incentive that says the Federal Government will take more of your money than it has been, you reap the rewards of higher unemployment and slower economic activity.

It always takes time. It never happens, in fiscal policy, overnight. But I submit we are now in a position where we need to move clearly and firmly back toward the time when the incentive was to invest, when the incentive was to take risk, when the incentive was to build a small business.

I think it disingenuous, therefore, to attack all of the reduction in the marginal tax rate as if every single tax return that shows income being taxed at the top marginal tax rate is coming from a Michael Jordan or a Bill Gates or a Donald Trump.

It ignores the fact that the majority—I don't have the exact statistic; I have heard it as high as two-thirds, but it varies from time to time—of the tax returns filed in the top marginal tax rate are tax returns with small business income on them, tax returns such as the one I described for myself when I had my salary on there and then I had an extra million dollars as my share of the company's profits transferred on to my tax return, none of which money I saw, none of which money I got because all of which had to go back to the company to help it grow and help it create jobs.

Let us understand that this is not a debate about whether Bill Gates should get a tax cut. This is a debate about whether small businessmen and small businesswomen all across this country should get an incentive to hire, an incentive to invest, an incentive to build for the future, whether to plant seeds of growth which will yield a significant harvest for us later on. I believe the sooner we can plant those seeds, the better off we will be.

I believe the lesson of the tax cut of 2001 tells us that what we did there, however salutory, was not good enough and not strong enough, that it has not gotten us through the soft patch that it was supposed to help with, and we need to get on with this.

For that reason, I will support a cut in the top marginal tax rate, and I will rejoice in the years to come as new jobs are created, new economic activity occurs, and, yes, new tax revenues start to roll in to the Federal Government. At that time whoever is in the Senate will take credit for those tax revenues, whoever is in the Senate will take credit for the good economy that we have. And whoever is managing Presidential campaigns will say it was President this or President that who was personally responsible for it.

We should understand that the economy is much more sophisticated than that. We should do what we can to let the economy do its work by creating the incentives that will produce the two things that produce jobs: risk taking and accumulated capital. This bill moves in the direction of rewarding both.

I yield the floor.

The PRESIDING OFFICER (Mr. HAGEL). The Senator from Nevada.

Mr. REID. Mr. President, I have the deepest affection for my friend from Utah. He lives in a different political world than I do. He just did a stunning job in his debate, but he was debating himself. The matter pending before the Senate is whether we should have tax cuts for the elite—that is, dividend tax cuts—or whether those moneys should be kept for Social Security. That seems pretty simple to me.

I did mention, and the Senator from Utah responded briefly, that my proposal to have public works projects is not in keeping with his idea of how to create jobs. The only way to create jobs, he said, is through entrepreneurship.

Well, Frainer Construction of Nevada, Helms Construction of Nevada, Granite Construction, Las Vegas Paving—large by Nevada standards—are companies that believe in entrepreneurship. Every road they build, every water project they work on, every bridge they repair is entrepreneurship. What is the difference in these huge tax cuts that go to the elite, that create no jobs, as I will shortly show? If past experience means anything, I think we are better off directly doing something.

My friend from Utah has acknowledged that there is not going to be anything happening in the near future. He is talking about future Presidents taking credit, future Congresses. He has acknowledged that nothing is going to happen in the near term with this foolish tax cut that has been proposed.

All this talk about growth and jobs, as this bill is intended to do, simply will not work. I direct my friend to a few people on this chart. These are the economists who support the Bush tax plan. You can see them on the left hand side, few in number. The economists opposing the Bush tax plan are 450 in number. Those who support the plan are 13 in number. Those opposing are 10 people who have won Nobel Prizes for their work. We have, in fact, professors from the University of Utah, Gail Blattenberger, Samuel Jameson, David Kiefer, Thomas Maloney, James M. Rock, Norman Waitzman, all distinguished scholars from Utah who are on this chart who say this tax plan the President has proposed is not good.

The question before the body—the vote will take place at 2—is whether this body will vote to have a tax cut for the elite as it relates to dividends or whether Senators will vote to protect Social Security. The Social Security debate has left this body since Republicans became the party that dwells in the White House. We used to talk about a lockbox. Not only the key has been lost but the whole lockbox has been thrown someplace we can't find. Social Security is not part of the equation anymore. Suddenly deficits don't matter.

I say to my distinguished friend who was a courageous soldier for the United States, somebody who was valiant in battle and who I have the greatest respect for as a legislator, I want to bring to his attention some of the problems that exist with this new philosophy that deficits don't matter.

I refer the distinguished Presiding Officer to a statement he made on the 6th of February 1997, in the Omaha World Herald:

> The real threat to Social Security is the national debt. If we don't act to balance the budget and stop adding to the debt, then we are truly placing the future of Social Security in jeopardy.

I ask my friend, when he comes down to this table in 40 minutes and votes, to remember what he said in 1997. This is clearly an indication that we are driving this country into a terribly difficult situation as it relates to the deficit.

Deficits don't matter? I hope they do. But apparently there has been a new philosophy from the other side of the aisle.

We are going to be asked in a few days to increase the national debt by almost $1 trillion. I hope people will be more concerned about the debt. I agree with the statement made by the Senator from Nebraska.

I believed the chairman of the Federal Reserve System when he told us in the Appropriations Committee that the most important thing we could do is get rid of the deficit. We did that. We took him at his word. As a result of that, we had years where we paid down the debt to the tune of $600 billion.

When the Bush administration took office, they promised to eliminate the national debt and spur the economy with a massive tax cut for the elite. I didn't vote for that tax cut because I thought it would do exactly what it has done. I have been through the years in the past when we were told that the trickle down theory was a great one and would help the country economically. It didn't then, and it didn't during the Bush 2 program. This plan has failed the vast majority of people in America who are worse off than 2 years ago when this man took office.

Since this administration took office, the economy has lost almost 3 million private sector jobs. The economy has shed 500,000 jobs in the past 3 months alone. About 9 million people are looking for work. The unemployment rate is 6 percent. The number of unemployed workers has increased 47 percent since the President took office. A growing share of the unemployed workers are long-term unemployed. In February, nearly 2 million people had been unemployed for 6 months, which is triple what it was before this man became President. The Bush administration is on track to post the worst job creation record of any administration in almost six decades. This tax cut raids Social Security, and that is what this amendment is all about.

I have been here long enough to know that the majority are not very independent. I believe—and I hope my belief is unfounded—that come 2 o'clock people will march down here and vote against this amendment. They will vote that it is not germane. It takes 60 votes. We know the rules of germaneness. They will march down here just like lemmings over the cliff and throw Social Security to the wind, I am sorry to say, but I think that is what is going to happen.

Even without the new tax break for the elite, this Government will spend every dollar of the $2 trillion Social Security surplus over the next 10 years—even without this. So with this, it will be done more quickly.

The real reason for the deficit is the tax cut—the tax cut previously made, which I voted against. It is not easy to vote against tax cuts. People love them. It will be used against me in my campaign. That is the way it is.

The Congressional Budget Office says that only 14 percent of the deficit is as a result of homeland security and defense spending. Over 10 years, Federal spending on interest on the public debt will amount to $2.4 trillion. Of course, every dollar directed toward interest is diverted from Social Security. It is diverted from Medicare, education, defense, and homeland security.

The additional interest burden on a family of four will be $30,000. That is the additional burden. State and local governments are in the midst of the worst fiscal crisis since World War II. Last month, the cumulative 2004 budget shortfall was about $54 billion. A billion of that is in the small State of Nevada. State and local governments, which bear primary responsibility for most education, health care, and first responder expenditures, will bear the brunt of the consequences of this irresponsible tax plan.

The second phase gets even worse. Sixteen States have cut education programs in elementary schools. In Nevada, the Clark County School District is considering going to a 4-day week for kids because it is having trouble paying for a 5-day week. Twenty States have cut health care programs, even though we are living in a heightened risk of bioterrorism and SARS. It makes no sense to just chop to pieces our State public health budgets. But that is a consequence of what is happening in this administration.

What is wrong with this plan we are being asked to approve? It fails to help working people, for one thing. Our top priority is to create jobs. I will say it again, Mr. President—creating jobs. The moneys that would be given in these public works projects, which are not new jobs—I bet in the States of Utah and Nebraska there are many projects on the drawing board that simply cannot be completed because there is no money to do it—roads, water and sewer projects, bridges, dams, all those activities. They are on the drawing boards now and would go forward tomorrow if there were money to do it.

As I indicated before, for every billion dollars spent, 40,000 jobs are created. Those are direct jobs, all high-paying jobs. These people would buy refrigerators, carpets, cars, all kinds of consumer items. There are a lot of indirect jobs as a result. The Republican plan fails to help working people. It fails to preserve Social Security. It offers no relief to the 9 million Americans who want to work but cannot find a job.

People on the other side refer to this as a "jobs and growth package." As I said earlier today, you can call a pig a horse, but it doesn't matter how many times you call a pig a horse, it is still a pig. Or you can call a horse a pig; it doesn't matter; that animal is still a horse. You can call this program jobs and growth all you want, but it doesn't make it a jobs and growth program. Calling this a jobs and growth program—there could not be anything further from the truth.

The CBO, the White House Counsel of Economic Advisers, and the private sector economists who helped the President analyze this proposal have stated that his tax break plan won't create jobs and will weaken the long-term health of this country. In fact, some economists have forecast that the plan will cause an annual .25 percent drop in GDP and will result in a loss of almost a million jobs in the next 10 years. That is in addition to the jobs that have already been lost. There are the 400 economists there on the chart. And I am sure there would be more if we spent a little extra time. So 400 economists, including 10 Nobel laureate prizewinners, signed a statement warning that the President's plan would do long-term harm to the economy, adding to the Nation's projected deficits.

Mr. President, you were not standing there alone saying deficits matter. Some of your colleagues also felt the same. A number of very distinguished colleagues felt the same. For example, somebody for whom I have the greatest respect, TRENT LOTT—we worked together on the floor very closely for 4 years—said on the 27th day of January, 2002:

> I think the most important thing really does involve the budget—keeping a balanced budget, not dipping into Social Security, and continuing to reduce the national debt.

He gave that quote to the Chattanooga Free Press. What has changed? Nothing has changed in a little over a year. Senator JUDD GREGG—here is a man who has wide-ranging experience. He served in the House of Representatives, he was a Governor, and now he is a Senator. He said to the New Hampshire Sun News on the first day of February 1998:

> As long as we have a Republican Congress, we are going to have a balanced budget. And if we can get a Republican President, we can start paying down the debt on the Federal Government.

What has happened to that? Do deficits not matter anymore? Obviously, they don't. We are going to be asked to increase the national debt a trillion dollars in a few days.

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

Mr. REID. I am happy to yield to the Senator from Illinois for a question.

Mr. DURBIN. I ask the Senator from Nevada, it is not just a question of the national debt—which is bad enough—that has to be repaid, and interest has to be paid on it, not just by us but by our children and grandchildren, but is it not a fact that the money we are putting into the President's program for tax breaks for elite investors in America is coming out of the Social Security trust fund, out of the Medicare trust fund? These are trust funds that are going to struggle with more and more elderly Americans needing their help, and we are going to give a tax break to wealthy people at the expense of Social Security and Medicare. Is that not a part of the problem as well?

Mr. REID. Mr. President, I say to my friend in answer to his question, the Senator is absolutely right. What is happening boggles my mind. I am certainly not a genius, but I did OK in school, and I can understand some basic facts. How can people, for whom I have the highest respect, say one thing about deficits mattering and Social Security mattering and vote for this awful program?

I say to my friend, the distinguished Senator from Illinois, what I said earlier today. I believe this is all part of a program to do away with some of these programs in which we really believe. I repeated in different words what the Senator said today in responding to a statement made by the distinguished chairman of the Finance Committee. I said the same thing to the distinguished junior Senator from Utah. They live in a different world than I live in. It is as simple as that. They live in a different world. They care about the trickle down theory. I do not. I do not think it has worked. Over the years I have seen it trying to work where you give money to the elite of this country. It does not trickle down.

We have significant problems in the State of Nevada. We are battling budget problems in the little State of Nevada, and the Republican Governor in the State of Nevada—I am sure it was very difficult for him—because there is no alternative because of the unfunded mandates the Federal Government passed on to the State of Nevada, is trying to find ways to create new revenues. I say the word, the Republican Governor of the State of Nevada has asked for new taxes.

Mr. DURBIN. Mr. President, if I may ask the Senator from Nevada, if the argument has been made by the Republicans that if we give the President another tax cut for elite investors and wealthy people that this will somehow create jobs, is it not fair for us to look back and see how successful the President was the last time he made this promise?

If I recall correctly, we gave this President a $1 trillion—some say $2 trillion—tax cut just 2 years ago. If I am not mistaken, we have lost jobs. Under this Bush administration, we have lost somewhere in the range of 2 million jobs. In my State of Illinois, under the Bush administration, we have lost 191,000 jobs, 20,000 manufacturing jobs in the last 12 months.

If the President's plan of tax cuts for wealthy people is exactly the medicine to cure our problems, how do we explain the fact that the economy is still so sick 2 years after the President tried this tax cut the first time?

Mr. REID. I respond to my friend, I voted against the first tax cut. It was not an easy vote. Just on general principle you want to vote for tax cuts. I believe the payroll taxes are something most people pay much more than they do in income taxes. I would like to figure out some way to give them a break from payroll taxes. I think there are ways we can reduce taxes.

At first glance, you do not want to vote against a tax cut, but I had an inkling, I had a belief, I had a conviction that doing what was done with the first big tax cut would throw this country into an economic downturn, and that is what it has done.

When the Bush administration took office, they promised to eliminate the national debt and spur the economy with a massive tax cut for the wealthy. They failed to deliver. Most people are not better off; they are worse off than they were 2 years ago, I say to my friend.

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

Mr. REID. I will be happy to yield for a question from my friend from Utah without losing my right to the floor.

Mr. BENNETT. I ask the Senator, if he is interested, if I gave him the names of another 400 economists who were in favor of the Bush tax cut if he would put them on his chart? Such names are available.

Mr. REID. I respond to my friend from Utah, I borrowed this chart from somebody else. I am not much on this chart business, but I know that if there are that many who favor the tax cut, you should do your own chart.

Mr. BENNETT. I further ask, Mr. President, a question of the Senator from Nevada.

Mr. REID. I yield for a question. I will do that.

Mr. BENNETT. Reference has been made by the Senator from Illinois to the effect of a $2 trillion tax cut. Is it not true that what we are asking for in this bill is that the effect of that tax cut be made now because the effects of that tax cut, as you get up to the number of $2 trillion, was stretched out over a number of years and, in fact, the marginal tax rate cut that has actually occurred now, to which the Senator from Illinois referred, has been minimal and we are trying to accelerate the effect?

It does not seem to me fair to say it failed and, by the way, we have not had any effect from it. The reason we have not had the effect is because they have not been put into effect.

Mr. REID. I will be happy to respond to the question. First, it seems a little unusual to me, the huge tax cuts written by the Republicans and passed virtually by Republican votes, with very few Democratic votes, now they are saying the tax cut was not big enough and not quick enough. So now what we are going to do is come back with a bigger tax cut and I guess they say it is not quick enough.

The majority has written both tax bills. I voted against the first tax cut, and I will vote against the second tax cut because I believe the tax cut certainly is not going to help Social Security. Remember, the issue before the Senate today, and we are going to vote on it at 2 o'clock, is whether this body should give tax cuts to the elite of this country in the form of reducing the tax on corporate dividends or whether that money should be put back in Social Security. That is the issue before the Senate. It is a very simple issue.

I have talked about what I think is wrong with the plan in general. Remember, my statement has been directed toward what I feel is a very pertinent question: Does this body, the Senate, want to preserve Social Security or destroy Social Security? The vote at 2 o'clock will take that into consideration.

I believe when we had discussions on the Senate floor dealing with lockboxes and keys to lockboxes that it was a good discussion because I felt very strongly that we should do something to preserve Social Security.

It is interesting to me that there was a constitutional amendment offered on the Senate floor to balance the budget. It was offered by Republicans. I offered a counter amendment. I said that is a great idea, let's do it, but we are going to do it without using the Social Security surpluses. That was not enough for my friends on the other side of the aisle. My amendment received 44 votes. I was six votes short. I wanted a constitutional amendment to balance the budget but not use the surpluses of Social Security. The majority disagreed. They wanted to use Social Security surpluses to balance the budget. That is unfair. I have no regret having done that.

Mr. DURBIN. Will the Senator yield?

Mr. REID. I yield to my friend for a question.

Mr. DURBIN. I would like to speak for a moment to this. Is it not a fact that we are only a few years away from the baby boom generation showing up for Social Security? Isn't it the height of irresponsibility for us to be dragging this Nation deeper in deficit at the expense of the Social Security trust fund when we know that parents and grandparents are going to be asking for the Social Security benefits which they paid for a lifetime? Isn't the same true when it comes to Medicare, that these same senior citizens will need Medicare to make sure they are healthy, independent, and lead strong lives as long as possible, and what we are doing is jeopardizing Social Security and Medicare to provide tax breaks for the elite investors in America?

How in the world can you rationalize that once we have a promise to a generation that has paid for over 40 years into Social Security? I wonder if the Senator from Nevada can remember when President George W. Bush came to us with his first tax cut, he said: This should be easy. We are going to have a surplus over the next 10 years of $5.6 trillion. For goodness' sake, you do not need the money in Washington to waste on programs. Send it back home to the families so they do not have to pay taxes.

A lot of people were enthralled by this message. I was not. Neither was the Senator from Nevada. Today, is it not a fact, I ask the Senator from Nevada, that same projection over 10 years has gone from the President's $5.6 trillion surplus to a $1.8 trillion deficit and that this bill will make the deficit even worse over the next 10 years?

Mr. REID. The Senator is absolutely right. The baby boom generation is upon us.

Our senior population will nearly double from 44 million to 77 million in just 6 years. That is what it is all about. I am just stunned by—I believe in intellectual consistency, and I try to be consistent on what I do in my legislative voting on the Senate floor. I try to remember statements I have made, so I do not want to be inconsistent, to say something today that is inconsistent with something I said previously.

What has happened to our friends on the other side of the aisle who cared so much about deficits and balancing the budget, who offered a constitutional amendment on the Senate floor to balance the budget? Of course, they wanted to use Social Security surpluses, but still they were concerned about balancing the budget.

Senator RICK SANTORUM, the junior Senator from Pennsylvania, who is one of the leaders on the other side of the aisle, is quoted in the Pittsburgh Post Gazette:

> The American people are sick and tired of excuses for inaction to balance the budget. The public wants us to stay the course towards a balanced budget, and we take that obligation quite seriously.

Take it quite seriously, when we are going to be asked to increase the national debt in a few days by a trillion dollars—by a trillion dollars; not a billion, not a million but a trillion? Where are all of these statements? What happened to them? What happened to the consistency? Why all of a sudden do deficits not matter, the national debt does not matter, Social Security does not matter, Medicare does not matter, education does not matter, just give tax cuts to the elite and it will all be fine?

It is going to take care of all the environmental problems we have in America today. We do not have to worry about Superfund, endangered species, clean air, clean water. Just cut taxes. That takes care of it all.

Mr. DURBIN. I ask the Senator from Nevada, if we have now reached a point in our history where deficits do not count, can you not also conclude from that statement that it does not count that our children and grandchildren will have to pay off that debt; that it does not count that the money coming out of Social Security is going to be at the expense of our parents and grandparents—and some of us will be knocking on those doors in just a few years? If deficits do not count, then, frankly, we are counting out millions of Americans who count on us to be financially responsible, fiscally responsible.

This bill is fiscally irresponsible. It was irresponsible 2 years ago. It devastated the economy. It added to our deficit. It has created more problems economically than this country has seen in many years.

I ask the Senator from Nevada this: Do we have a Democratic alternative we are going to offer on the floor of the Senate that is smaller in scope but more focused on the issues we are hearing about, for example, that addresses the costs of health insurance for businesses? Has the Senator met any business leader in America today who has not told him that the cost of health insurance is breaking the bank?

I say to the Senator from Nevada, if we are going to have a tax cut to invigorate the economy, tell us what the Democratic alternative would do and the scope of it and whether or not it reaches the level suggested by the Republicans.

Mr. REID. The Senator from Illinois has raised a question, and I am sure the people watching this have the same question, which is: Okay, you do not like the Republican plan. What is your idea?

Well, we do have an idea. It costs much less money and has a direct impact. We would want a new wage credit, which would provide $300 for each adult in a family; $300 for the first two children. We want to accelerate the child tax credit to $800 from the current $600. It eliminates the marriage tax penalty. It provides marriage penalty relief for recipients of the earned-income tax credit, which by the way, Ronald Reagan said was the most important tax policy this country has ever had, the earned-income tax rate. What is that? It creates a desire for people to work rather than try to go on, say, welfare, because they can actually make money by working with their hands.

Ronald Reagan loved this program, the earned-income tax credit, and we want to make it even more important.

We want to have a 50-percent tax credit to help small businesses pay for health insurance premiums. These estimates are not exact, but there are from 21 million to 25 million Americans with no health insurance. There are millions more who are underinsured. Now, this is not going to answer all the problems, but it sure is a step in the right direction. It will help small businesses pay for health insurance premiums.

Mr. DURBIN. Just so it is clear, I ask the Senator if the Democratic plan provides a tax credit for small businesses to pay for health insurance? The Republican plan provides no benefit for the health insurance cost to small business. That is as clear as can be. Has the Senator from Nevada found in that Republican approach any help for small businesses to pay for health insurance?

Mr. REID. As I mentioned, the answer to all of the problems—environmental problems, better schools, homeland security—is cut taxes for the elite of this country. That will handle everything. I am sure that is their reasoning for this no-tax policy on health insurance.

In answer to the Senator's question, we would allow small business expensing that I think is very important. That is in the Republican plan. I think it is important we have that in ours. We want a bonus deduction for businesses on depreciation rules. We want a 20-percent tax credit for businesses that invest in the broadband high-speed Internet infrastructure. We want $40 billion direct relief to States and local governments. It is so important we do that.

As I mentioned to the Senator earlier in responding to one of the questions, the State of Nevada is devastated because of unfunded mandates. Leave No Child Behind, as I said, according to the State legislature, is leaving lots of kids behind because they have no money to implement all the testing requirements and things that our school districts are being forced to do. They do not have the money to do it.

Homeland security, we have all kinds of burdens upon us as a result of 9/11, and I think we should be helping with that.

With our tax plan, which we are going to have a chance to vote on and which I think is going to be offered by the Senator from Louisiana, we are going to have an opportunity to do something about unemployment benefits. Our plan calls for unemployment benefits. I think that is extremely important.

Our plan is so much better. It creates over a million jobs right away. It is a program that has something the working men and women in this country will benefit from. We had a meeting with one of the most successful businesspeople in the country, Warren Buffett, a man who is a study in how entrepreneurship should work. We have heard a lot about entrepreneurs in speeches on the other side.

He is what the free market system is all about. When asked a direct question about what he thinks of the Bush tax cut plan, after he wiped the smile off his face, he said: You know, if this tax cut plan passes, next year I will receive—and this figure might not be exact but real close—an extra $390 million for me, Warren Buffett.

He said: I do not need that. I do not want that. It is not going to create jobs. What we should do, if there is $390 million to go around, is give 390,000 people a thousand dollars.

He said: They will spend that. That will help the economy.

That is the difference between our plan and their plan. The Warren Buffett understanding of what our economy is all about is about people spending money.

Mr. DURBIN. I ask the Senator from Nevada, does this not reflect the basic difference in outlook and vision from the Republican side of the aisle to the Democratic side of the aisle, that Warren Buffett—who happens to be the second wealthiest man in America and happens to be a Democrat, by his own professed political faith—understands that helping elite investors in America is not the key to a strong economy, yet that is what the Republicans return to time and time again?

We believe, as Warren Buffett believes, if we want to strengthen America's economy, have faith in America's working families, give them the helping hand they need to cope with the reality of life, the demands of life, and provide a helping hand to the unemployed who, through no fault of their own, are out of work. There are three times as many long-term unemployed in America today—that is, those out of work for over 6 months—than when President George W. Bush took office. His economic plan has failed, and what we are hearing again is this vision that the way to help the unemployed, the way to help the working families is to give to Warren Buffett a $390 million tax break. It is a wide chasm of thought between the two sides of the aisle.

I would argue, for those who want to make up their mind, take a look at what happened to the President's last tax cut. It did not work. It provided some assistance for the wealthy, but it did not create jobs. It did not revive the economy. And this time the President says we need to rerun that play, we need to try it again and again at the expense of Social Security and Medicare.

I ask the Senator from Nevada, as we listen to people such as Warren Buffett talk about this issue, how would the Senator respond to our Republican critics who say: There you go again, class warfare; that is all you Democrats want to do, set the wealthy off against the people who are not so wealthy?

I ask the Senator from Nevada, in this coalition of the willing that we would put together in this class warfare, wouldn't we include an awful lot of people today who are struggling to make ends meet, a lot of seniors who face cuts in Social Security for their own benefits, a lot of people who do not have health insurance because their businesses cannot afford it? I suggest the coalition on our side of class warfare is a pretty broad one across America. I ask the Senator to respond.

Mr. REID. I say to my friend, in parroting something the Senator said earlier today, those people on the other side of the aisle who are pushing this tax plan are not evil people; they are not bad people. They are good people. They just live in a different political world. They live in a world where they are willing to change their political philosophy according to who is in the White House. People who used to say that deficits matter now say they do not matter. People who said we had to balance the budget no longer say we have to balance the budget. They simply are not willing to approach the world the way I think the world needs to be approached.

I think I am right. I believe I am right. Everyone is entitled to their opinion. I have a little substantiation. I have 10 Nobel laureates who believe I am right, that this tax cut is not good; it will not help the economy. However, no one has to accept these Nobel laureates. Ask the Congressional Budget Office. They, the Republicans, picked who runs that, we did not, and the Congressional Budget Office says it will not help anything.

I say to my friend from Illinois, this vote we will take in a few minutes is an example of the difference in philosophy between what is going on with the majority and we, the Democrats. What we are saying is the dividend tax cuts for the elite of this world should not go forward. That money should be saved for Social Security. That money that will go to elite people is coming out of the Social Security trust fund.

If there was ever an example of how we should vote for constituents, it is now. Do you vote for people who want to maintain the strong Social Security Program or do you vote for the people who are going to give big tax cuts to Warren Buffett? There is a simple answer to the question.

Remember the vote today at 2 p.m.: Dividend tax cuts or saving Social Security. It is as simple as that. We recognize that anyone can puff it any way they want; anyone can slam it any way they want. That is what the vote is about. The first vote we will take on this tax cut bill is whether you are going to vote for Social Security or the wealthy of this country. It is as simple as that.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. THOMAS. I understand we will vote in 5 minutes.

The PRESIDING OFFICER. That is correct.

Mr. THOMAS. Mr. President, this has been an interesting dialog and certainly does show a different point of view on that side of the aisle as opposed to this side of the aisle.

The Senator from Nevada summed it up pretty well when he said it is all about spending. That is exactly what it is. The question is whether you are trying to do something to stimulate the creation of jobs or whether you want to throw money out and spend it, such as $40 billion.

What we are talking about is doing something about the economy. It seems as we go through this, we do not ever recognize the situation we are in. One of the reasons we have a problem is that sources of revenue have been reduced substantially because the economy has weakened. They do not talk about that. That is why we are doing some of the things that are different than we may have done before. Revenues registered in 2000 were over $2 trillion, and they fell to the low $2 trillions; and in 2002 we are $1.8 trillion because the economy is not working. What we are trying to do is to stimulate that economy, of course.

There is talk about doing everything for Warren Buffett. That talk is not true, and it has nothing to do with what we are seeking to do. Do you think acceleration of the 10 percent regular income tax rate is good for Warren Buffett? I don't think so.

What we are talking about is raising the amount of money that is tax free for people in the bottom line. We are talking about the acceleration of the regular income tax cuts that were put into place to make it happen more quickly.

What we are trying to do is stimulate the economy. Do you think acceleration of the marriage penalty tax is for Warren Buffett? I don't believe so. It is for everyone. On the question of fairness in taxation for people who are single or married, Warren Buffett has nothing to do with it.

Acceleration of child tax credit that is Warren Buffett? I don't believe so.

How about small business expensing? This is one of the most important things we can possibly do with regard to the economy. It has nothing to do with Warren Buffett.

What we really have is a real declaration of difference in what we are seeking to do. We are seeking to recognize the situation we are in, recognize that part of the reason for reduced income is the economy, and that instead of spending, we are seeking to create jobs.

It is time for a vote.

On this bill, Mr. President, this language is not germane to the legislation now before the Senate. Therefore, I raise a point of order under section 305(b)2) of the Congressional Budget Act, 1974.

The PRESIDING OFFICER. The point of order is in order at this time.

Mr. REID. Pursuant to section 904 of the Congressional Budget Act, I move to waive the section of the Budget Act for the pending amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The yeas and nays have been ordered. The clerk will call the roll.

The bill clerk called the roll.

Mr. REID. I announce that the Senator from North Carolina (Mr. EDWARDS), the Senator from Massachusetts (Mr. KERRY) and the Senator from Maryland (Mr. SARBANES) are necessarily absent.

I further announce that, if present and voting, the Senator from Massachusetts (Mr. KERRY) would vote ''Aye''.

The PRESIDING OFFICER (Mrs. DOLE). Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 44, nays 53, as follows:

[Rollcall Vote No. 147 Leg.]

YEAS—44

Akaka	Dorgan	Levin
Bayh	Durbin	Lieberman
Biden	Feingold	Lincoln
Bingaman	Feinstein	Mikulski
Boxer	Graham (FL)	Murray
Byrd	Harkin	Nelson (FL)
Cantwell	Hollings	Nelson (NE)
Carper	Inouye	Pryor
Chafee	Jeffords	Reed
Clinton	Johnson	Reid
Conrad	Kennedy	Rockefeller
Corzine	Kohl	Schumer
Daschle	Landrieu	Stabenow
Dayton	Lautenberg	Wyden
Dodd	Leahy	

NAYS—53

Alexander	DeWine	McConnell
Allard	Dole	Miller
Allen	Domenici	Murkowski
Baucus	Ensign	Nickles
Bennett	Enzi	Roberts
Bond	Fitzgerald	Santorum
Breaux	Frist	Sessions
Brownback	Graham (SC)	Shelby
Bunning	Grassley	Smith
Burns	Gregg	Snowe
Campbell	Hagel	Specter
Chambliss	Hatch	Stevens
Cochran	Hutchison	Sununu
Coleman	Inhofe	Talent
Collins	Kyl	Thomas
Cornyn	Lott	Voinovich
Craig	Lugar	Warner
Crapo	McCain	

NOT VOTING—3

Edwards	Kerry	Sarbanes

The PRESIDING OFFICER. On this vote, the yeas are 44, the nays are 53. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. GRASSLEY. I move to reconsider the vote.

Mr. REID. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BREAUX addressed the Chair.

The PRESIDING OFFICER. Who yields time on the pending amendment?

The Senator from Montana.

Mr. BAUCUS. Madam President, I yield whatever time the Senator from Louisiana would desire to have.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Madam President, I ask the Chair to notify me if I go for 10 minutes. I do not want to go more than that.

The PRESIDING OFFICER. Is the Senator yielding time from the bill?

The Senator from Montana.

Mr. BAUCUS. Yes.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. I thank the Chair and I thank my distinguished ranking member, the Senator from Montana, for yielding me this time.

My colleagues, let me just say that the bill the Finance Committee has brought to the floor is a tax cut piece of legislation which also raises significant amounts of taxes on American citizens. Tax cuts are a wonderful thing to do, for those of us who are elected officials. It is great to say we have cut taxes by x billions of dollars, to send out a press release to our constituents back home saying we cut taxes by x billions of dollars.

It is also important to read the fine print. The fine print in this legislation tells the rest of the story. And the rest of the story is that, among other provisions in the bill, there is a provision that increases taxes by $35 billion on American citizens.

Tax cuts have to be done in one of two ways. You can cut taxes by increasing the size of the deficit and passing it on to the next generation. This bill does that. We have the largest deficit projections we have ever had in the history of our country. And now we are saying, on top of that, we want to make it larger. We are going to have a tax cut in order to make the deficit larger in the hopes that it may generate some jobs. That is one way to pay for the tax cut.

The other way is to raise taxes in other areas. This bill does that, too. Lo and behold, during the markup of the Senate Finance Committee, there was a provision that had not had 1 day of hearings, had not had 1 hour of hearings—in fact, it had not had 1 minute of hearings because it was never brought up in the committee—to discuss a $35 billion tax increase on American workers who work overseas, sometimes in very difficult parts of the world. That tax break they got was being eliminated—totally eliminated—without one word of discussion, one day of hearings about whether this was the right thing to do, or about whether it should be to this extent, whether it should be less than this, or anything.

In addition to increasing the size of the deficit, we have in just this one provision a $35 billion tax increase on American workers. Why do American workers get a credit for working overseas? Because, No. 1, they are not in this country. They don't enjoy the benefits and the security of living in this country, and, therefore, the argument correctly says that in order to encourage American workers to have jobs overseas instead of hiring foreign citizens, the Tax Code says that we are going to give American workers an $80,000 tax exemption on wages that they earn overseas. In many cases, they work in very dangerous places. In most cases, they don't get the privileges and the security of living in the United States.

The paper just today talks about seven such Americans who lost their lives in Saudi Arabia because of a terrorist activity. That is just in one country.

At the appropriate time I will be offering an amendment to strike the tax increase of $35 billion in the legislation which is currently before this body. We have had expressions of support for my amendment to take out the elimination of this tax credit for American citizens from the Chamber of Commerce, from the National Association of Manufacturers, from the National Foreign Trade Council, from the Financial Executives International, from the U.S. Council for International Business, from the Association of General Contractors of America, from the American Council of Engineering Companies. To show that the support is there from companies other than business-oriented companies, we have nonprofit organizations such as the Catholic Relief Services, with which the Chair is familiar, and the International Rescue Commission that have expressed support for retaining section 911 which the current bill eliminates.

The point is, we are going to have to find a way to reinstate. We will have to find a way to cover $35 billion because tax cuts are not for free. We have to pay for them. That is the problem this bill presents.

My amendment would reduce the amount of the dividend tax exclusion above $500 to 5 percent instead of the 10 percent that is currently in the bill. I think that is a fair tradeoff. It makes no sense to say: We are going to give, for example, a dividend tax exemption for the people in my State of which only 8 percent would be affected by it in order to have a tax increase on over 400,000 other American citizens who work in far off places around the world.

It makes no sense to say: All right, we will help a small number, and we will adversely affect a very large number. The type of people we are adversely affecting are wage earners who work month to month, many of them earning $50,000, $60,000, $75,000 a year to help pay for tax benefits for those who are relying on dividends as a part of their income, many of which go to the very highest income earners.

In Louisiana, 92 percent of the citizens are not affected by the so-called double taxation on dividends. We ought to get rid of it, but we ought to find a way to pay for it. Only 8 percent of my citizens are affected by the tax on dividends. Quite frankly, most people who earn dividends put them in retirement accounts or put them in investment portfolios that are already tax exempt.

Ninety-two percent of my people in Louisiana are not affected by it at all. Yet in order to pay for something that only adversely affects 8 percent of the citizens in Louisiana, we are going to eliminate a foreign tax credit that will be adverse to literally hundreds of thousands of people, over 400,000 people.

The type of people we are affecting are really Americans who are working overseas for relatively modest salaries in far off places doing important work that ultimately creates jobs in this country. We have had many statements from organizations that have workers working overseas who say, look, if this exemption is gone, we will have to terminate those American workers and give the jobs to foreigners working in their own country. We will be having foreign citizens hired by American companies doing work that is now currently done by American citizens. That is not good tax policy.

We could have argued in the Finance Committee, if we wanted, move in that direction. We should have had hearings on it. We never had one witness come in and say, look, this section 911 of the Tax Code is bad policy; we need to change it.

It came up overnight because someone said, here is a nice pay-for. Let's raise $35 billion. Let's increase taxes by $35 billion in order to pay for the dividend tax cut which, in most cases, affects only a very few American workers and American citizens.

As I have said, the groups that support retaining 911 are contracting groups, oil and gas company groups, but also some of them are organizations and groups that I read, for instance, the Catholic Relief Services, the International Rescue Commission, workers who we have to depend on for doing humanitarian work on behalf of the United States around the world. If this provision is taken out of the current Tax Code, you will have foreign citizens replacing American workers to do work for American relief agencies around the world. What kind of a message does that send to the world when all of the workers for the Catholic Relief Services of the United States are foreign workers? We need these American workers in these areas.

My amendment will preserve section 911 and we will offer it at an appropriate time. It should receive a majority of the support of our colleagues, both Republicans and Democrats. There is a very simple way to pay for it—by simply not increasing the dividend tax deduction as much as the current bill does. We can accomplish this in a fair manner. If someone wants to talk about this later on, about a pay-for, someone wants to eliminate this rate for American workers, if someone wants to make an argument that it is appropriate to have a $35 billion tax increase on American workers, let them make the case in the appropriate forum which is the Senate Finance Committee. Don't let it be slipped into the bill overnight as a pay-for for something that is questionable as far as short-term tax policies.

At the appropriate time, I will offer an amendment to preserve this provision which is very important to American workers.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Mr. President, an amendment will be offered tomorrow which Senator BREAUX has already spoken in favor of. I wanted to speak in support of the language that is in the bill. I am speaking against the amendment which will be offered by Senator BREAUX tomorrow.

The policy issue presented by repeal of section 911 is whether taxpayer dollars should be used to underwrite an employer's cost of sending employees overseas. Section 911 excludes from tax the first $80,000 of foreign wages and additional foreign housing costs that are paid for by the employer. Under normal tax rules, these amounts would be taxable. According to the latest IRS data, 358,000 taxpayers claim this exclusion, yet repeal of the exemption raises $35 billion.

The reason repeal raises so much is because many U.S. citizens living overseas don't pay tax to either the United States or even to the foreign country. The section 911 is skewed heavily towards upper-income taxpayers. The more a person owns, the more they can exclude free foreign housing.

Section 911 then is a subsidy to an employer for the costs of sending employees overseas. Section 911 only applies to private sector employees who move overseas of their own free will. It is not available to government or military employees stationed overseas who are obviously there through somebody's command and not by their own choice.

Most employers offer their overseas employees ''tax equalization'' packages which guarantee the employee will not pay more taxes working overseas than they would pay if they were working within the United States.

Section 911 reduces the amount of tax an employer has to reimburse under those agreements, making it then a help to the employer as much as to the employee.

Why does this make any sense? Obviously, I feel it makes sense or it wouldn't be in this bill that I present to the Senate. If an employer sends an employee from Florida, which has no income taxes, to Massachusetts, which has very high income taxes, we do not provide such a subsidy.

Why do we subsidize moving employees overseas? I think sending employees overseas should be a business decision, not a tax decision. Repeal will not cause U.S. citizens to be double taxed. A U.S. citizen who earns income that is taxed by a foreign country is allowed to reduce their U.S. taxes for any foreign income taxes paid. A foreign tax credit is not allowed, however, for foreign property and gas taxes and levies for social programs sponsored by the governments of foreign countries.

We do not subsidize those taxes or those policies. Many claim U.S. exports are enhanced by sending U.S. personnel overseas. However, there is no basis for such a claim. Whether a U.S. company uses U.S. products in its foreign operations is a business decision of the U.S. employer. It is not determined by the nationality of the foreign manager.

It has come to our attention that certain nonprofits, charities, and religious organizations use section 911 to further their overseas activities. We plan to work with these organizations to exempt these activities.

Section 911 is a tax loophole that forces you and me, as well as every other taxpayer out there throughout the United States, to subsidize high-paid corporate employees and their companies. It is unfair, and the Congress needs to fix it, and the legislation before us fixes it.

The Breaux amendment, if agreed to, would take that fix out of this legislation. Everyone voting for the Breaux amendment will be voting for these tax benefits the rest of us are paying for.

So obviously, tomorrow, I urge the defeat of the Breaux amendment.

I yield the floor.

Madam President, I yield the Senator from Pennsylvania such time as he may consume.

The PRESIDING OFFICER. The Senator from Pennsylvania.

AMENDMENT NO. 569

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

Mr. BAUCUS. Madam President, it is my understanding the Senator from Pennsylvania wishes to offer an amendment. I ask unanimous consent that the pending amendments be set aside so the Senator from Pennsylvania may offer his amendment.

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

The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Pennsylvania [Mr. SPECTER], for himself, Mr. GRASSLEY, and Mr. BENNETT, proposes an amendment numbered 569.

Mr. SPECTER. Madam President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To urge the Senate Finance Committee and the Joint Economic Committee to hold hearings and consider legislation providing for a flat tax)

At the end of subtitle C of title V as the following:

SEC. . FLAT TAX.

(a) FINDINGS.—The Senate finds the following:

(1) The current Internal Revenue Code, with it myriad deductions, credits and schedules, and over 17,000 pages of rules and regulations, is long overdue for an overhaul.

(2) The current Internal Revenue Code has over 6,900,000,000 words compared to the Bible at 1,773,000 words, the Declaration of Independence at 1,300 words, the Gettysburg Address at 267 words, and the Pledge of Allegiance at only 31 words.

(3) It is an unacceptable waste of our nation's precious resources when Americans spend more than 5,800,000,000 hours every year compiling information and filling out Internal Revenue Code tax forms. In addition, taxpayers spend $194,000,000,000 each year in tax code compliance. America's resources could be dedicated to far more productive pursuits.

(4) The primary goal of any tax reform is to promote growth and remove the inefficiencies of the current tax code. The flat tax will expand the economy by an estimated $2 trillion over seven years.

(5) Another important goal of the flat tax is to achieve fairness, with a single low flat tax rate for all individuals and businesses.

(6) Simplicity is another critically important goal of the flat tax, and it is in the public interest to have a ten-lined tax form that fits on a postcard and takes 10 minutes to fill out.

(7) A comprehensive analysis of our tax structure has concluded that a flat tax of 19% could be imposed upon individuals and be revenue neutral.

(8) If the decision is made to include deductibility on items such as interest on home mortgages and charitable contributions, the flat tax would be raised from a 19% to a 20% rate to accommodate the deductions and remain revenue neutral.

(9) The flat tax would tax business at a 20% rate on net profits and be revenue neutral and lead to investment decisions being made on the basis of productivity rather than for tax avoidance.

(10) The flat tax would lead to the elimination of the capital gains tax. This would become a powerful incentive for savings and investment—which translates into economic growth and expansion, more and better jobs, and raising the standard of living for all Americans.

(11) The flat tax would lower the cost of capital by allowing businesses to write off the cost of capital purchase in the same year the purchase was made as opposed to complying with complicated depreciation schedules.

(12) By eliminating the double tax on dividends, the flat tax eliminates the distortions in the tax code favoring debt over equity financing by businesses.

(13) The flat tax would eliminate the estate and gift tax. With the elimination of the estate and gift tax, family-held businesses will be much more stable under the flat tax system.

(14) As tax loopholes are eliminated and the tax code is simplified, there will be far less opportunity for tax avoidance and fraud, which now amounts to over $120 billion in uncollected revenue annually.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that—

(1) the Senate Finance Committee and the Joint Economic Committee should undertake a comprehensive analysis of simplification including flat tax proposals, including appropriate hearings and consider legislation providing for a flat tax.

Mr. SPECTER. I am offering this amendment on behalf of Senator GRASSLEY, Senator BENNETT, Senator THOMAS, Senator SUNUNU, and myself. This amendment calls for consideration by the Senate Finance Committee and the Joint Economic Committee of tax simplification including a flat tax.

The essence is set forth in the brief resolution clause:

It is the sense of the Senate that the Senate Finance Committee and the Joint Economic Committee should undertake a comprehensive analysis of simplification including flat tax proposals, including appropriate hearings and consider legislation providing for a flat tax.

Madam President, this is a subject that I have addressed virtually every year since introducing a flat tax proposal in the spring of 1995. The flat tax proposal was introduced in the House of Representatives by Congressman Armey in the fall of 1994. After extensive consideration and analyses of these proposals by two distinguished professors from Stanford, Professors Hall and Rabushka, it seemed to me that it was long overdue that a serious effort be made to simplify the U.S. Tax Code.

At the present time, we have a Tax Code which has grown to 6.9 million words. That is the count in the year 2000. When the Tax Code was counted in the year 1955, there were 744,000 words. There are 325 forms to be filled out, and the American taxpayers spend more than 5.8 billion hours each year preparing them. And it is estimated by the Tax Foundation that $194 billion is spent each year in complying with the tax laws. I have seen other estimates that place the issue of compliance as high as some $800 billion.

But there is no doubt that the Federal Tax Code and the forms are burdensome, onerous, and unduly complicated. The vast majority of Americans require professional help to fill out a tax return. Some people say even a Philadelphia lawyer cannot figure it out. I am inclined to agree with that.

Senator GRASSLEY, may the record show, concurred with my last statement. He has never been a devotee of a Philadelphia lawyer. The CONGRESSIONAL RECORD is replete with comments to that effect with reference to one of his colleagues who was elected in the same year, 1980.

Back to the subject at hand, Albert Einstein said: The hardest thing in the world is to understand the income tax. That is quite a statement for Albert Einstein to make. I think it shows what the complications are.

We are considering now a tax proposal that will probably end up in this body as $350 billion because the distinguished Senator from Iowa, Mr. GRASSLEY, has said that is his word on what is going to come back out of the conference. The House of Representatives is talking about $550 billion. The President's original proposal was $726 billion. I support the full proposal offered by the President.

When we consider that we have a $10 trillion economy, and we are talking about $726 billion or $550 billion or $350 billion over a 10-year period, and looking at a gross economy of $10 trillion a year now, and over 10 years it will amount to $140 trillion, it is questionable as to what the impact would be of any tax cut. But I think the President's proposal is worth a try. I am prepared to vote for that figure—the highest figure we can have for this body on a conference report.

What should be done is to take, finally, some bold, innovative action and at least consider tax simplification and a flat tax. It has never been considered or analyzed, and there are some very thorough comprehensive distinguished studies.

The leading study, by Professors Hall and Rabushka, analyzed the revenue picture and concluded that, at 19 percent, the flat tax would be revenue neutral. That would be eliminating all deductions.

In the flat tax legislation that I have introduced, I have retained two deductions. I introduced the flat tax again this year in advance of April 15, on April 11. We were not in session on April 15. During the 104th, 105th, and 106th Congresses I introduced the flat tax legislative proposal to coincide with income tax day. The proposal I have introduced retains the deduction for home interest and charitable contributions. So I have taken the two items that are the most popular and that cost money. That requires the flat tax to be raised from 19 percent to 20 percent.

It may be that the Finance Committee or the Joint Economic Committee, in their wisdom, would want to have other deductions, or perhaps no deductions, leaving it at the flattest rate of 19 percent.

This, Madam President, is a tax return form under the flat tax. It is genuinely the size of a postcard and could be filled out in some 15 minutes. Similarly, for the corporate tax, the calculation has been made that it would be revenue neutral at 20 percent. Today, there is an enormous amount of time with the lawyers, the accountants, the tax specialists, figuring out loopholes, figuring out tax avoidance, where it is legal, contrasted with tax evasion, where it is illegal.

If, once and for all, we directed our attention to what is economically productive—that is, what makes sense from an economic point of view, without regard to the tax consequences—there would be a burst of energy and productivity, and it would do wonders for our economy. That is the way to stimulate the American economy, instead of tinkering at the edges, which is what many of the tax modifications have been.

The flat tax would expense all so-called capital investments by deducting them immediately in the first year. If that were to be done, there would be a tremendous stimulus for entrepreneurs to invest in new capital instead of having to depreciate it over a long period of years on complicated depreciation schedules.

The flat tax eliminates the estate tax, capital gains tax, and the double taxation of dividends. For families of modest means and their conflicting schedules, they would pay less under a flat tax. The various schedules that have been proposed are complicated and sometimes conflicting. That is why I would like to see the hearings on a comprehensive analysis, to really find out what it would mean at all levels.

Today, when the loopholes are applied, the sky is the limit. The wealthiest people, who earn the most money, can avoid paying taxes altogether, and that would be eliminated. There is a tremendous amount of money lost through fraud. That, too, would be reduced substantially, if not virtually eliminated with a flat tax proposal. So, in essence, my point is when we have had so much controversy and argument in the Congress of the United States about the $726 billion over 10 years, and $550 billion over 10 years, and $350 billion over 10 years, the way to really give the economy a shot in the arm is to eliminate all of this nonproductive time filling out tax returns and the numerous forms attendant thereto and allow American ingenuity to focus on what makes economic sense, productivity sense, and not what you can do by contortions and gyrations to reduce your tax bill.

It would be a godsend if on April 15 we sat down and filled out a postcard. We will all go through it. The flat tax is something which is certainly worthy of consideration and study.

My best judgment is that the flat tax would be very worthwhile, but I would want to reserve my best judgment today on a study that I have made. I would like to see the Finance Committee and the Joint Economic Committee undertake the kinds of hearings and analyses which would give appropriate consideration.

Today the Internal Revenue Code constitutes cruel and unusual punishment. A flat tax would be an enormous step forward.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Madam President, besides being willing to accept the amendment offered by the Senator from Pennsylvania, I add that there are some portions of this bill which further make the Tax Code more complex. We often do that as we are trying to, on the one hand, balance the budget or fit within certain budget restrictions and, on the other hand, help a certain tax policy which, in effect, adds a lot more complexity to the code. Regrettably, the code is going to be much more complex after this legislation is passed, and it will be passed, than is the code today.

We did, however, include one measure of tax simplification at my behest. It is small, but it is important, I think. There are many definitions in the code. There is a definition of a child for the purpose of the child tax credit or the earned-income tax credit or as an exemption as a dependent or for purposes of a head-of-household exemption. It depends on how many children the household has in terms of what additional credits or exemptions that head of household has. There are five definitions in the code, each different for each of the conditions I mentioned. We simplified that situation.

We said, whether it is earned-income tax credit, the child credit, a dependent for the purpose of exemption or head-of-household exemption, the definition of child is the same. That will make the code a bit easier for taxpayers and practitioners.

I appreciate the amendment offered by the Senator from Pennsylvania. It is helpful always to look for ways to simplify the code. I am not terribly encouraged we are going to get the code simplified very much in the next several years. It would be great if we could. We should make those efforts. If history is any guide, regrettably the President and the Congress together are making the code more complex every year.

Some day the straw will break the camel's back. The code, in my judgment, is going to collapse. It is going to get so complex and finally people are going to get fed up and make significant changes. We are not there. I do not think that will occur for several years.

The amendment offered by the Senator from Pennsylvania is a step in the direction toward forcing us in the Congress to grapple with the undue complexity of the code, whether the flat tax, consumption tax, value-added tax—who knows what is the right approach; that is to be decided another day—or just stay with our current code and make a lot of simplifications. For example, phasing out so-called Peps and Peases. That is the section of the code that says we will give you a tax break on the one hand but take them away on the other. We will give a tax break, but it phases out in a few years. There are lots of provisions in the code like that. One major simplification would be to get rid of those provisions.

I compliment the Senator for advancing the ball and thinking more about simplification. I thank him for offering the amendment.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. Madam President, I note for the record, in a brief colloquy with the Senator from Montana, his thrust at simplification I think is a hallmark of what we are looking for. That is one of the principal objectives, perhaps the principal objective, although it goes alongside trying to increase productivity and growth.

When I talked to the Senator from Montana briefly in showing him the amendment, I added a modification which would call for simplification including the flat tax, but in the resolve clause, to call for that simplification.

I appreciate the comment by the Senator from Montana. I hope he will join me in this amendment. It advances the ball not anywhere near the goal line, but I think everyone will agree there has never been a serious study of this proposal, and I hope there will be some impetus given by this amendment. I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, I am a cosponsor of the amendment by the Senator from Pennsylvania. I very much support this amendment. I do not think we have a hard time convincing the people of this country about the complicated aspects of the Tax Code and the need for something more simple to replace it. There seems to be an overwhelming consensus on the part of the American people about that point.

What we need a national dialog about—and I think this amendment encourages that dialog—as well as a study is what is going to take its place. Seventy percent of the people think the present Tax Code ought to be thrown out, partly because of how complicated it is and because it may be viewed as unfair. There does not seem to be that sort of consensus as to what takes its place.

For instance, I have had opportunities to see surveys where approximately 20 percent of the people want a national sales tax and 30 percent of the people want a flat rate income tax. Maybe Congress ought to show leadership and follow up on that 20 percent or 30 percent, but I do not think that is going to happen until we get some consensus among the American people that is in the 40-percent range of what ought to take the place of the present income tax mess.

The amendment before us is very useful from the standpoint of encouraging congressional committees to do the proper work, but I believe in the final analysis, to get the consensus that it is going to take to bring about a simplified tax system, replacing the present complicated system, is when it becomes part of the national debate between two candidates for President.

For instance, ideally, we have President Bush seeking reelection next year, and he would make an issue out of how complicated the Tax Code is and offer an alternative. Ideally, a flat rate income tax along the lines of what Mr. FORBES did a few years ago when he was running for the Republican nomination and made this type of reform a major plank of his campaign. Ideally, we would have a Democratic candidate who says the current progressive system, even though it is a mess, is what is best for the country. Then we will have a winner out of this that shows a clear division of keeping what we have, which I hope does not happen, or coming up with something new.

That mandate from an election will move the people and the people then will move the Congress. Being chairman of the Senate Finance Committee, I should not have to wait for that to happen, but it seems that we have so much work before us dealing with short-term issues that we do not spend time on the long-term policies, which this amendment encourages.

I thank the Senator from Pennsylvania for his amendment. I am going to obviously vote for it. I hope it is adopted overwhelmingly, but I hope it has an impact beyond what we in the Congress will be called upon to study. I hope it has an impact on the next Presidential election.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. Madam President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Madam President, we do not want this vote now. We want to have this vote later.

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

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

Mr. BAUCUS. Madam President, I ask unanimous consent that the pending amendments be temporarily set aside so I might offer an amendment.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

AMENDMENT NO. 570

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS] proposes an amendment numbered 570.

Mr. BAUCUS. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To ensure that the limit on refundability shall not apply to the additional $400 child credit for 2003, to make the dividend exclusion effective for taxable years beginning in 2003, and to eliminate the increase in the dividend exclusion from 10 percent to 20 percent of dividends over $500)

On page 19, lines 12 and 13, strike ''(20 percent in the case of taxable years beginning after 2007)''.

On page 26, lines 18 and 19, strike ''(80 percent in the case of taxable years beginning after 2007)''.

On page 26, lines 21 and 22, strike ''(80 percent in the case of taxable years beginning after 2007)''.

On page 27, line 19, strike ''2003'' and insert ''2002''.

At the end of subtitle C of title V, insert:

SEC. . GUARANTY OF ADDITIONAL $400 CHILD CREDIT FOR 2003 AND MODIFICATIONS OF DIVIDEND EXCLUSION.

(a) IN GENERAL.—Section 24(d) (relating to portion of credit refundable) is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULE FOR 2003.—

''(A) IN GENERAL.—In applying this subsection—

''(i) in the case of any taxable year beginning in 2003, or

''(ii) for purposes of determining the amount of the credit allowed under this section for the taxpayer's first taxable year beginning in 2002 in computing the child tax credit refund amount under section 6429, the increase under paragraph (1) for such taxable year shall be determined under subparagraph (B).

''(B) ADDITIONAL INCREASE.—For purposes of subparagraph (A), the amount of the increase under paragraph (1) for a taxable year shall be equal to the sum of—

''(i) the amount of such increase determined without regard to this paragraph, plus

''(ii) the lesser of—

''(I) $400, multiplied by the number of qualifying children of the taxpayer for the taxable year, or

''(II) the amount determined under paragraph (1)(A) for the taxable year, reduced by the amount of the credit allowed after the application of section 26 and this subsection (without regard to this paragraph).

For purposes of applying subclause (II) to the taxable year described in subparagraph (A)(ii), the amount determined under paragraph (1)(A) shall be computed by taking into account the adjustments described in section 6429(b).''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the provisions of section 106 of this Act and section 108 of this Act shall apply to such amendment as if it had been so included.

Mr. BAUCUS. Madam President, this amendment is designed to take effect earlier rather than later and provide substantially more benefits than the tax bill that is presently before us. It is designed to help stimulate the economy with more wallop, more punch, earlier rather than later.

How does it do that? Two ways. First, it would speed up the dividend tax relief. It would make it take effect earlier rather than later. Second, it would simplify the mechanism that will be sending checks out to people who qualify for the child tax credit. So, there are two ways that this amendment will help provide more income relief, more quickly, to more Americans, than what is contained in the bill. It is an improvement upon the bill.

First, with respect to speeding up the dividend relief, the dividend proposal in this bill is not effective until the year 2004. Many provisions of this bill take effect in 2003, but the dividend provisions of the bill do not take effect in 2003; rather, a year later, in 2004. I suspect it is to save revenue. There will be no dollars injected into the economy, as a consequence of the dividend proposal, in the year 2003. It will be later, in 2004, and even then it is going to take some time for Americans to change their tax returns to take advantage of this change.

As I stated earlier, we are here today because the economy demands that we act quickly to help our anemic economy. Let's see what we can do to help create more jobs. To rebuild the economy. To rebuild America.

In my State of Montana, we desperately need jobs. Many of our high school and college graduates are leaving Montana. Why? Because they cannot find a job in the State. They go elsewhere. There is a better chance of finding a job in one of the larger cities. But, even that is difficult. Lack of jobs is a national problem, it is not just a problem in Montana. I think over 2 million jobs have been lost in the last couple of years because of an anemic economy. We want to get moving quickly. We want to get moving earlier than we otherwise would. We should seek policies to help the economy grow as soon as possible.

I disagree with the current dividend proposal for several reasons. One, it creates a three-tiered regime. It makes the Tax Code even more complex. It creates a three-tiered regime for investment income. Interest income would be fully taxed, as it is today. Capital gains would be taxed at about half the rate of ordinary income, as it is today. But we now add a third complexity of taxation of investment income, and that is dividend income which would fall to the new regime; that is, the first $500 of dividend income would be excluded from one's income tax, and then, beginning in later years, in 2004, the next 10 percent of dividend income would be excluded, and then in the year 2008, 20 percent of dividend income would be excluded. A new layer, a new complexity, certainly with respect to investment income.

My point is, if we are going to include a dividend proposal in this bill, why not make it take effect earlier? Our economy needs the boost right now, not when taxpayers file their returns in 2005. The dividend provision takes effect in 2004 but, frankly, it does not really take effect until 2005 when people file their tax returns. The dividend proposal has no stimulative effect in the year 2003. Most people do not even get the benefit in 2004. Most individual taxpayers will have to wait until they file their tax returns in 2005 to reap the benefit of a dividend exclusion in the bill.

My amendment will advance the effective date of the dividend provision in the bill to January 1, 2003—this year. This means taxpayers will get relief for dividends they receive this year.

I have my doubts whether the dividend tax relief has much stimulative effect generally, but some will praise the economic virtues of dividend tax relief. I ask, if there are virtues, why wait? Make the proposal effective for 2003 at least to provide the possibility that the economy will see some benefit.

The second provision in my amendment will get more dollars to families by simplifying the distribution of the increased child credit that we passed this year. The President has proposed accelerating the full $1,000 child credit to 2003. It is currently $600. The President has proposed accelerating that, the full $1,000 to take effect this year, 2003. Instead of making taxpayers wait until next spring when they file their tax returns to get the credit, the President has proposed sending the checks out this summer for the $400 increase in the credit. That is the same provision which is included in the Finance Committee bill. I support the acceleration of this credit for working families. It is the right thing to do. I think sending this increase out to taxpayers right away also makes good economic sense. Why wait? This gets money into the people's hands immediately so they can spend it. This will spur consumption and boost the economy, which is exactly what we should be doing in this bill.

My concern, however, deals with the millions of families who will not receive the full $400 check due to refundability limits. I might remind our colleagues that a couple of years ago, when we sent out the so-called $300 check for individuals and the $600 check for married couples, a lot of people did not get the $300; married couples did not get the $600. Why? Because of the tax brackets the taxpayer happened to fall into when they did the calculation to find out what portion of the $300 an individual might receive. If the taxpayer had a lower income, the taxpayer might not receive the full $300. It was a mess. Some got the full $300, some did not. It was a mess.

Under current law, the credit is partially funded. Families can take part of the credit if they pay payroll taxes but do not have income tax liability. Not the whole credit, but part of it. The amount that a low-income family can get refunded is to increase in 2005. The President's proposal did not accelerate the refundability of the credit. Fortunately, during consideration of the bill, the Finance Committee adopted an amendment offered by Senator LINCOLN. Her amendment was to accelerate the refundability of the credit. This will allow many low-income families to see some benefit from the increased tax credit. However, even with the inclusion of the refundability amendment, many low-income families will not be eligible to receive the full $400. Millions of working families who have incomes between $10,000 and $20,000 will not get the full $400 check. They will receive a partial check. Again, people are not getting what they are promised.

We are increasing the child tax credit from $600 to $1,000 to take effect in 2003 and telling people they get an additional $400 in 2003 and many will not get it. We tell them that is the law, but they will not get it because their incomes are in certain brackets. Those whose incomes are between $10,000 and $20,000 will get less than the full $400 and receive only partial checks, and they will not know how much unless the IRS tells them how much the following year.

That does not make sense. The families who are most likely to spend the check, those who spend most of their income, will not get the full amount.

My amendment guarantees each and every working family eligible for the child credit would get the full $400 check. This fulfills two of the goals of the stimulus package, getting more money out of the door immediately and getting it to the people who will spend it, lower income people. These two changes to the bill will inject an additional $15 billion into the economy in 2003 and 2004, more than provided for in this bill. That makes sense. The additional dollars in the next 2 years will help create more jobs, help boost demand, and help rebuild the economy.

To pay for the modifications, my amendment merely eliminates the increase of the dividend exclusion from 10 percent to 20 percent in the year 2008. To repeat, in the bill, the 10 percent exclusion is increased to a 20-percent exclusion, and does not take effect until 2008. I say that is too far off. Let's repeal the increase that is scheduled to take effect in 2008 and take that $15 billion and dedicate it to the working families. That will take effect in the early years, 2003 and 2004. We could make the dividend proposal, therefore, effective now, not later.

The current provisions in the bill provide that the dividend exclusion does not take effect until 2004, not 2003. This amendment leaves in place the 10-percent exclusion that is still in place but takes effect a year earlier; that is, 10 percent above the $500 goes in. We are simply saying that the exclusion in 2008 will still be 10 percent. That is so far off. Why schedule an increase that does not take effect until 5 years from now?

I urge my colleagues to support this amendment. Briefly, it moves money upfront. It does not change the total amount of the bill but moves it upfront a little more so there is more stimulative effect in the short run. Thus, the bill does what it is purported to do, which is to create more jobs.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield myself such time as I might consume.

I find it necessary to explain what our legislation does because a lot of times there are explanations about it that are not very accurate. One of the impressions is our bill is not very well balanced. Our bill does, in fact, attempt to strike a good balance between consumption on one hand and investment on the other hand. We do this to provide incentives such that we can provide both short-term economic stimulus and the building blocks for meaningful future economic growth.

The refundable tax credit outlined in the amendment before the Senate, which I oppose, would be paid irrespective of whether a person had any income tax liability at all. If the person owes no tax, we are to view this proposal as effectively refunding payroll taxes. But we already have a provision that refunds payroll taxes. It is called the earned-income credit and the child tax credit. This proposal, the Baucus amendment, a refundable tax credit proposal, would be duplicative of the earned-income tax credit and the refundable child tax credit to refund payroll taxes for those with insufficient income to have tax liability with the result of encouraging people to work as opposed to receiving welfare or unemployment compensation.

In my estimation, such refundable credits do not provide incentives to work. They do not create jobs, and they do not stimulate the economy.

Providing incentives to work, creating actual jobs, and stimulating the economy are the purposes of the legislation from the Senate Finance Committee that I presented.

Job creation is a handup, not a handout. It is a handup to help people out of poverty. Refundable tax credits are handouts which may have just the opposite effect. We should ensure that we are providing building blocks for long-term growth and the economic stability that comes from that growth.

I appreciate Senator BAUCUS's support for our dividend proposal and his desire to accelerate into this year. However, acceleration means we subject more dividends to double taxation because the exclusion never reaches 20 percent. In other words, ours goes from 10 percent through the year 2007; 2008 to 2013, it is 20 percent, whereas his proposal always stays at 10 percent.

People invest in stock for long-term gain. We need to provide long-term tax relief. This bill contains a lot of short-term stimulus already.

I appreciate the points he has raised regarding the child credit. The largest item in this bill is the child credit, and that amounts to over $95 billion. It includes a simplification of definition that Senator BAUCUS has already mentioned. In addition, I note we expand the refundable portion of the child credit that targets help to the low-income families he seeks to assist with his amendment.

I appreciate his position. I believe our bill provides proper balance in encouraging the economy.

Finally, I note this amendment violates section 202, page 35 of the Budget Act, so I will be raising a point of order later on.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Who yields time?

Mr. KENNEDY. Madam President, I yield myself an hour on the bill.

The PRESIDING OFFICER. Is there objection?

Mr. GRASSLEY. Would the Senator from Massachusetts yield? I do not intend to object, but we have always been promised copies of amendments. I assume the Senator is going to offer an amendment.

AMENDMENT NO. 544

(Purpose: To provide for additional weeks of temporary extended unemployment compensation, to provide for a program of temporary enhanced regular unemployment compensation, and for other purposes)

Mr. KENNEDY. I intend to do that right at this very moment. I have sent an amendment to the desk, and I ask for its immediate consideration. It is amendment No. 544.

The PRESIDING OFFICER. The Chair informs the Senator, it requires unanimous consent to set aside the pending amendment.

Mr. GRASSLEY. I ask Senator KENNEDY, would he speak without our consenting to the hour so we could look at the amendment for a while?

Mr. KENNEDY. I am prepared to accommodate the chairman of the Finance Committee. We had a general concept of an hour. I will not personally take an hour. We have 25 cosponsors.

The PRESIDING OFFICER. Without objection, the Senator may proceed to debate.

Mr. KENNEDY. I thank the Chair. I was asking them what time they need, and I will let the chairman know in just a very few minutes who intends to come over here and exactly how much time we need.

I intend to speak about 20 minutes.

Mr. GRASSLEY. I thank the Senator.

Mr. KENNEDY. Madam President, this amendment is of enormous importance to the matter we are debating in the Senate, which is basically legislation that is targeted on strengthening and improving our economy.

We all know when the Senate of the United States has acted in the past to strengthen and improve our economy, on a number of very important occasions we have had a very positive impact. Later in the discussion and debate, we will have what is called a Democratic alternative, which will provide what I consider to be a very compelling amendment that will result in stimulating the economy and really provide additional jobs.

It will be fairly balanced in helping hard-working Americans. It will assist small businesses with accelerated depreciation and will also provide assistance to the States so they can use funds to provide for the No Child Left Behind legislation, and perhaps offset some of the anticipated cuts in Medicaid and also deal with some of the other State priorities.

One of the most important aspects of economic recovery that this underlying proposal that has come out of the Finance Committee is missing is a provision to deal with the millions of Americans who are currently unemployed as a result of economic policy. We have seen at other times in our country when we have taken action here in the Senate, going back to the early 1960s. We had economic stimulus programs and we had the longest period of economic growth and price stability, in the early period of the 1960s, that we had had up to that time in this century.

Then, in 1993, we also took action here on the floor Senate and we have had the longest period of economic growth, again with price stability, and the creation of some 22 million additional jobs.

We on our side are strongly committed to taking steps that are going to revive our economy, stimulate the economy. We will have an opportunity to debate that later in the afternoon.

This amendment is targeted on those Americans who have lost their jobs through no fault of their own but because our economy is in stagnation. At other times in American history, we have responded to the needs of these families. These are hard-working American families who have played by the rules, have paid into the unemployment compensation fund, and now are entitled to benefit from it.

Without this amendment, starting at the end of May there are going to be 80,000 workers a week who will lose their unemployment compensation. This is an emergency, and it is a matter which I hope we will address and will have the strong support of Republicans and Democrats alike.

Effectively, this amendment extends the temporary unemployment compensation program through November. The program is currently scheduled to prohibit any new enrollees after May 31, leaving 80,000 workers a week to run out of their benefits. It provides 26 weeks to all eligible workers, with an additional 7 weeks available to the States with the highest unemployment. That would be some six States as of today. It provides an additional 13 weeks to unemployed workers who have exhausted their initial 13 weeks of extended benefits prior to the enactment, and it does provide help and assistance to low-wage workers.

It provides temporary funding for States to implement alternative base periods. What we mean is, in a number of instances workers should be entitled to unemployment compensation. But if they seek part-time work, they lose all eligibility for unemployment compensation in almost every state. Yet they want to go back to work to provide for their families, and all this does is permit the States to make these adjustments so they can go back to work, maybe part-time, and not lose their unemployment compensation. The amendment also provides some technical provisions to add just for the railroad workers to permit greater parity.

Historically, unemployment insurance has been a bipartisan issue. In the recessions of the late 1950s, President Eisenhower proposed a temporary program of extended unemployment assistance. In the recession of the early 1970s, President Nixon signed into law two extensions of unemployment compensation. In the mid-1970s, President Ford proposed a temporary Federal extension of benefits. In the early 1980s, President Reagan signed into law four unemployment extensions. And in the early 1990s, President Bush, after twice vetoing unemployment extensions, ultimately saw the importance of this policy and signed into law three extensions. Each of these 1990 extensions, some for 26 weeks of benefits, received overwhelming bipartisan support.

In November of 1991, we passed an extension by a vote of 91 to 2. In February of 1992, we passed, by a vote of 94 to 2, a bill to provide 26 weeks of benefits to most States, 33 weeks in high unemployment States. Many of the Senators currently in this body voted for that extension, which today they are calling unprecedented. We have seen, over the years, Republicans and Democrats alike have supported this legislation.

In July of 1992, the vote was 93 to 3; in November of 1993, 79 to 20; and in the last 2 years we have had a number of bipartisan votes. The Temporary Federal Unemployment Benefit Program passed, 85 to 9, in March of 2002. This is not a partisan issue. Layoffs do not discriminate by party. This is a matter of fairness.

I urge our colleagues to put aside partisanship and to support this particular proposal.

There are those who raise these kinds of questions in opposition to this program. They say people want handouts. They do not want handouts. They want jobs. People want jobs, but there are not any jobs in the economy. There is only one job available for every three unemployed workers. The Democrats have a plan to create the jobs. But today we have to help the millions of people without jobs because of the bad economy. They need help paying the mortgage and putting food on the table.

Some say the unemployment rate isn't high by historic standards, and only a few States have reached the trigger for extended benefits. But we know that we have now 2.5 million fewer jobs than we had some 2 years ago. Look at this. We had 2.8 million additional unemployed over the period of these last 2 years; 6 million unemployed in January of 2001; and we have 8.8 million as of April this year.

We have seen over this period of time the fact that the total number of private sector jobs has decreased by 2.7 million—2.7 million jobs lost. We had 111.7 million in January 2001, and 109 million now.

We are seeing a significant increase in the total number of the unemployed, and we have also seen a reduction in the total number of jobs that are out there. These are hard-working Americans. We are trying to get the economy into an expansion. But at this particular time they are hurting. That is why we need to have an extension of the unemployment compensation.

Let me mention who these people are and what the state of our economy is at the present time.

All Americans understand the economy has been deteriorating for more than 2 years. President Bush claims the tax cut for the rich will create jobs. We tried that his way in 2001. We lost 2.5 million jobs. Alan Greenspan and Warren Buffett and the Nation's leading economists, including 10 Nobel laureates, all agree that the President's plan is the wrong prescription for the sick economy. Average Americans are hurting. It is time for a change. We need an economic plan that helps our fellow citizens and which creates new jobs. Yet, there is not a penny in this bill to provide the unemployment compensation for the Americans laid off prior to the time the new jobs are created. Unemployment benefits expire in just 2 weeks for many of these workers.

This amendment is cosponsored by 13 of my colleagues. I ask unanimous consent that they be listed as cosponsors on this amendment.

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

Mr. KENNEDY. Madam President, this amendment provides for allocating $12.7 billion from the acceleration of the upper tax bracket reduction. This effectively does not change the law. The President's 2003 bill asks for an acceleration of the reduction of the tax brackets for 2001 and 2002, and this defers that. In fact, it collects some $35 billion. We use $12.7 billion of that to pay for this extension.

Our workers take pride in doing a good job and providing for their families, putting their children through school, and saving for a secure retirement. But for millions of Americans that dream is gone. Years of saving and sacrifice have disappeared with a single pink slip. Instead of looking to a bright future, now they must look in their children's eyes, and say, I am sorry; you can't go to college; you can't buy new shoes. We can no longer afford to stay in this house. In fact, since losing their jobs, one in every four have moved to less expensive housing or moved in with their friends or their families.

These are the figures about the impact on the family because of unemployment. We are talking about Americans who have worked, want to work, and are being laid off because of economic conditions. They have collected unemployment compensation for a period of time, which is about a third of their pay. Now they are in danger of losing that at the rate of 80,000 Americans per week at the end of this month.

It is interesting that we now have 18,000 American servicemen who have returned from Iraq and are now on the unemployment line. Now they are receiving unemployment compensation because the jobs were not there when they came back. That number is growing every single week because their jobs have effectively been eliminated.

The unemployment impact on the family is that more than 3 in 4—77 percent—of the unemployed Americans say the level of stress in their family has increased. Two-thirds—65 percent—of those with children have cut back in spending for all of their children; 26 percent say another family member has to start a job or increase the work hours; and 23 percent have had to interrupt their education or that of a family member—one-quarter of all the unemployed now. That is happening in America. We have an opportunity to do something about it with this bill by just deferring the upper tax rates—not cancelling them out but deferring those. Now we have the financial hardship on the unemployed. More than one-half of the unemployed adults have had to postpone medical treatment—57 percent—or cut back on spending for food—56 percent. One in four—26 percent—had to move to other housing or move in with their friends or relatives. Thirty-eight percent have lost their telephone service. These are hard-working Americans who have lost their telephone service.

Without this amendment, 80,000 per week will lose all kinds of help and assistance from unemployment compensation.

This is what is happening to them already.

Thirty-eight percent have lost their telephone service. Twenty-two percent are worried about losing their phone service. More than a third have had trouble paying gas or electric bills.

That is just the beginning. If you look at the number of workers who have lost their health insurance, one-half of them have already lost their health insurance when they were laid off, and the others who have been able to retain their health insurance are in danger of losing that. One-third of the unemployed covered by health insurance have lost their benefits as a result of just being unemployed. The rest of them are going to lose that when they lose their unemployment compensation.

In fact, since losing their jobs, one in every four have moved into less expensive housing or moved in with friends or families, more than a third can't pay their electric and gas bills, and more than one-half cut back on their food.

One-half million men and women have joined the unemployment lines in the past 3 months. That is 500,000 fellow Americans who have joined the unemployment lines in the last 3 months. No end is in sight.

In Massachusetts, the jobless rate has jumped to a 9-year high—5.7 percent. Nationally the unemployment rate has reached 6 percent, with 9 million Americans out of work and 2 million of those out of work for more than 6 months.

These Americans are not the first priority—they are not even a priority—in this administration's tax reduction program because there is not a nickel in extended unemployment compensation for any of these workers who have lost out.

In fact, in this economy with no jobs, they have learned a lot about being second-class citizens with second mortgages and secondhand clothes to make ends meet. Our first priority on the economy is to get these working Americans back to work—not just to reward the wealthy. A major part of that effort must be help for the unemployed.

The current Federal unemployment benefit program runs out at the end of this month. With a continued troubled economy, this extension cannot be business as usual. Our amendment extends the current program for 6 months, but it also helps the 1.1 million Americans who are long-term unemployed and the hundreds of thousands who are part-time and low-wage workers who would otherwise get no help.

Our amendment provides 26 weeks of benefits to out-of-work Americans, just as we provided during the last recession in the bipartisan bills signed by the first President Bush.

Nearly 1 million more private sector jobs have been lost during this recession than over the same period of the early 1990s recession. The impact in the 1990s, in terms of workers being able to find jobs, was not nearly as bad as it is currently, and yet we did twice as much for them.

It is inconceivable why we are not willing to take the steps to help our fellow Americans when they have already paid into the fund. These workers have contributed to the fund. The fund is in surplus today. All we are asking is, let's use that fund that is in surplus today to assist them during this period of transition. This should be a no-brainer. This ought to be embraced overwhelmingly.

Where are the votes that we received in the early 1990s—by 90 votes—with bipartisanship. And still we have the reluctance by our friends on the other side to support this program.

In the last recession, we also made sure that workers who ran out of Federal benefits but still could not find work were not left out in the cold. Today, one in five unemployed workers has been out of work for more than 6 months. In January, we left out 1 million of these long-term unemployed without jobs and without any safety net. Today, there are 100,000 more. Our amendment provides 13 more weeks of benefits for these long-suffering Americans.

Clearly, we owe it to all Americans who have lost their jobs in this economy to provide help while they look for new jobs. They paid into the unemployment compensation. They have to be out looking for jobs or they do not qualify, and they are doing that, and still they are going to be left high and dry without this amendment.

The actions in recent months to extend the benefits have left out too many workers, particularly compared to America's response in the past. In 1975, 75 percent of unemployed workers were eligible for unemployment benefits, compared to only half of such workers last year. And that is because unemployment insurance has not been updated to meet the changing times; and that is because our good friends on the other side have changed the terms of who was going to be eligible. Isn't that amazing. You are only going to find half of all unemployed workers who are eligible, even though they are certainly similar in terms of their working and contributing. Many of the unemployed who fail to receive benefits are part-time and low-wage workers. Part-time and low-wage workers pay into the system, and they should be able to rely on it while searching for new jobs. Our amendment offers the States the option—does not require it; it offers the States the option—to request Federal assistance to provide benefits for these workers.

Out-of-work Americans have worked hard all their lives. They have paid into the unemployment insurance fund, which has $21 billion. We cannot now say to these citizens: Now that you are out of work, struggling to pay your bills, we will not let you collect on your insurance policy.

I urge my colleagues to vote for this amendment which will provide a lifeline to those hurt the most by the protracted economic downturn. The extension runs out in just 2 weeks. We cannot wait. Congress must act now to provide the assistance out-of-work Americans deserve.

We may have some difference on the floor of the Senate about who has the best economic stimulus program. And we do have significant differences—significant differences—but we ought to be able to agree, whether you support the Republican or the Democratic program, that we are not going to hold unemployed workers hostage until it kicks in and provides job opportunities for workers. We ought to all be able to agree to that. We have done that in a bipartisan way historically.

The trust fund is in surplus. People are hurting. They are our fellow workers. We cannot deny them the kind of hand they need and they have been working with over the course of their working lives. We should accept this amendment.

The PRESIDING OFFICER. The Democratic whip.

Mr. REID. Madam President, I have cleared this with the distinguished chairman of the committee. I ask unanimous consent that the pending amendments be temporarily set aside so the Senator from Massachusetts may offer his amendment.

Will the Senator from Massachusetts call up his amendment?

Mr. KENNEDY. Madam President, I call up my amendment.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The clerk will report.

The bill clerk read as follows:

The Senator from Massachusetts [Mr. KENNEDY] for himself, Mr. DASCHLE, Mr. BINGAMAN, Mr. DURBIN, Mr. REED, Mrs. CLINTON, Ms. CANTWELL, Mr. SARBANES, Mr. LEVIN, Mrs. MURRAY, Mr. ROCKEFELLER, Mr. KERRY, Mr. BAUCUS, Mr. SCHUMER, and Mr. DODD, proposes an amendment numbered 544.

Mr. REID. Madam President, I ask unanimous consent reading of the amendment be dispensed with.

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

(The amendment is printed in today's RECORD under "Text of Amendments.")

Mr. REID. Madam President, I ask unanimous consent that the time used by the distinguished Senator from Massachusetts be charged against the time on this amendment.

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

Mr. REID. Madam President, how much time does that leave on this amendment on the side of the minority?

The PRESIDING OFFICER. Thirty-six minutes.

Mr. REID. So the Senators from Washington and Rhode Island will have 36 minutes, or whatever time they need.

I ask Senator KENNEDY, will you yield time to the Senator from Rhode Island?

Mr. KENNEDY. I yield such time as he may use.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. REED. Madam President, I rise in strong support of the Kennedy amendment. I am amazed that at a time when there are over 1.1 million workers who have exhausted all their unemployment benefits—who are looking for work, who are not finding work—at a time when our fund to pay for these benefits is in surplus by billions of dollars, we are not extending this program.

This is perhaps the last chance we will have. The program expires in just a few days. Yet we are here on the floor of the Senate talking about many other things: tax benefits for affluent Americans who are doing quite well.

But we are not responding to the demands, the needs of countless numbers of our fellow citizens. I am just amazed this would happen.

This UI, temporary Federal unemployment insurance program, will expire at the end of May. What is happening in our economy today is that people are desperately looking for jobs, but the economy is changing. As I go about Rhode Island, I do not find lots of people who say: Well, I don't want to take a job because these benefits are so good. These benefits are a fraction of what these people were making when they were working. They are hardly sufficient to pay the mortgage, to pay for their children's needs, to pay for all the items they have to buy each and every day.

What has happened in the economy, in our case in Rhode Island, is we used to be a manufacturing center where there were 20 or 30 or 40 different manufacturing plants all requiring foremen and supervisors and vice presidents for human resources. Those factories have been closing. Work has been going overseas.

In many cases, it is not a question of losing a job nowadays; it is a question of the company going away, leaving the small towns of Rhode Island and southern New England and the small towns of North Carolina and South Carolina, leaving people highly skilled but with no place to work.

These are the true victims of this current economic malaise and recession. And we are not responding by simply giving them some more time, giving them resources to pay the debts that pile up every day in every family in this country? I think it is just appalling.

Madam President, 1.1 million workers have exhausted their benefits and have not found work. That is the current situation. We have to help them. The unemployment rate today is 6 percent. That rate is higher than when this temporary program was initiated in March of 2002. It is higher today than when the program was extended in January 2003. Yet we are not extending the program. The situation is worse, but our response is not appropriate to that situation.

Over the last 3 months, 540,000 private sector jobs have been lost and the economy has lost, since the beginning of the recession, a total of 2.7 million private sector jobs. This is not a question of jobs being there and workers being unwilling to take those jobs.

As a result, we only have one recourse—frankly, they only have one recourse: They must have these benefits. And we must provide these benefits.

Private payrolls are 2.4 percent below their level in March 2001 at the beginning of this recession. The job losses in this recession now exceed those in the recession of 1990.

One other very compelling point is, on average, if you look at the recessions in this century, at least, job losses tend to bottom out after 15 months and are erased within 2 years. The persistent job losses in this recession are at the 25-month mark—25 months, not 15 months—and as a result, in that dimension, this is the worst recession, most severe recession since the 1930s in terms of the duration of long-term unemployment.

The latest employment report paints a bleak labor market picture for the future.

There are 8.8 million unemployed Americans, but we only count on our unemployment rolls those Americans who are actively seeking employment. There are millions more who are unable or so frustrated by the lack of jobs that they are not actively seeking—4.4 million Americans. They want a job. There is no real prospect, and as a result they are not even counted.

Then add to that the number of Americans—4.8 million—who work part time. They want to work full time but they work part time because there are no full-time jobs.

Then throughout these numbers, there is this persistent overhanging population of long-term unemployed Americans, about 1.9 million jobless for more than 26 weeks, about 20 percent of the total unemployed. This is a number that is not going down; it is persistent. These are the individuals who need our help, and we should help. We must help. Yet the bill that comes before us today, the bill that is supposed to stimulate the economy, ignores all of these millions of Americans. Frankly, I can't think of a more efficient way to stimulate the economy than to continue extended unemployment benefits. It puts money in the hands of working families. That money is not going to be hoarded. That money will not be spent on impressionist art. That money is going to be spent immediately at Kmart and Target and Wal-Mart.

So this is not just about fairness. This is about getting the economy moving again, at least in a very direct way. I believe we have to do this. We have to do it now. The time literally is running out. As Senator KENNEDY pointed out, even today's program is less generous than programs in the past. Indeed, the fund has over $20 billion of assets that were contributed by these people when they worked. They paid into these funds. Now they are simply asking in their time of need to be supported, to be helped. It is not fair to ignore them.

There is no good economic argument to say we should not do this. First, it is stimulative. It puts money directly in the hands of Americans who will spend it. That is the best stimulation we can find. Second, the notion that these people are just sitting around because they don't want to work is preposterous. These people, many of them our contemporaries, in their forties and fifties, would love to work simply for the sake of working but, more importantly, because their expenses far exceed whatever payment they will receive from this unemployment compensation fund. We have to do something and we have to do it now.

Alan Greenspan, in January of 2002, dispelled this whole myth that the administration is trying to foster that this program is not any good, it is not worthwhile; they are just sitting around; it discourages people from finding jobs.

He said:

> [C]learly, you cannot argue that somebody who runs past the 26-week level is slow for not looking for a job or not actively seeking to get re-employed. There are just no jobs out there.

This is January 2002. The situation is worse today.

> And consequently, to adhere to the 26-week limit doesn't serve its actual purpose, which is essentially to prevent a misuse of the unemployment insurance system. So I've always been in favor of extending benefits when the job market itself begins to dry up.

Frankly, this is the Sahara of the job market that we see today. It is very dried up.

That was January 2002. It is worse today. Yet we are not responding today. Since January 2002, we have lost over three-quarters of a million more jobs. There is no economic argument against this amendment. In fact, all of the economic arguments, all the arguments on fairness, all the arguments about letting people get access to the benefits before they find work again argue strenuously for this amendment. I urge my colleagues to support the Kennedy amendment.

I yield back whatever time I have to the Senator from Massachusetts.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I yield 7 minutes to the Senator from Washington.

Ms. CANTWELL. Madam President, I rise today in support of the Kennedy amendment, and I hope my colleagues will see that the essence of this amendment is about setting priorities in America.

Yes, we are discussing a tax bill that could end up including $350 billion in tax cuts directed at the most wealthy people in America. While we are doing that, we are doing it in the face of the fact that millions of Americans are unemployed and that their unemployment benefits are running out.

So what are we saying by setting this priority, setting a bill in motion out of the Senate that some Members believe is going to help stimulate the economy, that it will really start us on the right track? And instead of paying attention to the very people who have helped build this economy, those in the aviation sector who lost their jobs because of the downturn in aviation after 9/11, those who lost their jobs because of corporate manipulation in the energy crisis, who lost their jobs because of those market schemes and manipulations, and those people who are simply just out of a job because of 9/11 and the economy has not returned, we are saying, we don't have a plan to help you. Instead, we want to propose one of the biggest tax cuts in history hoping that somehow this will trickle down to help you.

The point is, when in our history as a country have we proposed a dividend tax cut as a way to stimulate the economy? Yet we have had two of the last administrations, a Democrat and Republican administration, which said one of the best things we can do during times of high unemployment is to make sure we extend unemployment benefits. Why is that? Well, it is quite simple. For every dollar spent on unemployment, it generates $2.15 of stimulus. This is a proven economic plan. For my State in Washington, where over 100,000 people would be impacted by this amendment and would qualify, we are talking about real numbers. We are talking about millions of dollars to our economy over the next several months that can help pay mortgage payments, health care costs, and as Senator KENNEDY said, keep the lights on at home in a region of our country that has seen some of the highest energy rates in a long time.

What we are doing in this amendment Senator KENNEDY is proposing is putting forth an idea of how to help stimulate the economy that has been tested and proven successful by two administrations, both Republican and Democrat. Instead, we are saying we are not going to include this in this package.

I must remind my colleagues that we came to this brink in December of last year. While some of us might think we rectified it when we came in in January, there were people in my State, as those unemployment benefits were curtailed in December, who did lose their health care benefits. They did lose the ability to take care of the health care needs of their families. I am sure there were people who probably even lost their homes because of that time period, because of the uncertainty, because of our lack of commitment for these unemployed workers. So here we are at the same point again, 2, 3 weeks away from having this unemployment benefit extension evaporate on May 31 and no commitment, no commitment to say we will extend unemployment benefits, again at a time when we have had administration after administration say, in times of tough economic situations and no job growth, the best thing we can do is keep the stimulus going by making sure there is unemployment.

So where are we? Well, as we know, the impact over the last 2 years, the private sector has lost more than 2 million jobs. Unemployment has jumped by 50 percent. As a State that has 7-percent unemployment now and as a region, the Pacific Northwest, with Oregon, Washington and Alaska, that has the highest unemployment in the country, this is no simple matter. This is about priorities. This is about whether we are going to take care of the working families who have helped build this economy and sustain them until job opportunities increase again.

We will look for other opportunities to make sure the training programs and the educational opportunities are there to retool the workforce for the jobs of the future.

One of the amendments we were successful in getting on the budget bill earlier in setting our priorities was to say that we should not cut the job training programs. We still have people in Washington State who are willing to hire this workforce that has been laid off, but they want them to be retooled. They want them to gain expertise. What better time to do that than now, as they are working through their unemployment, to offer to give them training benefits, make sure they are retooled for the economy of the future—whether it is in nanosciences, in biotechnology, in new aviation construction, in new IT fields, or in nursing where we have over 130,000 openings for nurses in this country, and the people who want to have those jobs. Instead, we are allowing outside people to come in and take them because we are not willing to take care of American workers. This is not a priority. We are simply saying instead of giving the largest tax cut in history, and passing this out of the Senate, knowing that thousands of workers are going to lose their benefits in 3 weeks, we believe we should give them that helping hand.

Make no mistake. Nobody in America wants an unemployment check. They would rather have a paycheck. But until we can guarantee to these people that we are going to get them that paycheck, we better extend that opportunity, from a trust fund that they have paid into, the things that they and their employers have paid into, the opportunity to sustain them and benefit our economy.

The PRESIDING OFFICER. The Senator has used 7 minutes.

Ms. CANTWELL. I yield the floor.

The PRESIDING OFFICER (Mr. CORNYN). Who yields time?

Mr. KENNEDY. Mr. President, how much time do I have?

The PRESIDING OFFICER. The Senator has 18 minutes 7 seconds.

Mr. KENNEDY. I will yield 4 minutes to the Senator from Montana, 10 minutes to the Senator from Connecticut, and 4 minutes to the Senator from Iowa, Mr. HARKIN.

Mr. BAUCUS. I see Senator DODD ready to speak. I suggest that he speak, and I will speak after him.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

Mr. DODD. Madam President, I thank my colleague from Massachusetts for yielding me some time. I have just a few observations.

First of all, on the amendment being offered by our colleague from Massachusetts, it has been said by others, by my colleague from Washington, and my colleague from Rhode Island, and certainly the Senator from Massachusetts, as well, that this is difficult for many of us to understand. I have served in this Chamber for more than two decades now. I don't recall another time when we had a downturn in the economy, where we had as many as 2 million jobs lost in the last 27 months, where 80,000 workers a week are losing their benefits. I don't recall under any administration—I have served here under Republican administrations and Democratic administrations, and I have served when this Chamber was controlled by Democrats and also under Republicans, and in the House also with both Democrats and Republicans; I know of no other time in the more than two decades I have been here where in a moment like this we would not provide an extension of unemployment benefits.

It is truly shocking to see a piece of legislation designed to offer relief to people, allegedly, through the tax cuts the President is suggesting, with no assistance to the unemployed. We literally have thousands of people who are facing difficult times, whose ability to take care of their families, and to make ends meet have been hindered. We are talking about putting people back to work and getting them jobs. We are talking about 80,000 people a week running out of benefits. And yet we find no space in the legislation to provide assistance to them. I am really stunned in many ways that this is not part of this effort.

I can only hope our colleagues, regardless of political party, will endorse the Kennedy amendment as part of this package. The administration says they are still deciding whether an extension of unemployment insurance is necessary. What do they need to know? Well, 80,000 people a week are losing their benefits. They are hard-working Americans trying to hold together families, pay mortgages, pay car payments, keep their kids in school. What do we need to know when 80,000 people a week are losing their benefits? Why can we not provide, in this legislation, which involves billions of dollars, some relief for these people?

Our unemployment insurance amendment would protect the unemployment insurance safety net for 4 million out-of-work Americans. So I sincerely hope the managers of this bill, and others, would see fit to provide some space here. In my State alone, 58,000 people who are out of work would be helped by the Kennedy amendment; in California, 562,000; in Florida, 161,000.

I ask unanimous consent that a State by State list, totaling the 4 million people who would be benefitted by this amendment be printed in the RECORD at this time.

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

FOUR MILLION AMERICANS WILL BENEFIT FROM THE ECONOMIC SECURITY AMENDMENT

State	Number of out of work Americans who would be helped by the Kennedy amendment
Alabama	43,800

FOUR MILLION AMERICANS WILL BENEFIT FROM THE ECONOMIC SECURITY AMENDMENT—Continued

State	Number of out of work Americans who would be helped by the Kennedy amendment
Alaska	17,500
Arizona	44,700
Arkansas	33,300
California	562,900
Colorado	56,300
Connecticut	58,500
Delaware	9,300
DC	9,700
Florida	161,900
Georgia	100,800
Hawaii	8,100
Idaho	16,100
Illinois	187,000
Indiana	71,000
Iowa	29,100
Kansas	30,100
Kentucky	38,500
Louisiana	33,000
Maine	10,600
Maryland	44,700
Massachusetts	140,700
Michigan	154,200
Minnesota	58,700
Mississippi	28,500
Missouri	67,400
Montana	8,000
Nebraska	16,900
Nevada	26,300
New Hampshire	7,300
New Jersey	190,300
New Mexico	13,300
New York	332,300
North Carolina	128,100
North Dakota	4,600
Ohio	116,700
Oklahoma	26,900
Oregon	77,400
Pennsylvania	258,500
Rhode Island	15,800
South Carolina	52,700
South Dakota	1,800
Tennessee	69,100
Texas	242,100
Utah	23,200
Vermont	6,300
Virginia	62,500
Washington	102,000
West Virginia	13,600
Wisconsin	69,100
Wyoming	4,600
Total [1]	3,886,100

[1] Including the part-time and low-wage workers, the total is 4.4 million. We do not have state-by-state break-downs for those workers.

Mr. DODD. Madam President, I really cannot believe that at this moment in our history we would pass a bill that would not provide help to the many, many Americans who need it. Let me also say, because I know we are under time constraints—and I am probably not going to have a chance to have any extended time for discussion of this later—that I will speak briefly on an amendment that I have filed and intend to offer later, to reduce the tax cut package to increase resources for programs designed specifically to assist middle- and low-income families with the cost of higher education—and those are the Hope and Lifetime Learning tax credits and the Pell Grant program. And, I also would have an equivalent amount of resources go to deficit reduction.

If we are serious about having this bill contribute to our economic growth, then we ought to dedicate these resources to higher education. I don't need to lecture anyone in the Chamber about the value of providing higher education opportunities for people. Yet, in spite of his rhetoric, the President's fiscal year 2004 budget includes cuts in the maximum Pell Grant available to low-income students, and he would do nothing to expand the Hope and Lifetime Learning credits, which are specifically designed to help middle-income families. Nothing could be more devastating to a family than to discover that they cannot afford to send their son or daughter to college, regardless of their child's talent, determination, or ambition. Or others who want to continue learning throughout their lifetime of learning, but cannot, because instead of helping them, we decide to provide a tax cut that primarily benefits the wealthiest among us. For us to say to middle-income families that your opportunity to send a child to college is going to have to take a back seat to providing a tax break to the top 1 or 2 percent of income earners is something I don't think we ought to do.

So I am going to try, with this amendment, to focus our attention on higher education. Of course, last week, we discovered the Government has reported that the unemployment rate jumped to 6 percent. There are economists in the country who believe the unemployment rate, by the first quarter of next year, will hover near 8 percent. It is beginning to become clear to this Senator that this possibility, as farfetched as it may have seemed a few months ago, is not so farfetched at all if we don't do something to stem the tide here.

Nothing in this legislation is designed to do that. Now we are going to have, according to the Congressional Budget Office, the largest single deficit ever accumulated in the history of the United States of America. What a record that is. This is, of course, just 27 months after we came off of a period of economic growth, of accumulating surpluses, and putting our country on sound fiscal footing. Yet in 27 short months, we have gone from surpluses to the record high deficits ever accumulated in this country's history. That is an incredibly stunning record, not to mention the more than 2 million jobs that have been lost.

In the midst of this massive tax break which will go mostly to the few elite in the country, we are also going to be raising the national debt to a point where it is almost a trillion dollars more than the present national debt. If you are out there paying mortgage payments, car payments, and student loans, you don't need to have a Ph.D. in economics to know that as you accumulate these deficits and debts eventually interest rates are going to start to go up.

When interest rates go up, that is a tax increase on average Americans. When you start paying more for that house payment, that car payment, that student loan that your child may need in order to receive a higher education, that is a tax increase for middle Americans. If we do not stem this tide and become more fiscally responsible, then those interest rates are going to have a huge impact on literally millions of Americans.

Again, you do not need to have me lecture about that point. I think most Americans understand it. We have seen periods in our recent past when that has happened. We are going to see it again, in my view, if this proposal is adopted as presented.

Two years ago when we were debating the tax cuts of 2001, we were told we could expect almost $6 trillion in surpluses over the next decade. Instead, we are now getting record high deficits. Two years ago we were told that if we enacted the President's tax cut plan, we would virtually pay off the publicly held debt by 2008. We are headed in exactly the opposite direction.

How many more signals do we need to get this Chamber to understand that as we are digging this hole deeper and deeper, we need to pull out of the hole. Instead, we are just as determined to dig that hole deeper to the point where we will be spending years trying to recover from this mistake.

After this Chamber passes part of the President's so-called growth plan, and after we vote to increase the debt by almost $1 trillion, how many more trillions of dollars are we going to have to increase the debt limit to in order to make room for this irresponsible tax cut affecting such a small percentage of taxpayers?

Let's consider what breaks people get. Again, I do not have to present all of the charts here, but so people understand what I am talking about, according to the Urban Institute Tax Policy Center, those who have incomes above $1 million will receive, on average, a tax cut of $64,400. For those in the middle-income spectrum, their tax cut will be $233. That is what we are about to adopt at a time when we are driving the deficit hole even deeper; and at a time when we are denying an extension of unemployment benefits to the 80,000 people a week who have and will be exhausting their benefits.

It seems to me that we are headed in the wrong direction on both fronts. The Kennedy amendment would extend unemployment benefits. The very least we ought to do in this Chamber is to say to hard-working people: When you are caught up in an economic downturn, Republicans and Democrats alike in recent history have extended a hand to these families and said: Through no fault of your own, you have ended up in that situation. This Congress is not going to ignore you. This Congress is not going to pretend you do not exist.

We are saying nothing about those people.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. DODD. This tax cut is way too excessive, in my view, and will benefit a small percentage of income earners, creating deficits from which we will spend years recovering as it squeezes our ability to provide help to working families and for education. I urge the adoption of the Kennedy amendment. I ask for an additional 30 seconds.

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

Mr. DODD. We have 20 hours for debate on a reconciliation bill, which may be the most significant debate we are going to have in this Congress. Twenty hours—that is all we get to talk about the importance of what we are about to do. I am deeply disappointed. We are constrained in the Senate of the United States to have a more meaningful debate about something as important as this.

I, again, urge adoption of the Kennedy amendment to at least provide relief for those who have lost their jobs and ought to have some help to provide for their families.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask all Senators to heed the words of the Senator from Connecticut. I think he is accurate. I think he is on target.

The amendment before us, of which I am a cosponsor, is very simple. The answer of whether it should be adopted is also very easy.

Getting to the point, the question is, Should we extend unemployment benefits to those millions of Americans who do not have jobs and whose unemployment insurance is about to expire?

The provisions in Federal law that give unemployment insurance benefits will expire in a few weeks. The number of unemployed people is rising. These are people who have lost their jobs not because of their fault but because they have been laid off, because the economy is anemic. They lost jobs because their employers are laying them off.

The question is, Should the Congress extend unemployment benefits? Should they extend unemployment benefits to these hard-working men and women who are not making a lot of money? They are basic wage earners. Should we extend unemployment benefits? To ask the question is to answer it: Of course, we should.

I hear from the other side that maybe they will not look for jobs because they are getting additional benefits. They are not getting more dollars in benefits, they are just getting more weeks during which they can receive about $200 a week while they are looking for a job. The obvious answer to that charge is these are not good times. Two-hundred dollars a week is not a lot of money. I daresay no Member of this body can live on $200 a week. We are so used to living on more than $200 a week. I see the Presiding Officer smiling, knowing there is probably a little truth in that. I am suggesting we should do the obvious and extend unemployment benefits.

Another argument I hear against this proposal is that it is not a stimulus to extend the period during which people get unemployment benefits. Of course it is a stimulus. Those people are going to spend that $200-a-week check. Of course, they are going to spend it. Economists will tell us that for every $1 of unemployment benefits, there is a multiplier effect of $2.15 to the economy; that is, for every $1, an additional $2.15 is spent in the economy. It is pretty simple.

I also think it is pretty simple because we are paying for this by repealing the top bracket, repealing the acceleration of the reduction of the top tier. Some people say: That is a small business bracket. Those people are all small business people. We should do this to stimulate the economy.

That is totally wrong. It is totally incorrect. Less than 5 percent—probably 2 or 3 percent—of the people who receive benefits in the top bracket are small businesses. Let me put it differently; 2 to 3 percent of small businesses in America are in that top bracket. Just 2 to 3 percent. Most of the people in the top bracket are not small business. They are other people. They are very wealthy people. I have nothing against wealthy people getting a tax break. Everybody should get a tax break. It would be wonderful if we all could get a tax break.

We are elected to make choices and set priorities. The economy today is not in great shape. This bill before us is designed and intended to stimulate the economy by reducing taxes. I suggest the right course would be, instead of giving the elite a tax break right now—a lot of them tell me they do not want it; they do not need it—take some of that money and extend unemployment benefits.

The PRESIDING OFFICER. The Senator has used 4 minutes.

Who yields time? The Senator from Iowa.

Mr. GRASSLEY. Mr. President, we will extend unemployment compensation. We will support an extension, though, of current law. We will do it before its expiration at the end of May. But this amendment goes beyond extending unemployment compensation as it is written in current law.

This is unprecedented for sure, and I also think it is an unjustified expansion. There might be legitimate debate on that point, but there is no legitimate opposition to a statement that this is unprecedented.

Also, this extension and this change in law comes at a time when unemployment is not as high as it has been in previous recessions. The current unemployment rate is 6 percent. That is compared to 7 percent at times during the 1990s and more than 8 percent during the 1980s.

It was in the 1990s at 7 percent, in the 1980s at 8 percent. Those happen to be the last two times that Congress provided extended benefits.

I also point out the unemployment rate right now in 23 States is lower than it was 1 year ago. When it comes to people who have exhausted benefits, this amendment would provide 26 weeks of Federal benefits even without regard to the duration of State benefits. So this violates an insurance principle that we followed for a long time inherent in the unemployment program, and it violates it by breaking the link between the time someone has worked and the time that person can collect unemployment benefits.

This amendment additionally would also allow someone who worked as few as 20 weeks to collect as much as 26 weeks of federally-funded benefits.

This amendment also deals with part-time workers. In offering this amendment, what they forget at the Federal level is that we already give States the option of covering part-time workers. So why a national policy of covering part-time workers when this has been historically a State program that has been financed through some Federal taxation? There are a lot of details left to individual States to decide. It is not possible for us to legislate at the Federal level the conditions that exist in various States for deciding whether part-time workers should be included.

This provision would allow those seeking only part-time work to collect unemployment benefits. What this basically means is a worker could turn down a full-time job and continue collecting unemployment benefits.

There is a provision of this amendment that changes policy in regard to low-wage workers. This is another provision under Federal law where States already are given the option of doing this. This provision would require States to use what is referred to as an alternative base period. That means using the most recent quarter to calculate benefits.

In 1997, this was offered to the Senate and we voted 85 to 15 to overturn a Federal court decision that would have required the States to use the most recent quarter. In other words, Congress decided in 1997 against a court decision doing what this amendment does. We decided 85 to 15 to leave it to the respective States, as has historically been the case, to make this decision of using an alternative base period.

So as I mentioned, I will support, and I believe the Senate will pass, an extension of current law for unemployment benefits before it runs out.

This amendment is paid for in a way that discourages job creation. Remember, the fundamental purpose underlying this legislation is to give incentive for investment for the creation of jobs. So how is this amendment paid for? By attacking small businesses, by delaying the tax relief that is in this bill for 80 percent of those who are taxed at the 39 percent rate. Remember, we reduce the highest marginal tax rate down to the same as the highest corporate tax rate. Why? Because there should not be a bias in our tax law against small entrepreneurs, unincorporated entrepreneurs.

As we have been told so often by Joint Tax and by the White House, 80 percent of the benefits go to small business. Now, that does not mean all small business is taxed at the 39 percent level, but by reducing this we are taking away a bias against small business. There should not be an 11 percent penalty for being an unincorporated small business. It is unfair. When we had a lower marginal tax rate for small business at 28 percent for the top individual rate, as we did after 1986 until it was raised, we had a 5 percent differential between the corporate rate of 33 percent and the highest individual rate of 28 percent. During that period of time, we had an explosion of small business, setting the stage for the massive growth we had in the economy in the 1990s.

What does this amendment do? It will kill the opportunity for job expansion that we have prepared in lowering the marginal tax rate for self-employed people, doing away with the bias in favor of corporations so that where 80 percent of the jobs are created in small business, there will be an incentive to create new jobs.

The National Bureau of Economic Research shows that the surest way of expanding small business is from their own equity, by reducing the marginal tax rates, which is going to encourage the sort of investment that creates jobs.

The Senators who have offered this amendment are complaining about lost jobs, but then this amendment undermines the very provisions of the basic bill that will create the jobs we need.

Obviously, I urge the defeat of this job-killing amendment.

I yield the floor.

Mr. LEVIN. Mr. President, I rise to support the amendment being offered by Senator KENNEDY to extend and authorize additional unemployment benefits.

This is a tumultuous time for millions of Americans. Our economy is struggling right now and millions of Americans are down on their luck. Businesses and manufacturing plants are closing, the stock market is down and most importantly, jobs are being lost. It is critical that we in Congress, at a minimum, do what we can to help every day Americans hurt by this downturn, especially the increasing number of people who are unemployed and having trouble getting back into the workforce.

There are currently over 8.7 million unemployed Americans—the highest number in a decade. Since January 2001, the national unemployment rate has risen from 4.2 percent to over 6.0 percent. Since President Bush took office, the United States has lost over 2.7 million private sector jobs—the most of any President in modern history. The downturn has especially hit my home State of Michigan hard. Michigan has an unemployment rate of 6.7 percent—among the highest in the Nation. According to the Bureau of Labor Statistics, Michigan lost 17,700 jobs just last month—the most of any State in the country. That brings the total number of Michigan jobs lost since the Bush Administration took office to over 178,000.

Earlier this year, Congress extended Federal unemployment benefits for an additional five months to June 1, 2003. However, Congress did not authorize additional Federal benefits. Therefore, over 1 million workers who already had exhausted their 13 weeks of federal unemployment benefits and received no benefit from what Congress did earlier this year. Now is the time to assist those workers and all other Americans who are on the verge of exhausting either their state or federal unemployment benefits and in some cases, both.

It is ironic that during the week the Senate is taking up the President's "Jobs and Growth" package—the majority is not addressing the immediate need for job assistance for millions of Americans. Instead of pressing Congress for a "robust" tax cut to help the wealthiest Americans, the President should be fighting for additional unemployment benefits for working families who need them and will spend them, stimulating the economy. That is why I support Senator KENNEDY's amendment to authorize an additional 13 weeks of Federal unemployment benefits, including coverage for those one million workers who have already exhausted their benefits. Senator KENNEDY's amendment also expands unemployment coverage to low-wage and part-time workers. Finally, the amendment extends the Federal unemployment benefit program through November 2003 to accommodate new enrollees.

This is not just about doing what is right. It is also about doing what is helpful to our economy. It is elementary economics that providing additional unemployment benefits is a great way to jump start our stagnant economy. The money we are talking about here is money that will be spent. According to a 1999 Department of Labor study, every $1 dollar invested in unemployment insurance generates $2.15 in gross domestic product. So we are going to be putting money into the hands of people who need it, people who will spend it, people who will help the economy.

Over 47,000 Michigan residents have exhausted their Federal unemployment benefits as of February of this year. If we fail to act, in 2 weeks, over 1.1 million Americans, including nearly 54,000 Michigan residents, will be without unemployment insurance benefits. This is unacceptable, especially given the fact that the Federal unemployment insurance trust fund currently has a surplus of more than $21 billion. The contrast couldn't be more evident than in this debate. Instead of pushing for a huge tax cut sharply slanted to upper income folks, I would hope that the Senate will show real leadership and support unemployment insurance that benefits working families.

The President accuses us of engaging in "class warfare." Well, what he calls class warfare, I call reality. Under the President's tax cut plan, the wealthiest 1 percent of Americans are expected to receive an annual tax cut of about $90,000 a year, or a little more than $1700 a week. Under the Kennedy amendment, unemployed workers in my home state of Michigan would receive a maximum benefit of $362 a week. This bill will put money into the hands of people who need it and people who will spend it. That's good for our economy and it helps sustain the jobs that other people do have. The Senate should unanimously adopt this amendment.

The PRESIDING OFFICER. Who yields time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, I have the highest regard for my friend from Iowa, but for him to characterize this as a job-killing amendment is just beyond the pale. The fact of the matter is that less than 5 percent of small businesses are in the top bracket that will be repealed under the amendment. That is a very conservative estimate.

Second, when we are talking small businesses under terms of this amendment, we are talking about law firms, we are talking about partnerships of all kinds. We are talking about dental partnerships and doctor partnerships. When people use the word "small business," it conjures up a 15 or 20-person operation that is working hard to make ends meet. When we talk about small business, however, we must be clear as to which small businesses are in that top rate. Less than 5 percent of all small businesses pay that top rate, so we are not hurting small business with this amendment, by any stretch of the imagination.

Second, this roughly 5 percent of small businesses includes the mom-and-pop small businesses we have all talked about, but also the partnerships like law firms and dental partnerships. I do not think the latter really conjures up what we are talking about when we talk about helping a small business. Maybe we are, but I think most Americans are not. That is a fact I want to get in the record, that really so few small businesses are in that top rate.

I ask unanimous consent that the pending amendments be temporarily set aside so that the Senator from Arkansas may offer her amendment.

Mr. DODD. Reserving the right to object, Mr. President, and I will be very brief.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. I want to follow up. I know the chairman of the committee is here, and I missed a little of the discussion because I had to step outside the Chamber with some police officers from my State. I will take a minute or so and obviously then move to the amendment of the Senator from Arkansas.

I understand the chairman made a statement about this issue of unemployment insurance at some point. I wonder if the distinguished chairman of the committee might share with Members when that might happen and why we cannot do it now. We know this is a growing problem, and we always delay these things. When 80,000 people a week are running out of benefits, we have had more than 2 million people lose work since the President came into office, why not extend unemployment insurance on this bill? It would be a great gesture to the American public. My question is, simply, to ask if the chairman of the committee might respond.

The PRESIDING OFFICER. The time on the amendment has expired.

Mr. GRASSLEY. I ask unanimous consent that immediately following action on S. 1054, the Senate turn to consideration of legislation introduced by the majority leader or his designee to extend emergency unemployment benefits until November 30, 2003; that the bill be considered as read three times and passed; further, that the motion to reconsider be laid upon the table, with all this to occur without intervening action or debate.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. This is the first I have heard this. I don't know what this is all about. Pending a better understanding of the request, I respectfully object.

The PRESIDING OFFICER. The objection is heard.

Is there objection to setting aside the pending amendment?

Mr. DODD. Further reserving the right to object, I ask unanimous consent that I be allowed to proceed for 1 minute.

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

Mr. DODD. I want to know why this could not be adopted as part of this passage. We have an amendment here right now to do it. This is the time to do it. We all care about this and have people in every State adversely affected. Why wait another series of weeks? Why not do it right now and adopt the Kennedy amendment and move this issue beyond us and deal with the rest of the bill? That is my question to my distinguished chairman.

Mr. GRASSLEY. Mr. President, I will answer his question, if I am permitted.

Two reasons: One, this amendment is not germane to this bill; two, it goes to the expansion of unemployment benefits as opposed to extension of existing benefits.

Mr. DODD. I further understand that the bill the chairman is talking about would not expand this at all but really just extend it; is that correct? So we will have a debate about that, obviously.

Mr. GRASSLEY. Yes.

Mr. DODD. I thank the chairman for responding.

I am sad in a way, and maybe the amendment will be adopted by majority if that is the case and we can move beyond this.

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

The PRESIDING OFFICER. The clerk will call the roll.

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

Mr. BAUCUS. I ask unanimous consent that the pending amendment be set aside and the Senator from Arkansas be recognized to offer her amendment.

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

AMENDMENT NO. 578

Mrs. LINCOLN. Mr. President, with the amendment set aside, I call up my amendment.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Arkansas [Mrs. LINCOLN], for herself and Mr. ROCKEFELLER, Mr. BINGAMAN, Mr. BREAUX, Mr. DASCHLE, Mr. LEVIN, Ms. CANTWELL, Mr. PRYOR, Mr. KERRY, Mr. KENNEDY, and Mr. DODD, proposes an amendment numbered 578.

Mrs. LINCOLN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To expand the refundability of the child tax credit)

At the end of subtitle C of title V, insert the following:

SEC. ___. FURTHER EXPANSION OF CHILD TAX CREDIT REFUNDABILITY.

(a) EXPANSION OF CHILD TAX CREDITS.—

(1) IN GENERAL.—Clause (i) of section 24(d)(1)(B) (relating to portion of credit refundable), as amended by section 106(b) of this Act, is amended to read as follows:

''(i) the sum of—

''(I) 5 percent of so much of the taxpayer's earned income (within the meaning of section 32) as is taken into account in computing taxable income for the taxable year which exceeds $5,000 and is less than $13,250, and

''(II) 15 percent of so much of the taxpayer's earned income (within the meaning of section 32) as is taken into account in computing taxable income for the taxable year which is more than $13,250, or''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2002.

(3) APPLICATION OF EGTRRA.—The amendment made by this subsection shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 to the same extent and in the same manner as the provision of such Act to which such amendment relates.

(b) DELAY OF DIVIDEND EXCLUSION.—Subparagraph (B) of section 116(a)(2) (relating to partial exclusion of dividends by individuals), as amended by section 201 of this Act, is amended by striking ''2007'' and inserting ''2010''.

Mrs. LINCOLN. I thank all of my colleagues for their attention today because I believe I brought something to the floor that is of the utmost importance to American families.

I compliment the chairman of the Finance Committee. Having worked with limits on a multitude of issues, he is always reaching out and working hard with all the members of the Finance Committee. I applaud him for his efforts in working with me early in the committee to accelerate the child credit we have in this stimulus package. The acceleration of the child credit is very important in terms of reaching out to families and providing them the utmost resources to be able to care for their families, to be able to do what they need to do not only in taking care of their families but playing a role in stimulating this economy.

We certainly know that with our businesses and industries operating at roughly 70 percent, it is critical, if these industries are going to create the jobs we want created for the sustainability of growing this economy, that they have a demand. They are going to need people demanding their products and services, and that will be critical. The way to do that is to provide families the resources and the means with which to provide for their families.

That acceleration we provided in the committee went a long way in doing that. My hope is we will continue to move in that fashion, in the right direction of providing families the resources they need, the hard-working American families who are out there today working hard to provide for their families.

This amendment does that through the expansion of the child credit. Basically, what we do is expand the child credit refundability by lowering the earnings threshold to $5,000. This is a reasonable request in light of what we are talking about—again, assistance to families in order to raise their children and provide for their needs, as well as stimulating the economy.

I point out to my colleagues, there are 8 million children from working families in this great country at the very bottom of the income scale who get no benefit from the current child care tax credit, 8 million children in this country we are trying to raise in working families who get no benefit from this child tax credit; 4.4 million of those 8 million children would benefit from the child credit under the amendment I have offered today.

By providing tax relief to those who need it the most, our amendment will have a direct and meaningful stimulative effect on the economy.

I am joined in this amendment by several other cosponsors: Senators ROCKEFELLER, BINGAMAN, BREAUX, DASCHLE, LEVIN, CANTWELL, PRYOR, KENNEDY, DODD, and I think many others, when they realize what we are trying to do and the effect we can have on their States and, more importantly, the working families who are out there every day trying to make ends meet. The families of these kids play by the rules. These are individuals who are working. They go to work every day at extremely low wage jobs. They pay significant payroll, State, and local taxes, excise taxes, and property taxes. Oftentimes they struggle to make ends meet, yet they get no benefit from the child tax credit.

Now, I hope my colleagues will indulge me for just a moment. One of the things many reflect on is that raising children is probably one of the most important and expensive undertakings that anyone has. We do it for good reason. We talk about what a great nation we live in. We talk about how wonderful it is to be a part of the greatest country on the face of this Earth. Then we think about the face of our country tomorrow. Who will be the face of this country tomorrow? What will it look like?

The face of this country, tomorrow and in the future, will be shaped by how well we raise our children today. That is what I am asking my colleagues to focus on. It is not just our children. I don't just worry about my children and their well-being. I worry about the other parents' children who are out there, who will be the coworkers with my children, who will be the leaders of tomorrow. They will be the face of this country when we are working in a global economy with multitudes of nations across the globe. These are the children we are raising today.

My colleagues, we have an opportunity today to give a hand to these parents in raising these children with a simple child credit, a refundable child credit. These are people who are hard-working. To be eligible, they have to be in a job. They have to meet an earnings limit. They have to have children. We are not just giving a freebie; we are reaching out to these hard-working parents and saying let us help you shape the face of this country tomorrow.

Just one more indulgence. As I talk about raising children and the importance of that face of tomorrow, I reflect on the time I have spent in my State visiting with and shadowing some of our low-income workers, particularly some single moms who have been out there working. They are working parents with children in childcare, struggling with challenges of childcare and transportation. There are multitudes of challenges they face.

I look at what I spent my time doing during the Easter break, during the 2 weeks we are off from Congress, home in our States. I spent a lot of time on the road, visiting with children, parents, chambers of commerce, Rotary groups, development groups, planning districts—all of those different groups. But I also switched my hat around for a few days and spent some time myself out there as a mother, as a parent.

I went to the store after looking at the fliers and seeing where the sales were, and I thought about what I did with my time and my resources. I thought that with two growing boys, age almost 7, I had to replace wornout blue jeans, wornout tennis shoes, that I wrote a check to my school for their lunchroom tab, the fact I wrote a check to make sure they would be on the Little League team and made sure they had their uniforms. I looked at the other things, the county summer programs I wanted to include them in so they would have good activities, exercise, and grow just like any 7-year-old little boy ought to be growing.

I looked at what we did. We didn't go to Disney World. We didn't do anything expensive. They went fishing with their grandfather and spent some time with their cousins and grandmothers. But I looked back at the time and the resources I spent in molding and shaping those two little boys. Let me tell you, it was no different than any other working mom.

If we want to stimulate this economy, if we want to develop a nation with the kind of leadership and future I think everyone in this body wants us to have, then it is absolutely critical that we look at expanding that child credit to these working families.

Under the current law, the President's proposal, and the Finance Committee bill, a working family with earned income of $10,000 gets no benefit from the child credit. Our amendment today would give such a family with two children a total benefit of $500. This does not seem to be much money to many of us perhaps, but it amounts to a significant increase in the amount of money available to these families to provide for the most fundamental needs for their children. Again, we are talking about basic needs that also will drive the economy. These people are not going to be able to participate in stimulating the economy if they don't have the extra resources they need. These are working individuals.

Children have a variety of needs at a variety of ages, the most fundamental of them being shelter, food, clothes, education, and health care, and $500 can make a substantial difference to a family with an earned income of $10,000 or less. This sort of benefit can go a long way in helping these families raise their children, encouraging them to excel in their jobs and to set a good example.

It is the least we can do for these struggling and impoverished families who, again, are working hard every day earning money and at the same time trying to care for their children. They have the same kind of love and compassion, the same kind of ability to give them the basic needs that every one of us tries to have every day.

I just implore my colleagues, please look at this opportunity we have before us today, an opportunity to reach out to working American families who are struggling day in and day out to do what is right. They are struggling to do what is right by their children, perhaps simply out of their own compassion and love for their children, not knowing that we as a nation are depending on those children to be the leaders and the providers, the employees of tomorrow.

I ask my colleagues to take a look at this amendment. Recognize all we are doing is postponing the 20 percent exclusion on dividends—only postponing it for 3 years, postponing that exclusion in order to mold and shape the future of this country.

I would like to share with my colleagues in just a few of my neighboring States what they would see. Arkansas would see the number of added kids, when we move to that $5,000 threshold, an increase in Arkansas of 60,000 children we could cover. I look around at my neighbors: Mississippi would see 100,000 children additionally covered. In Tennessee, you would see 108,000 children eligible who would not be eligible otherwise. In the State of Texas, my neighbor to the south, you would see 467,000 children added with a benefit if we passed this amendment.

I implore my colleagues to really take a look at what our purpose is today, what we have been striving to do. Let's not just try to stimulate the economy but use the opportunity we have in growing this economy to grow this great country. I daresay there will not be anyone in this Chamber who could argue with me that the future of this country lies in the future of our children.

Once again, we have a tremendous opportunity. I hope my colleagues will realize that 4.4 million of the 8 million kids who are left out under the current bill would begin to benefit from a child credit under this amendment. By providing this tax relief to those, again, who need it the most, we will have a direct and meaningful stimulative effect on the economy. Let me tell you, just as I did as I turned my hat around and became a mother during my break time, these families will spend those dollars. They will spend them on our greatest asset this country could possibly have, and that is our children.

I thank you for the time. I yield the floor and encourage my colleagues to support my amendment.

The PRESIDING OFFICER. Who yields time?

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, we all owe the Senator from Arkansas a debt of gratitude for a lot of leadership she has shown in this area, not only on the present bill that is before us, because she did get some amendments adopted in committee. She voted for our bill on final passage. I appreciate very much that being the case because it made it a bipartisan piece of legislation. But also, she has expressed the same concern because she was a member of the committee, 2 years ago, when we passed the existing tax law that we are adjusting now to bring it up to date and fully implement it in 2003, rather than as we decided 2 years ago, to implement it over a 10-year period of time. She was very active in these areas in that basic legislation.

So she is very consistent in expressing concerns about families of low income, and particularly low-income families with children. I wish I could do all the things she asked us to do, but we have to craft legislation that is pretty well balanced. One of the largest parts of our bill is the $95 billion that is provided for families with children.

Obviously the Senator from Arkansas would like to make this more generous. I wish we could. But I don't feel we can. The provisions that are in this $95 billion have been, to a great extent, because of the work of the Senator from

Arkansas. It includes expanding benefits for low-income families, a provision that is included in great part because of the hard work of the Senator from Arkansas. Moreover, this legislation creates a new benefit.

But I think that the exception I take to her amendment is just basically because it hurts the balance of this bill between investment and spending.

I appreciate the Senator's work on these matters. It would be subject to a budget point of order. I will raise that at the appropriate time. I will not do it taking exception to policy but taking exception to what can be accomplished at one time, and the fact that we are trying to have a balanced package between investment and spending. I think it would put us over the balance on the spending side.

For that reason, I will raise that point of order but do it without prejudice.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. GRASSLEY. Mr. President, I am going to yield to the Senator from Oklahoma what time he might consume either on amendments or on the bill.

Mr. NICKLES. Mr. President, I thank my friend and colleague, the manager of the bill, chairman of the Finance Committee. I want to make a few comments concerning unemployment compensation.

It is my understanding that the chairman said he would not object to and he is trying to facilitate a clean extension of the current unemployment compensation program. That is what the Senator from New York, Senator CLINTON, and I did twice on this floor. We did it last December and early this year. The first piece of legislation we passed this year was the clean extension of the unemployment compensation program. That is a 13-week Federal program.

Senator KENNEDY is being consistent. He is trying to make a 13-week program into a 26-week program. That costs $12.7 billion. A clean extension costs $5.6 billion. We will agree with a clean extension. We will not agree with doubling the program.

Keep in mind this is a 13-week program. Current law is a 13-week Federal program on top of up to 26 weeks of State benefits. That is a total of up to 39 weeks. That is a total of 9 months. If we adopted Senator KENNEDY's amendment, that would be a 26-week State program, and a 26-week Federal program, the second part of it paid 100 percent by the Federal Government. That is a year. In addition to that, there are additional weeks for high unemployment States.

This is not going to pass. It was tried several times on the floor of the Senate last year and it never passed. It is not going to pass this year. We are not going to double the program. We will be happy to work with our colleagues to extend the current law. We will not double or triple this program.

I appreciate the work of the chairman of the Finance Committee and other Members who want to truly give assistance to people who are unemployed and who need temporary assistance. But we don't want to turn it into a year-long program. If we did that, frankly, the trust fund would be running out of money if another extension was passed. That would be very foolhardy.

I also tell my colleagues that a budget point of order lies against Senator KENNEDY's amendment. A germaneness point of order lies against Senator KENNEDY's amendment. We should be trying to work to create jobs. That is really the essence of what the President's proposal is—and the chairman of the Finance Committee—to help create jobs and not just write checks for the unemployed but create an environment that will be more conducive towards investment, more conducive to encourage people to make investments to create jobs. That is what we are trying to do.

We do that several different ways. One is to reduce tax rates. Somebody says that is a tax cut for the wealthy. I disagree. By the time we are finished, the maximum rate is 35 percent. I believe that is still more than a third—still a lot more than 31 percent—which was the maximum rate when President Clinton was elected.

In 2001 they cut taxes for the wealthy and reduced the maximum rate from 39.6 to 38.6, 1 percentage point. President Clinton raised it, and many in this Congress raised it from 31 percent to 39 in 1 year retroactive. By the time we are done, the rate is going to be 35 percent, which is still almost 20 percent higher than it was when President Clinton was elected.

I just want to make a few additional points. Also in the chairman's mark we have expensing for small business. They will be able to expense items up to $75,000. We are looking to maybe even accelerate that similar to a provision in the House. That will create an incentive for small business so people can write off that investment in the year that investment is made instead of amortizing over years. That will create jobs because more people will make that investment.

We are also talking about eliminating this very unfair double taxation on dividends. Why should we tax distribution of corporate profits at the second highest rate in the world? That makes no sense whatsoever.

The President has proposed that we eliminate double taxation. President Carter said in the past we should eliminate the double taxation of corporate dividends. I hope we will be able to do that, and I expect we will be presenting an amendment to enhance or strengthen the dividend proposal that is before us today which would actually eliminate the double taxation of dividends. We tax dividends now at the second highest rate in the world, higher than France, Belgium, and Italy. We don't need to do that. We can fix that in this bill today. By doing so, we will be encouraging a much better environment for investment, and encourage, I think, a much greater prospect for the stock market. I think the stock market would improve substantially and as a result, therefore, there would be more equity, more equity investments, more private sector jobs. That ultimately should be our goal.

I urge our colleagues not to be mislead by Senator KENNEDY's amendment. Let's pass a clean extension of the unemployment compensation program. We can do that by unanimous consent. We passed the previous one by unanimous consent, or we can have a recorded vote. We can do that outside the reconciliation bill. We can do that and have it on the President's desk, and extend the present law.

I yield the floor.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I yield myself 2 minutes off of the bill.

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

Mr. SARBANES. Mr. President, I want to respond to the Senator from Oklahoma, and urge my colleagues to support the Kennedy amendment.

What are workers to do in terms of supporting their family if they exhaust the 39 weeks of unemployment insurance benefits that they are eligible to receive? Senator KENNEDY's answer is that under the current circumstances we provide an additional 13 weeks of benefits.

The labor market is not improving. It is worsening. The unemployment rate is rising, not falling. This notion that there are jobs to be had does not square with the facts. The economy is continuing to lose jobs. We lost 48,000 jobs last month. We have lost over half a million jobs already this year. The unemployment report stated that almost 9 million workers were unemployed in April. Just under 2 million workers have been unemployed for 27 weeks or more. The number of long-term unemployed is as high as its been since January 1993.

The average duration of unemployed has risen to 19.6 weeks. This is the longest average duration reported during this recession, and it is the highest level in almost 20 years. What are these people to do?

The Kennedy amendment is very simple. It says that providing some continued support for those who have lost their jobs through no fault of their own is more important than providing some of these tax cuts that are proposed in this legislation.

It makes sense for the individuals, and it makes sense for the economy. We are talking about trying to stimulate the economy. Extended unemployment insurance benefits are scheduled to stop and that will withdraw that much purchasing power out of the economy.

So I urge my colleagues to be supportive of this amendment. We face a worsening economic situation. Unemployment is rising. The opportunities in the job market are shrinking. We need to provide help to our workers and to their families to help them through this very difficult period. The Kennedy amendment seeks to do that.

The unemployment insurance trust funds have surpluses of almost $20 billion.

The PRESIDING OFFICER (Ms. COLLINS). The Senator's time has expired.

Mr. SARBANES. Madam President, I yield myself 30 more seconds.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. SARBANES. The unemployment insurance trust funds have surpluses of approximately $20 billion. These moneys were paid into the trust fund for the announced purpose of paying unemployment insurance benefits in an economic downturn. Now we have an economic downturn. We have people out of work. We have the job market worsening, not improving. These surpluses ought to be used for the purpose for which they were intended; and that is, to provide extended unemployment insurance benefits. And those benefits ought to come ahead of any of the tax cuts.

I urge my colleagues to support the Kennedy amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Montana.

Mr. BAUCUS. Madam President, I ask unanimous consent that the pending amendments be temporarily set aside so the Senator from Washington can offer an amendment.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The Senator from Washington.

AMENDMENT NO. 577

Ms. CANTWELL. Madam President, I call up amendment No. 577.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Washington [Ms. CANTWELL], for herself, Mr. NELSON of Florida, and Mr. BAUCUS, proposes an amendment numbered 577.

Ms. CANTWELL. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The amendment is as follows:

Ms. CANTWELL. Madam President, I rise today, along with my colleagues, Senator NELSON of Florida and Senator BAUCUS, to offer an amendment to revise and extend the research and development tax credit.

I know my colleagues will be familiar with this amendment, but I want to clarify three things this amendment does. First, it will extend the research credit through June 30, 2014, which is the end of this reconciliation period. Second, it will increase the rates of the alternative incremental credit; and third, it will create a new alternative simplified credit for qualified research expenses.

This language is identical to the language that was originally included in S. 664, introduced by Senator HATCH from Utah and cosponsored by 27 bipartisan Senators. The amendment pays for this tax credit by eliminating the underlying legislation's section reducing the dividend tax credit.

Since its increment in 1981, the research tax credit, I believe, has demonstrated that it is a powerful incentive for companies to increase research spending. The tax credit lowers the cost of doing research in the United States, so it encourages companies to continue to make investments in critical R&D. The bottom-line benefit is that research and development creates new jobs in the United States.

The current R&D tax credit is expected to expire on June 30, 2004. Many of my colleagues know we play this annual game of continuing to say the R&D tax credit is important, but not renewing it on a permanent basis, thereby saying to companies and organizations: You don't know whether you will actually get this research credit or not. It is important for companies to have access to this information because the kind of planning it takes to do research and development, to increase productivity in America, is not necessarily done in 1 year or 2 years. The major investments in nanotechnology and biotechnology, in software, and in the computer sciences take several years of investments. So what we are talking about is giving businesses the predictability they want to see in research and development so they can move ahead.

The long-term nature of these research projects, I believe, is something Congress should recognize today and make part of a priority package for reinvigorating America. This is a tried and true program, again, for creating jobs in America.

In this tax cut bill—we are trying something that is new, effectively saying, let's cut taxes on dividends for individuals, and hope it trickles down to create jobs in America. We know the R&D tax credit works—it works, and it works effectively.

The point I want to make to my colleagues is, what we need to understand, is the changing nature of businesses today in an information economy. So many of the businesses that have been the great engines of growth in the 1990s are companies that now spend 27 percent of their overall dollars on research and development. So research and development has become a bigger percentage of a company's overall plans, and predictability about that research and development has become more important.

That is why two years ago Federal Reserve Board Chairman Alan Greenspan told a Senate Budget Committee:

Had the innovations of recent decades, especially in information technologies, not come to fruition, productivity growth during the past five to seven years, arguably, would have continued to languish at the rate of the preceding twenty years.

So here was someone in charge of advising us on Federal investment and tax policy basically saying these companies have been able to invest in R&D, and have gotten us to that productivity rate we are so interested in. So why aren't we including that in this package—something we know is tried and true, something we know many organizations have come before us to argue for, asking, why not make this permanent? So in my amendment, we expand that tax credit through June 2014—which will help the economy turn around.

I would like to enter into the RECORD comments—I have no idea where my colleague will be on this particular amendment, but I would like to enter into the RECORD, or reenter into the RECORD, I guess—comments from my colleague from Utah, who I think spoke eloquently on this particular issue. As my colleague from Utah said:

As it stands, companies have to take account of the fact that Congress could allow the credit lapse for a few months, as it did a number of years ago. So companies hedge their bets, they spend a little less on R&D, and our economy suffers as a result. By contrast, permanence helps planning. The sooner we make this permanent, the sooner companies can begin to enlarge and expand their research and development units, and the sooner their innovations will strengthen economic growth.

He quoted a variety of studies that I think are very important. He went on to say:

A permanent extension of this credit may seem costly in terms of lost revenue. However, when you consider the value this investment will create for our economy, it is a bargain. In fact, one study estimates a permanent research credit would result in our gross domestic product increasing by $10 billion after 5 years and by $31 billion after 20 years.

The Senator is quoting a study and analysis of various economists who are saying this is really how we get to productivity in our economy. I am quoting the Senator because I believe in what he said.

I understand my colleagues may not think that now is the time for this particular amendment. I argue that it is exactly the time for this amendment because let's think about it. Who has created jobs in the last decade? Who has stimulated our economy to move forward? It is a lot of companies that have invested in R&D. It is the Microsofts. It is the Amazons. It is the variety of companies from my State and others that have made the investments which increase the productivity of their workforce, where they can then hire new people as new products and services are delivered.

That is something with which we have had good experience. I want to get back to 3.5-percent economic growth. I know the economic engine that will take us there will be these companies and corporations that know about producing product and services in an information age economy. What they tell us is important to them, is making permanent the R&D tax credit. They say this because there is currently no certainty—they come to us every few years to try to understand whether we are going to give them these tax credits.

I ask unanimous consent to print in the RECORD a statement from the R&D Credit Coalition.

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

RESEARCH EQUALS JOBS GROWTH AND ECONOMIC GROWTH

NOW IS THE TIME TO STRENGTHEN AND MAKE PERMANENT THE R&D TAX CREDIT

Productivity growth in recent years has been driven by the combination of accelerated technical progress and the resultant investment in tangible capital assets, research and development, human capital, and public infrastructure.

Technological innovations have accounted for more than one third of our nation's economic growth during the last decade and are critical to sustained growth in the future.

With government support, private investment in R&D would fall short of the socially optimal amount. (Congressional Research Service, "Small Business Tax Relief: Selected Economic Policy Issues for the 107th Congress" (RL31052))

The research credit creates jobs. More than 90 percent of the costs eligible for the credit are salaries and wages paid to researchers. The only way for a company to increase its credit is to increase its R&D payroll in the U.S.

First authorized in 1982, the credit has been reauthorized 8 times (with a gap from June 1995 to June 1996). The current credit expires in June 2004. However, its effectiveness is limited because businesses cannot rely on it in their long-term planning, and most R&D projects are long-term.

In order to provide stability and broaden the reach of this proven incentive, Congress should make the credit permanent, increase the rate for the alternative incremental credit (AIRC), and provide an alternative simplified credit calculation to induce even more research-intensive businesses to undertake additional research spending.

A bolstered and permanent R&D tax credit is essential to US competitiveness. In a global economy, many companies can choose where to conduct their R&D. A 2000 study based on OECD data that measures the impact of government fiscal support for R&D shows that Spain, Portugal, the Netherlands, Canada, Australia, and Japan each provide more generous—and permanent—fiscal incentives for R&D investment than those provided for by the United States.

Private investment in R&D results in new medicines, medical technologies, cleaner manufacturing technologies, advanced weapon systems and other tools in the war on terror.

Ms. CANTWELL. They write:

Growth in our high tech economy depends on solid R&D, and there is no good reason to delay making the credit permanent. A permanent tax credit will go a long way to providing the planners and investors the certainty that they need.

Another document by that same coalition states that research jobs that are created by this R&D are quite significant; that more than 90 percent of the costs eligible for credits from the R&D tax credit go directly into salary and wages of researchers. So the only way for the company to go ahead and increase the credit is to get an R&D payroll. That is what we are talking about, getting the R&D payroll.

We are sitting here discussing how we are going to move forward. I know my colleagues have a variety of ideas. We all probably have ideas that we think are an avenue or path within this tax proposal that will be effective. I know as somebody who has been in the private sector, has seen a company grow from 10 people to 1,000 people in a short time, the major focus of that company was in research and development.

Let's turn our attention to those very companies that we think are the basis for our future. We still see great growth and opportunity in medical devices and research. We see great opportunities in biomedicines, as I mentioned, in nanosciences, in computing sciences, in supercomputing. We see great opportunity in energy technology, in the new energy economy we think will be so important. We certainly see from the State of Washington how the great investment in software and communications technologies can move our country forward.

Let's take this amendment that I believe is a bipartisan amendment supported by many of my colleagues and say that this is a priority. Let's not make these organizations, which have been the engine of job creation, continue to come back to us as we pass the largest tax cut without including something that the very job creators have told us they need to move forward.

I urge my colleagues to support this amendment. Let's make the research and development tax credit permanent.

I retain the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Will the Senator from Washington yield me 10 minutes?

Ms. CANTWELL. I yield the Senator from Montana as much time as he needs.

Mr. BAUCUS. Madam President, the R&D tax credit has been an issue before us for quite some time, almost as long as I can remember since I have been in the Senate. The basic questions are, Should we extend the R&D tax credit and, second, should we make it permanent? Much too often the Congress has decided, yes, to extend the credit, which I agree with, but not to make it permanent. For the life of me, I cannot understand why we have not made this credit permanent.

I have introduced legislation, bipartisan legislation, which Senator HATCH and myself introduced, to make the R&D tax credit permanent. Similar legislation has also been introduced in the other body by Congresswoman NANCY JOHNSON and Congressman ROBERT MATSUI, along with other members of each of their parties. This is bicameral. It is bipartisan. We believe very strongly that the research and development tax credit should be made permanent. In fact, there are about 28 sponsors of our legislation in the Senate. It is about evenly divided between both sides.

I would like to make a couple of points. The very bottom line is, this amendment will very much help the American economy. Making the R&D tax credit permanent will give U.S. businesses, particularly in the technology sector, the confidence that those companies can invest in research and development and not have to keep guessing whether Congress is going to extend or not extend this tax credit.

I can remember years past, sometimes we would extend it and other times the Congress would not extend the R&D tax credit. There would be a hiatus. I have forgotten how long those gaps were, but, as I recall, they were in the nature of 8 months, 10 months, something like that. Technology companies were wondering, is Congress going to extend the credit? They have in the past. Maybe they will in the future—but will they? This causes great uncertainty in the business world.

The R&D tax credit has a proven track record. It lays the foundation for technological innovation which in turn is an extremely important driving force in the American economy.

Most economists look to productivity gains. When there are productivity gains in the economy, the economy grows. When we have had high productivity gains, our economy has done quite well. In fact, it is important to recall the words of Chairman Alan Greenspan of the Federal Reserve who said, the reason why our economy has continued to grow so well is because of advances in technology that occurred in America and also in the world, which dramatically increased productivity in our country. This is one of the main reasons the economy grew at such a rapid rate in the 1990s.

Granted, some of that was, as the Chairman would say, irrational exuberance. There was a bubble in effect at the time. There were too many people investing because the idea sounded good, without looking closely and directly at the bottom line, whether it was a good investment or not. Nevertheless, it is very clear that technology was a driving force in the 1990s.

There is extensive research showing that tax credits are a very cost-effective way to promote research and development. The General Accounting Office, the Bureau of Labor Statistics, the Congressional Research Service, the National Bureau of Economic Research, and many others have found significant evidence that the R&D credit stimulates additional domestic R&D spending by U.S. companies. Perhaps more importantly, the R&D investment tax credit benefits American companies and American workers.

A full 75 percent of the R&D credit dollars are used for salaries of employees associated with R&D activities. These are good paying jobs. These are not service industry jobs at the local fast food store. These are very high paying jobs.

Seventy-five percent of the R&D tax credit dollars are used for salaried employees associated with R&D activities. R&D activity creates some of the most intellectual, stimulating, high-paying, high-skilled jobs in the country, encouraging individuals to pursue advanced science and math degrees in order to obtain these job opportunities. That clearly is a big plus for our economy. They create more disposable income for employees which provides additional indirect returns to the economy.

There are ripple effects. Innovations achieved through R&D make a company much more productive, enhances its competitiveness. Downstream companies are also helped. Once a company develops a new product because of research, in most cases, downstream companies get benefits as well—to say nothing of the national security benefits. The more our technology companies engage in research and development, the more likely it is that we are going to have technological advances and developments that help our national security. That, too, is a given.

There is no doubt that if R&D is going to decrease generally, national security is also going to decline. Did you know that the United States lags far behind other countries in giving incentives to businesses to invest within its own borders? Most of our trading partners offer very generous tax and nontax incentives to encourage companies in their countries to invest in R&D. These incentives lower the cost of investing in R&D outside of the United States and give companies receiving these benefits outside the United States a competitive advantage over U.S. companies that don't benefit from similar incentives.

In 2000, the United States ranked ninth behind other nations, in terms of the amount of tax credit allowances for business R&D spending at large manufacturing firms. Countries that provide more generous R&D tax benefits than the United States include Spain, Canada, Portugal, Austria, Australia, the Netherlands, France, and Korea.

This disparity encourages U.S. companies to locate more R&D activities offshore, resulting in a permanent loss of technology advancements, loss of jobs, and a loss of industrial innovation in the United States. Once R&D moves offshore because of other countries giving a tax comparative advantage, then what happens? Then companies tend to manufacture in those same locations and often use available labor in those markets, rather than American workers. Once you are in a location for a period of time, you are more likely to stay. You learn the procedures and the ropes and you feel comfortable. The country starts to be comfortable with you and they start giving you more incentives to stay there. It starts to cascade and go downhill.

I remember years ago, in Saudi Arabia, I was talking to officials there, and the big question was, Who is going to provide the technical advice in setting up a phone system in Saudi Arabia? Is there going to be a big German company, such as Siemens, or an American firm? Which firm will provide the technological specifications for a telephone system in Saudi Arabia? Well, guess what happened. A U.S. company lost; the big German company won. What is even more important about that? Guess who built the telephone system? You got it, the German company.

In this case, I am talking generally about R&D going offshore. Once your foot is in the door offshore, there is a strong likelihood that there are going to be other benefits that will accrue to those other countries, not to the United States.

The timing of this proposal is very important. There is new data compiled for R&D Magazine that projects that U.S. companies spending on R&D will be mostly flat this year, 2003. This makes for flat growth for the second year in a row. This compares with 2001, when R&D spending grew by 5 percent over the previous year. Investment in R&D is not a function of simply economic uncertainty. Businesses often invest less in R&D because of the expense and the long-term planning requirements and the difficulty of capturing all or some of the returns from the investments.

Many economists generally agree that without government support, private sector investment in R&D often falls short of the optimal level of spending necessary to provide maximum benefits to the U.S. economy. There has to be some government assistance. I might add that other countries certainly provide a lot more government assistance to their companies than we Americans do for our own U.S.-based companies—at least in the area of R&D.

One can debate the degree to which there should be any government support to the private sector. I believe there should be support in some cases. In this case, when it comes to R&D, it is clear that we want to maintain productivity advantages, technological advantages, and good jobs for American workers. We want to be as competitive as we can be in the world because that benefits the United States not only in the short term, but very much in the longer term.

Investments by U.S. businesses in research and development can prove very costly over time. Leading edge competitors in Europe and Japan continue to gain ground.

To sum up, we are presented with a great opportunity. What is it? That opportunity is to make our current R&D tax credit permanent—at least as much as we can under the constraints of the bill; second, we also have an opportunity to modify the tax credit to include the additions suggested by the Senator from Washington that will make the credit even more meaningful, including the incremental changes in the credit rates and the addition of a third credit option that is in this legislation.

Madam President, this is a no-brainer. I cannot, for the life of me, understand why this amendment won't pass. That is not just a glib statement that rolls easily off my tongue into the Senate Chamber. I just think that if the tradeoff is between research and development on the one hand, and helping American companies with more incentives to do more R&D on the other hand, compared with the accelerating reduction of the top rate or, in the alternative, of the dividends proposal, we have to make choices as to which is more likely to help this country get more jobs in the short term and in the long term.

I think the answer to that question is pretty easy and clear, and that answer is by making the R&D tax credit permanent. So I argue very strongly in favor of this legislation and this amendment offered by the Senator from Washington. She is on the right track. I think we should pay attention to what she says. She is from Washington. The State of Washington is the home to a lot of high-tech companies.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. BAUCUS. I thank the Chair and I thank my good friend from Washington.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Madam President, first of all, I think it is pretty unanimous in this body about the need for the R&D tax credit, and I think it enjoys pretty broad support. I suppose it is not a case of ''if'' we will do it; it is a case of ''when'' and exactly how. I would say there is probably not much disagreement within this body yet. I have visited with my colleagues so much during this debate about the purposes of the legislation and the balance that we brought to this between investment and enhancing consumer spending, and between those things that are tax reductions versus tax expenditures, it is this balance that I want to preserve in this legislation.

Every attempt we have had, as well intended as it is, obviously, takes away from the job creation aspects of our tax reduction. It is to do something special and, in many cases, is worthy, but it detracts from the overall approach to our legislation. So this is another example where I must rise in opposition to an amendment, but not because of the good intent or because I have a disagreement with the amendment, but because of how it is accomplished. And most of that is on the side of where they take the money to pay for the proposal in this amendment, or any other amendment that we have had before us.

I am very confident that we will extend the R&D credit this year. I call the attention of my colleagues to the fact that the President has proposed extending it in his budget. I note that the extension is paid for in this amendment by eliminating partial exclusion of dividends, and this exclusion of dividends is meant to encourage the investment we are talking about here.

Obviously, the amendment on R&D is a tax incentive to encourage R&D, and it takes a lot of R&D to get jobs, but it is a very indirect way of creating jobs, whereas we believe the dividend exclusion, at least if it were fully implemented the way the President proposed, and I know our underlying legislation does not do that, but at least the way the President proposed, according to economists, would create 400,000 new jobs, besides making our capital costs for our industry much more competitive with those of our competition internationally because our cost of capital is as high as that of any nation with which we compete.

If we were to adopt the President's program, it would put us in the middle of the advanced nations for cost of capital and make us much more competitive.

This detracts from the investment efforts in our legislation which is where the money is being taken to pay for the R&D amendment.

I say to the Senator from Washington that I look forward to working with her at another time—not this time—to extend the R&D credit down the road.

There is another point that should be made about the R&D credit, and that is that it does not benefit all businesses and taxpayers equally or apply as broadly as do the provisions of this underlying growth bill that I have been trying to demonstrate is a well-balanced bill to create jobs. It is well balanced between larger businesses and smaller businesses, particularly where it brings equity between a corporation form of business and individual proprietorship form of business. It does that by eliminating the bias in favor of corporations that is in our present tax system.

I look at R&D credit as not benefiting all businesses equally as our underlying bill does. The R&D credit provides a benefit to a limited number of large corporations in certain industrial sectors. While the purpose of the R&D credit is very important, as it encourages higher levels of technology development and innovation which brings about greater productivity, it does not help small businesses that will provide so many new jobs for the economy under our underlying legislation.

I ask the Senator from Washington to think about whether or not she has checked with organizations or their tax representatives that support R&D credits. I think the last thing they would want to happen is for the extension to lose at this time. If they want their extension—and I am sure they do, and I have indicated a willingness to work on this—they should be working with the Finance Committee and not against it as we try to accomplish this goal.

Right now, I have to consider this amendment counterproductive in that it slashes job-creating provisions to give generous tax breaks to large corporations to do research and development. Many may ask: Why do rich corporations need a tax break to do something that is essential to their business anyway?

As I indicated, I do support the R&D tax credit, but I also support, more importantly and more eminently, the provisions of this bill which are more broad based in helping to create jobs and doing it in a balanced way, not in the targeted way of this amendment.

There is nothing wrong with the amendment. It is just the wrong time and wrong place. I ask my colleagues to vote against it.

The PRESIDING OFFICER. The Senator from Washington.

Ms. CANTWELL. I thank the Chair.

Madam President, I have the utmost respect for the Senator from Iowa and his comments about the R&D tax credit amendment and his great work on trying to put together a package to bring before the Senate. It is clear that my colleague from Iowa has had a tough challenge working with a variety of people, and I am sure he will face an even tougher challenge working in conference with the House of Representatives and the White House on their priorities.

I respect his commitment to working on the R&D tax credit expansion or permanency and I take him at his word that he is very earnest and will work towards this.

I guess the reason we are bringing this up today is that we do have a fundamental difference about how to move forward with the economy and where the White House is on this proposal. What I am trying to say is not extension of R&D, but permanent R&D tax credits are a better economic stimulus than what the current underlying proposal gives to the American public.

Let's think about it: A dividend tax cut that would give some money back to investors who may or may not reinvest that versus companies that have proven they have taken the R&D tax credit and turned that into new products and services, and have hired people to, in fact, do the R&D which we are talking about. I think we can easily look at history and say corporations have done a better job of that because they know what products and services can be created in the marketplace and have used this incentive to do that.

The second point I wish to make is that small businesses can take advantage of this credit. In fact, in the past decade we saw a lot of increases in productivity by large corporations because they were able to take advantage of research and development and new technologies, and they were able to deploy that, while small businesses that had less flexibility, not as much revenue, and had smaller operations had a much harder time making those productivity improvements.

I have heard from small businesses throughout our State that said: I am a subcontractor, or I do business with some of the larger companies in the State, but our computer systems and our software do not communicate. The way I now have to talk to my customers and providers of service I work with throughout the State is being challenged by new systems and operations, and I need to upgrade and move forward. So small businesses, to maintain their competitive edge, also need help in the research and development area.

Oftentimes it is the small business that is created prior to becoming a large organization. As I said, the companies that grow from 10 jobs and take advantage of R&D tax credits and then grow to 1,000 jobs are the very companies about which we are talking. So both small and large companies will benefit.

The third point is that this is about priorities. In an information economy, it is very important for us to keep our deficits down and to get access to capital.

Think about it. In the industrial age, when we were making automobiles, Mr. Ford said: Just give me the hands. I do not even need the brain that goes with it.

Why? Because it was about a manufacturing process, that was not necessarily about the worker, and the increase in productivity. The process and system had been set in place.

Well, the information age is just the opposite of that. It is all about new ideas in a global economy where information flows quickly and competition is created quickly, and whether we are going to maintain our competitive edge by making the right levels of R&D investment.

Actually, the U.S. economy is so strong in biotechnology, in pharmaceuticals, and in software. Why? Because we make the investment in R&D that keeps that technological advantage in an information age.

So while some of my colleagues, argue that a dividend tax break is an issue of fairness, I say there are lots of things about our Tax Code that I do not think are particularly fair. But given the 7 percent unemployment rate in my State of Washington, with over 2 million jobs lost and no sight of what we are going to do to stimulate the economy that will create jobs, it is imperative to make this tax credit permanent now.

My colleague has offered to look at this at another time. But the issue is, are we going to make it permanent at another time? In an information age this is the best thing we could do for companies that are spending almost 30 percent of their company's overall expenses in R&D. An information economy means so many new products and services are going to come into creativity by thousands of ideas floating around, things that we never even imagined before—who thought 20 years ago we were going to be buying our books online or communicating with global media through the Internet? But those are the products and services that have been created. The good news is we are at the infancy of this information age. So let's take advantage of that. Let's harness that information age economy with one of the best tools we have to encourage them, and that is make permanent the R&D tax credits so those products, those services, those job-creating activities, will take place in our economy.

If we asked economists, or asked businesspeople, sure, they would like both. I am sure there are people who would say: Give us the dividend and give us the R&D tax credit. But ask them to prioritize, and I have no doubt they would say the R&D tax credit is more important because they know it will give them certainty and predictability in a time and age where research and development is going to be the way for us to continue the productivity.

Make no mistake, that opportunity for productivity is great. We had great increases during the industrial age—a constant 3½, 4, 5 percent economic growth in the last decade. If we harness the ability for new products and services by making the right level of investment in research and development, we can have that kind of productivity increase and we can have that kind of GDP.

For all of us here, we want to get back to that. We want to get back to having families who have jobs and communities that are healthy and a government that can own up to its responsibilities in the future for Social Security and Medicare. So let's make the investment now.

This is about making a priority statement today. It is about saying that R&D tax credit has a higher priority and ranking over some of the proposals that are in this bill, and that it will benefit both small and large companies, and ultimately will benefit many Americans by getting them employed.

I yield the floor.

The PRESIDING OFFICER. The Democratic whip is recognized.

Mr. REID. I ask unanimous consent that the pending amendment be temporarily set aside and ask that the Senator from Vermont be recognized to offer an amendment.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The Senator from Vermont is recognized.

AMENDMENT NO. 587

Mr. JEFFORDS. I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Vermont [Mr. JEFFORDS] proposes an amendment numbered 587.

Mr. JEFFORDS. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To accelerate the elimination of the marriage penalty in the earned income credit)

After section 107, insert the following:

SEC. 107A. ACCELERATION OF MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT.

(a) IN GENERAL.—Section 32(b)(2)(B) (relating to joint returns) is amended by striking '''increased by—'' and all that follows and inserting ''increased by $3,000.''.

(b) INFLATION ADJUSTMENT.—Clause (ii) of section 32(j)(1)(B) (relating to inflation adjustments) is amended to read as follows:

''(ii) in the case of the $3,000 amount in subsection (b)(2)(B), by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) of such section 1.''.

(c) CONFORMING AMENDMENT.—Section 303(i)(2) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2003''.

(d) ADJUSTMENT OF HIGHEST INDIVIDUAL INCOME TAX RATE.—In lieu of the rate specified for taxable years beginning during calendar year 2003 and thereafter in the last column of the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as amended by section 102(a), the Secretary of the Treasury shall adjust such rate for 1 or more of such taxable years to provide such revenues as are necessary to equal the loss in revenues which would result in the enactment of the amendments made by subsections (a), (b), and (c) of this section.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) CONFORMING AMENDMENT.—The amendment made by subsection (c) shall take effect on January 1, 2003.

Mr. JEFFORDS. Madam President, when we passed the last big tax package in 2001, we included in the bill a title called ''Marriage Penalty Relief.''

That title had three sections aimed at easing the burden faced by taxpayers, who find themselves paying higher tax bills after they get married than what they would have paid if they had stayed single.

One of these provisions increased the standard deduction for married taxpayers, so that it would equal twice the amount of the standard deduction allowed single taxpayers, making marriage an advantage.

The second provision increased the size of the 15 percent income tax rate bracket for a married couple to twice the size of the corresponding bracket for a single taxpayer.

The third provision addressed the marriage penalty in earned income tax credit, and provided for a larger credit for married couples. All three of these provisions were phased in gradually, not becoming fully effective until 2008 or 2009.

The bill under consideration today accelerates the scheduled phase-in of two of the three marriage penalty relief provisions we adopted in 2001.

The standard deduction marriage penalty relief is accelerated to 2003. And the expansion of the 15 percent rate bracket for married couples is similarly accelerated to 2003.

There is no acceleration, however, of the marriage penalty relief for taxpayers who claim the earned income tax credit. The earned income tax credit, the EITC, provides an income supplement for low-income workers.

It is one of the Nation's most effective anti-poverty programs. It was the brainchild of the late Senator Russell Long, whose death we sadly recognized yesterday, who characterized it as a ''work bonus'' and Senator Long called it one of his proudest accomplishments.

However, the way the EITC is presently structured can result in high marriage penalties. Two single, low-income workers may be entitled to a much smaller EITC from their combined incomes when they get married than what they would have gotten separately had they stayed single.

Take, for example, a man and a woman, each with an income of $15,000, and each with one child. If they are single, each can claim an EITC benefit of roughly $2,750, a total of $5,500.

However, if they get married and combine their incomes, the EITC that they can claim is only $1,200. This is a marriage penalty of $4,300, 14 percent of their combined income.

Think of a young couple who finds they have an unexpected pregnancy. If they get married, they have to pay an additional $4,300 in taxes. That is not a very good situation.

The 2001 tax bill addresses this problem by increasing the EITC allowed to married low-income taxpayers. But this provision is gradually phased-in and does not become fully effective until 2008. So we have a gap.

My amendment calls for acceleration of the phase-in of the EITC marriage penalty relief. It will benefit working families with incomes between $15,000 and $37,000.

I propose to pay for this amendment by paring back the reduction in the top rate in an amount sufficient to pay for this amendment. This would mean a relatively modest decrease in the reduction in that top rate. We believe it is less than one-quarter of 1 percent.

I have been involved in trying to fix the problems of the marriage penalty since the 1970s, when I co-sponsored the first bill with Congresswomen Millicent Fenwick, who was a pioneer in fighting this problem. I would like to remember her.

If we are going to accelerate marriage penalty relief, we should do it for the poorest of the poor. These people really feet the effects of the marriage penalty.

In testimony before the Senate Finance Committee two years ago, a representative from H. and R. Block, which prepares returns for many low-income taxpayers, expressed the opinion that the EITC marriage penalty had a real detrimental effect on the choices of low-income taxpayers.

In other words, it deters marriage and adversely affects family life.

The EITC marriage penalty relief is also the most effective economic stimulus of any of the marriage penalty relief provisions. It is targeted at low- and middle-income workers, who are most likely to spend any additional funds.

A considerable amount of this bill is targeted to help the very richest taxpayers. Roughly $35 billion goes towards reduction of the top income tax bracket, which doesn't kick in until a couple's income is over $300,000.

Another $80 billion goes toward the exclusion for dividends, which will not affect most taxpayers. In my state of Vermont, about seventy percent of the taxpayers have no dividend income.

My amendment is modest. It costs about $4 billion over several years. We can make room for this amendment in this bill. We should not overlook those who need help the most.

I urge my fellow senators to support this amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is not a sufficient second.

Mr. BAUCUS. I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

At the moment, there is not a sufficient second.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Democratic whip is recognized.

Mr. REID. It is my understanding the Senator has completed debate on this amendment.

I recognize the Senator from Kentucky, who, as the gentleman he is, very graciously allowed the Senator from Vermont to go first. The Senator from Vermont had been waiting for a long time. We appreciate the courtesy of the Senator from Kentucky.

The PRESIDING OFFICER. Is there objection to setting aside the pending amendment?

Hearing no objection, the Senator from Kentucky is recognized.

Mr. BUNNING. Madam President, I will shortly offer an amendment to the pending bill. We need to have just a little time for consideration of this amendment. It is not complicated. It is very straightforward and to the point. We have a need to have our majority leader show up on the floor to make a statement before I offer the amendment. Therefore, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

UNANIMOUS CONSENT AGREEMENT

Mr. FRIST. Mr. President, I ask unanimous consent that following my remarks, Senator BUNNING be recognized to offer an amendment for himself, Senator MCCONNELL, and others, regarding taxation of Social Security benefits; provided further that there be 1 hour equally divided in the usual form. I further ask consent that following the conclusion of time, the amendments be set aside and the Senate proceed to vote in relation to the Bunning amendment, to be followed by a vote in relation to the Dorgan amendment, No. 556, at a time determined by the majority leader, after consultation with the Democratic leader; further, that no amendments be in order to the amendments prior to the votes.

The PRESIDING OFFICER. Is there objection?

Mr. REID. No objection.

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

Mr. FRIST. I ask unanimous consent when the Senate resumes consideration at 9:15 of S. 1054, on Thursday, May 15, that all time under the statutory limit be expired; I further ask consent that the Senate then proceed to a series of stacked votes on or in relation to the pending amendments in the order offered, beginning with the Bunning amendment, provided that there be 2 minutes equally divided for closing remarks prior to vote in relation to any of the amendments pending from Wednesday's session.

I further ask consent that following the disposition of the pending amendments and any other offered amendments, the bill then be read a third time, the Senate then proceed to the consideration of H.R. 2, all after the enacting clause be stricken and the text of S. 1054, as amended, if amended, be inserted in lieu thereof, the bill then be read a third time and the Senate then proceed to a vote on passage of the bill, with no intervening action or debate. I further ask consent that following that vote, the Senate insist on its amendment, request a conference with the House, and the Chair be authorized to appoint conferees on the part of the Senate with a ratio of 3 to 2. Finally, I ask consent no points of order be waived by this agreement.

Mr. REID. Reserving the right to object, Mr. President.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. As I said earlier this morning, we have two of the most experienced Senators that we have in the Senate managing this bill. We would not be at the point we are today but for the good work of the two Senators, the Senator from Iowa and the Senator from Montana. It doesn't matter how you feel about the underlying bill, the work that has been done on the floor by these two men here today has been outstanding, and that is why we are able to enter into this agreement. There is no objection on this side.

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

Mr. FRIST. Mr. President, I ask unanimous consent that immediately following passage of H.R. 2, the Senate proceed to Calendar No. 86, H.R. 1298, the Global AIDS bill. I further ask unanimous consent that only relevant first-degree amendments be in order; further, that only second-degree amendments which are relevant to the first-degree amendment to which they are offered, when offered, be in order; that upon disposition of all amendments the bill, as amended, if amended, be read a third time and the Senate then vote on passage of the bill without further intervening action or debate.

The PRESIDING OFFICER. Is there objection?

Mr. REID. No objection.

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

Mr. FRIST. Mr. President, just to summarize very quickly, let me restate what the assistant Democratic leader said. A lot of discipline and organization has taken us very successfully to this point. We encourage people who are going to be offering amendments either tonight or tomorrow to report that and discuss that with the two managers of the bill.

At 9:15 tomorrow morning, all time will have been exhausted and we will start at 9:15 with our voting on whatever pending amendments there are based on what has been carried out so far today and tonight. We will be looking at those amendments starting at 9:15 in the morning. If additional amendments arise, they will be considered after the disposition of all of the pending amendments. We will have final consideration and passage of this bill tomorrow at the conclusion of that sequence of votes.

Immediately following passage, we will go to the global HIV–AIDS bill, and I intend to complete that bill this week as well.

Thus, tonight we expect no further rollcall votes and our voting will begin at 9:15 sharp tomorrow morning.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. One area of clarification: I am confident there is no problem. We want to make sure motions to waive would also be in order on these amendments that are pending.

Mr. FRIST. Mr. President, we understand that. That is correct.

The PRESIDING OFFICER. Under the previous order, the Senator from Kentucky is recognized.

AMENDMENT NO. 589

Mr. BUNNING. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Kentucky [Mr. BUNNING], for himself and Mr. MCCONNELL, proposes an amendment numbered 589.

Mr. BUNNING. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to repeal the 1993 income tax increase on Social Security benefits)

At the appropriate place, insert the following:

SENSE OF THE SENATE ON REPEALING THE 1993 TAX HIKE ON SOCIAL SECURITY BENEFITS SECTION .

SECTION .

(a) FINDINGS.—

The 1993 tax on Social Security benefits was imposed as part of President Clinton's agenda to raise taxes;

The original 1993 tax hike on Social Security benefits was to raise income taxes on Social Security retirees with as little as $25,000 of income;

Repeated efforts to repeal the 1993 tax hike on Social Security benefits have failed; and

Seniors rely on Social Security benefits as well as dividend income to fund their retirement and they should have taxes reduced on both sources of income:

(b) Sense of the Senate—

It is the Sense of the Senate that the Senate Finance Committee should report out the Social Security Benefits Tax Relief Act of 2003, S. 514, to repeal the tax on seniors not later than July 31, 2003, and the Senate shall consider such bill not later than September 30, 2003 in a manner consistent with the preservation of the Medicare Trust Fund.

Mr. BUNNING. Mr. President, I am offering an amendment as a sense of the Senate on the Social Security tax; that the 85-percent tax repeal be set at a certain time during the year 2003 and final consideration of the bill be no later than September 30, 2003. I want to bring the Senate up to date on this specific tax.

Prior to 1993, seniors were taxed on 50 percent of their Social Security benefits if their incomes were above a certain level. This money went back into the Social Security System. In 1993, Congress passed a provision requiring that 85 percent of a senior's Social Security benefits be taxed if certain income levels were met. This additional money went back into the Medicare system. This tax was unfair to seniors back in 1993, and it certainly is unfair today.

The amendment I am offering as a sense of the Senate allows the Finance Committee to pass legislation by July 31, 2003, which repeals this unfair tax to our seniors and requires the Senate to act on this legislation no later than September 30, 2003.

I am offering this amendment to counter an amendment that would destroy the very bill that is before us. An unwise amendment by the Senator from North Dakota would repeal this tax and thus reduce the amount of tax reduction for our country and for our citizens.

I want to try to put this in a little perspective for the American people, for my fellow Senators, and you, Mr. President.

In the overall aspects of the budget bill, the total amount as far as this bill is concerned is a reduction of $350 billion in tax reductions. Our economy is a $10 trillion-per-year economy. How minuscule is the tax reduction? If you look at the overall bill as a 10-year bill, and the overall economy as a 10-year economy, we are looking at about $120 trillion, and we are talking about $350 billion in that $120 trillion economy as a tax reduction.

If the amendment of the Senator from North Dakota is agreed to, we will have no tax reduction, not even a dividend tax reduction, as minuscule as it is, and not any of the advanced tax reductions we passed in the year 2001.

If we want to take action to create jobs, and if we want to do it as quickly as we can, my amendment allows us to vote on the reduction in the Social Security tax from 85 percent to 50 percent later on—after we get this job-creating incentive bill into conference, out of the Senate, and back to the floor of the Senate for a final vote.

I want you to know that seniors age 65 and older depend on taxable dividends. These are real Americans who need this money because they are on fixed incomes. They have to scramble and scrimp to have enough dollars to live on fixed incomes. This will allow just a portion of that dividend income to be tax free. Seventy-one percent of all taxable dividends go to Americans who are over age 55. With the rising cost of prescription drugs, seniors depend on this income from dividends. If we can make just a little bit of it tax free, that will be a big help for those senior citizens—15 percent of seniors' total income, but 50 percent of dividend income in this country comes to those senior citizens.

Under the President's package, 99.8 million seniors would have saved $936 a year. That was the President's proposal. We cut that more than in half.

I just think it is a wrongheaded way to approach the reduction of this ominous tax on senior citizens, particularly those who definitely have no other income except Social Security.

I hope the Senate will consider this as a sense of the Senate to make sure we get to this bill before the end of this legislative calendar.

I yield the floor.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. MCCONNELL. Mr. President, I commend my friend and colleague from Kentucky, Senator BUNNING, for his excellent amendment.

What we are hearing from the other side of the aisle is that they do not want the dividend exclusion, and they want to finally address an issue they created 10 years ago, which is this additional tax on Social Security recipients. But they are saying, you can't have both. And, as the Senator from Kentucky, Mr. BUNNING, has pointed out, most seniors can benefit from both. Obviously, they all benefit from Social Security, and they would like to not have this Clinton tax on Social Security continued any longer; second, seniors account for only 15 percent of the total income in America, but they get 50 percent of the dividend income.

So I gather what Senator DORGAN is saying is, we are going to take away the dividend exclusion from seniors in order to finally reduce the Social Security tax which we put on 10 years ago.

What the Senator from Kentucky is saying is: We want to do both. And we ought to do both. We should never have levied this Social Security tax in the first place, 10 years ago, for which neither of us voted. And we ought to now do the dividend exclusion as close to the President's suggested manner of doing that as possible.

June could be a pretty good month for seniors around here. If we could get the dividend exclusion through, get rid of the Social Security tax, and begin to address prescription drugs, which is on the agenda of the majority leader for June, I say to my friend and colleague from Kentucky, we would have a pretty good month around here for seniors, pretty soon, wouldn't we?

Mr. BUNNING. Yes, sir.

Mr. MCCONNELL. So this Bunning amendment makes it clear that we would like to act on the repeal of the Social Security tax hike of 1993, and we will do that in the very near future.

Mr. BUNNING. Will the Senator yield?

Mr. MCCONNELL. I yield to my friend from Kentucky.

Mr. BUNNING. As the Senator knows, I offered this very same amendment on the budget bill to repeal the Social Security tax from 85 percent to 50 percent, and the very same people who would support that today voted unanimously against it on the budget bill.

So the inconsistency that the Senator from North Dakota shows today is something I have a very big problem understanding. If you are for it today, and you want to take these away from seniors, and you also want to take tax away from seniors, you ought to have been consistent and voted to take it away during the budget resolution debate we had on the floor.

I know this Senator voted with me on the budget resolution when we tried to repeal it. And I hope we are able to get this amendment accepted.

Mr. MCCONNELL. I know the Senator from Kentucky agrees with me that we ought to do all three. We ought to get rid of this Clinton Social Security tax. We ought to do a significant dividend exclusion that is, to the maximum extent possible, permitted under our overall ceiling in the growth package. And we ought to begin to address prescription drugs, which the leader has indicated we are going to do in June. If we do those three things, I would say we are well on the way to providing the kinds of relief for seniors—both on the tax side and on the prescription drug side—that they richly deserve, that we have talked about for entirely too long around here and have never done anything about.

So let me conclude by commending my friend and colleague from Kentucky for an excellent amendment. I hope it will be approved overwhelmingly. I thank him for his continuing contribution to this whole Social Security debate. The Senator from Kentucky, Mr. BUNNING, was the chairman of the Social Security Subcommittee of the House Ways and Means Committee and is now on the Senate Finance Committee, and is one of the real experts on Social Security in America.

When Senator BUNNING talks about Social Security, we all listen, and once again he has proposed an excellent idea which I fully support. I thank him and commend him for his outstanding work.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I think the Democrats have the next opportunity.

The PRESIDING OFFICER. The Senator from Iowa has the floor.

Mr. GRASSLEY. I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, what is the parliamentary situation?

The PRESIDING OFFICER. The Bunning amendment is pending. There is 1 hour evenly divided.

Mr. BAUCUS. I thank the Chair.

Mr. President, I understand Senator BUNNING yields back his time.

Mr. BUNNING. Yes.

Mr. BAUCUS. Mr. President, I yield 10 minutes on the amendment to Senator ROCKEFELLER.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Thank you, Mr. President, and I thank my friend and leader from Montana.

AMENDMENT NO. 578

Mr. President, I rise to speak about an amendment which was offered earlier. I am particularly proud to be cosponsoring, with Senator BLANCHE LINCOLN of Arkansas, and others, improvements to the child tax credit. I will speak on it very briefly.

I think it is one of the most valuable provisions. I thank the chairman of the Finance Committee—while I see he is still in the Chamber—for accepting one of Senator LINCOLN's amendments on the child tax credit. It is a particularly welcome addition.

I think common sense tells us that if we put money in the hands of people who will indeed spend it, and will spend it on clothes and kitchen utensils, and all kinds of other items, there is a stimulative effect.

But quite apart from that, almost half of the benefits of this child tax credit go to families who make less than $50,000. In the State that I represent—this Senator represents the State of West Virginia—only 20 percent of the people make more than $50,000 a year. So this is very welcome.

The bill we are looking at, what is in the package, makes very important improvements to the child tax credit. Basically, it increases the value of the credit from $600 to $1,000, which is real money, as they say, for real people, who need it and deserve it.

I was happy that we did this. I was grateful that it was accepted by the Finance Committee chairman. It is going to have a big effect.

I will say this: Refundability will go from 10 percent to 15 percent of earnings above $10,500. That means families can benefit from this bill more than otherwise would have been the case. On the other hand, the bill still does not do anything—and I have to say this in fairness—for 72,000 kids who do not qualify for any child tax credit in West Virginia because their parents do not have enough income to qualify on a low-income basis.

But all things being equal, as they rarely are in this life, one has to take what one can work out in the democratic process. And the Finance chairman was extremely fair and helpful. Obviously, the Senator from Arkansas was outstanding in her leadership on these matters.

I am proud to a be a cosponsor of the amendment that Senator LINCOLN offered today that will expand the reach of the child tax credit to more of our nation's poorest families. In my own state, 27,000 more kids would qualify for the child tax credit. This amendment would increase the amount of the child tax credit that can be refunded to low income parents. Specifically a parent would qualify for a child tax credit equal to 5% of earnings between $5,000 and $13,250.

These folks whom we are helping are at risk. That is important. And I am very proud this is happening. I ask my colleagues to support this amendment when it comes up for a vote on tomorrow.

I thank the Presiding Officer and yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield to the Senator from Montana whatever time he might consume.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BURNS. Mr. President, I ask unanimous consent that the amendment offered by Senator BUNNING be laid aside.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

AMENDMENT NO. 593

(Purpose: To amend the Internal Revenue Code of 1986 to allow the expensing of broadband Internet access expenditures, and for other purposes)

Mr. BURNS. Mr. President, I rise today to offer an amendment to this bill, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Montana [Mr. BURNS], for himself, Mr. ROCKEFELLER, Mr. BAUCUS, Mrs. CLINTON, and Mr. JOHNSON, proposes an amendment numbered 593.

Mr. BURNS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The amendment is printed in today's RECORD under "Text of Amendments.")

Mr. BURNS. Mr. President, I come to the floor today with an amendment that is offered by Senator ROCKEFELLER and myself that provides some incentives to accelerate the deployment of broadband high-speed Internet access across the country. There are other cosponsors of the amendment. My colleague from Montana, Senator BAUCUS, is a cosponsor. Senators CLINTON, KENNEDY, and JOHNSON of South Dakota also are cosponsors.

Broadband has always been of interest to both Senator ROCKEFELLER and myself. Both of us serve on the Commerce Committee. We have worked on this a lot. We both represent States that have quite a lot of rural outdoors. What this amendment does is affords tax incentives for the buildout of broadband. Although many urban and suburban areas now have access to broadband connections, many rural areas across the country and, of course, in Montana do not. That places rural areas at a disadvantage in a number of ways.

Just for economics, why should folks in rural areas be denied access to the Internet, or the Internet economy as some would say, just because they live where they do to merchandise and to exchange ideas in this economy and find some way to supplement their primary income? We have people who market their grain and livestock every day through the commodity markets around the world. In terms of educational opportunities in rural areas, why should a young person, just because he is born in Garfield County, MT, be denied the same educational opportunities as those who were born and raised in the more urban areas where their curriculum is broadly taught.

These young folks deserve the same opportunity. Distance learning is an important part of the education system in rural areas. Broadband is the technology that takes them those distances.

In the area of health care, I have 14 counties in Montana that do not have a doctor. People receive their health care from physician assistants and in other ways. We know from rural demographics that the folks are getting older, so our health care for the elderly is very important, and part of that is supplied by broadband technologies.

Our amendment would create a temporary tax incentive for providers in the form of expensing, allowing an immediate deduction of a capital expenditure in the first year of service rather than depreciating that investment over time. In the case of the current generation broadband investments in rural and underserved areas, the bill would allow a 50 percent expensing on the investment, with the rest to be depreciated according to the normal depreciation schedules. And where the providers build out next generation broadband networks, which are typically more expensive, the bill would provide for 100 percent expensing in that year.

Our amendment would have a tremendous impact on the economy. In fact, we know it would. For instance, Robert Crandall, an economist at the Brookings Institute, has estimated that accelerated deployment of broadband would generate $500 billion in economic growth annually. I think we would all be delighted to have that happen. I believe we should take the steps to allow it to do so. This amendment is a very important step in that direction.

This is an opportune time to take advantage of such a provision. Currently South Korea and Japan are ahead of the United States in broadband deployment. I believe it is extremely important that the United States avoid falling behind in telecom and Internet technology, and the financial incentive of the type provided by this legislation will help us ensure that we will not.

As we take a look at this issue, this means new technologies on the wired system but also on the wireless system. It says technology neutral, which means it allows the new technologies that are being offered and the R&D work going on with new technologies, it allows those technologies to be deployed and taken advantage of. Just remember, 50 percent expensing for investments in rural and underserved areas of current generation broadband technologies. It provides 100 percent expensing for the investments in the next generation of broadband technologies in rural areas.

It is technology neutral. It makes no difference if you are using a medium copper wire, coaxial cable, optical fiber terrestrial wireless, satellite or something else. If you deliver the threshold speeds, you are eligible for the benefit. And it sunsets after 1 year. The intent is not to provide a permanent benefit to the telecom sector but, rather, an incentive to build out new infrastructure within a short period of time.

Think of the generation of business and our economic setup and the jobs and the job climate in that area in the first year of deployment. It is a very important amendment. Not only do we deliver better and quicker services to rural America, but we put a lot of people to work.

I hope more of our colleagues will join with Senator ROCKEFELLER and me in supporting it, and I hope we can work with Senator GRASSLEY to include this in the jobs and growth package.

Mr. President, I ask unanimous consent to add as cosponsors of the amendment Senators BAUCUS, CLINTON, KENNEDY, and JOHNSON.

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

The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I thank the Chair.

I rise in support of the amendment offered by Senator BURNS and a number of others. This is an amendment I have been working on for many years. At times it has had 75 cosponsors. It is one of those amendments that always comes up. Everybody knows it should get done and it never seems to. The answer to that is you keep trying. You just keep trying.

For individuals, businesses, schools, libraries, hospitals, there is no end to the need for this amendment. We did the E-rate. The E-rate is still being done. But we all know we have moved past that. We need much faster telecommunications now.

What the Burns-Rockefeller broadband amendment does is it says to broadband providers, if you will extend your networks to hard-to-reach, underserved and/or rural areas, you will get a break on your taxes. As the distinguished Senator from Montana indicated, it also encourages a leapfrog to the next generation. It has two different categories of tax breaks depending upon what generation of broadband you are dealing with. In any event, it is going to be faster than the DSL and cable modem services most typical today.

The best thing is to say that you don't obviously get a tax credit unless you make a whole lot of things happen in this amendment. There is nothing automatic about it. You have to make an investment. You have to buy new equipment. You have to pay people to install that new equipment.

I am very pleased to join with my friend from Montana in what I think can very well be described as the future competitiveness of America. He mentioned South Korea and Japan. He is absolutely right. We all remember what happened with the VCR. We had it all, then all of a sudden we had none of it. We do not want this to happen in the most important form of telecommunications. I hope my colleagues will support the Burns amendment.

I yield the floor.

Mr. KENNEDY. Mr. President, I urge the Senate to support this amendment to accelerate broadband high-speed Internet access across the country. The widespread availability of broadband technology is essential to maintaining our technology leadership in the world.

The spread of the information revolution to rural communities and underserved areas in our cities depends on affordable access to the Internet. For too long, these regions have been unable to enter the information age because of their location and the high cost of making service available. One of our greatest challenges is to close this growing economic gap in access to computers and the Internet. If we do not act to close it now, the ''digital divide'' will soon become an unacceptable opportunity gap.

The broadband tax incentive is an important step in developing a national broadband policy. The incentive has widespread support in Congress because it goes to those who bring broadband to places beyond the current reach of the private sector.

Many of us joined our colleague, Senator Moynihan, when he first introduced legislation along these lines 3 years ago. Last year, the bill had 65 cosponsors from both sides of the aisle, and a companion bill in the House had 227 cosponsors. Our colleagues clearly support this idea, and we hope that it will be enacted.

In Massachusetts, I have seen how broadband has transformed the economy of the entire Berkshire County region in the western part of the State. Like many rural areas across the Nation, the Berkshires were not an area that could easily attract private investments in Internet access. But business and government leaders worked out an initiative called Berkshire Connect, a partnership with Internet providers to build a multimillion-dollar network of microwave towers and fiberoptic lines linking the county's villages and small cities with fast Internet access.

That project put the Berkshires on a more equal footing with the rest of the global marketplace because the Internet helps to level the playing field between large and small businesses and rural and urban areas. I am confident that passage of the broadband tax incentive will bring similar success stories across the Nation for residents and businesses.

Another prime broadband application is telemedicine. A fascinating moment occurred in medicine 2 years ago when a surgeon in New York operated by remote control on a patient in France using robot arms at the patient's location, and the operation was successful. Broadband technology can enhance the medical miracles, but it needs a very high bandwidth connection for those kinds of applications. You can't perform remote-control surgery over a narrowband connection.

Broadband's potential is immense, and I commend my colleagues from Montana and West Virginia for their leadership. This is the kind of tax incentive we need, and I urge my colleagues to support it.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield to the Senator from Oklahoma such time as he may consume.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. I thank my friend and colleague from Iowa for his leadership and chairmanship of the committee. I am going to briefly describe an amendment that Senator KYL and myself, Senator GRASSLEY, Senator LOTT, and several others will be offering tomorrow to enhance the dividend portion of this bill. The dividend portion that we now have in the bill is for 10 years; $500 per person would be excluded from taxation, plus for the first 5 years, an additional 10 percent; in the second 5 years, an additional 20 percent on top of 500.

I stated publicly that I think that leaves a lot to be desired. So the amendment we will be offering tomorrow will enhance that, improve that. It would say for all taxpayers, for dividend exclusion, our effort is to eliminate double taxation of dividends. Unfortunately, we find ourselves presently where we tax dividends more than almost any other country in the world. Now we are, as a free enterprise, as capitalistic as anybody in the world, but we tax the distribution of profits, i.e., dividends from corporations, higher than almost anybody, i.e., dividends, higher than Great Britain, France, and Italy. Japan is basically tied with us.

We tax dividends at 35 percent of the corporate level and whatever the individual taxpayer's rate is. So if the taxpayer is at 38.6, it is that amount plus 35. So their tax is 73 percent; almost three-fourths of the distribution of profits is taxed. That makes no sense.

Many people, including President Jimmy Carter, said that is wrong and it needs to be changed. I believe several people—Democrats and Republicans—have said that is unfair and is too high of a tax and it needs to be fixed. Now we have a President who said we should fix it. There are different ways of doing it. He is proposing that we exclude it from income for individuals.

Unfortunately, the bill that came out of the Finance Committee didn't do that. It said let's exclude the first $500 for individuals plus 10 percent, then 20 percent. I think we can do a lot more. I think we can do a lot better. If we do a lot better, we will have a much more positive impact on the stock market and on the economy. When I say the stock market, certainly I believe what we are proposing will have a significant increase on the stock market—maybe 10, 15, 20 percent. That is positive and real. Why would that be? If somebody is investing in stock under present law and they own a company and they get a distribution and it is taxed on top of being taxed at the corporate level, they may realize it is not a very good investment. A lot of people buy growth stocks that pay very little, if any, in dividends because they don't want to go through this scenario. They don't want to pay capital gains.

The House at least said let's tax capital gains and stock dividends equally. They reported out a bill and said let's tax capital gains and stocks at 15 percent; and for some lower incomes, maybe lower than that, at 5 percent. That is a significant step in the right direction. The President said let's eliminate double taxation of dividends.

The proposal we are going to be offering tomorrow says let's do that. In year 2003, let's exclude 50 percent. In year 2004, 2005, and 2006—for the next 3 years—let's make it 100 percent. We can do that. Then we sunset it. This is sunset after 4 years. If I am wrong and the stock market doesn't react positively—if it is not a positive thing, we will know it after 4 years. It makes sense to try it. The President has a proposal and many economists have said you should eliminate double taxation of dividends, and this is a way of doing it. We can do it.

We will have a provision, also as part of this amendment, to adopt the House provision dealing with expensing items. You might say, what does that mean? The present law is that a small business that invests basically $200,000 or less per year can expense $25,000. The Finance Committee said let's raise that to $75,000 and allow people with a much greater income to qualify as a small business. They said let's triple that, up to $75,000, and we will do that for 10 years.

The House said let's try this, make it $100,000, and do it for 5 years. In other words, if a business wanted to write off 100 percent of their investments, up to $100,000, they could do so if it is done in the first 5 years. It doesn't cost much over 10 years because it sunsets after 5 years. Somebody might say we did that when we did the bonus depreciation and it generated positive economic investment. This is another way of encouraging small business, and we increase the level up to $400,000 for this 5-year period. That is what the House has done. The House passed it. I think there is wisdom there. Every once in a while, we can say they did something right and we can emulate it. I think they have a good provision.

I used to be a small businessperson. I owned a janitorial service, and I used to have a manufacturing company. I believe these provisions will create jobs. So we are proposing in our amendment that we adopt the House expensing provision, the so-called section 179. And they also have created a new dividend proposal that will have a 50-percent exclusion in 2003 and 100 percent in the years 2004, 2005, and 2006.

I thank my friend and colleague, Senator KYL, and several other members, Democrats and Republicans, who have had significant input. I believe it will help make a significant economic impact.

When you step back and say, what are we doing in the bill that will help the economy, shake it up, improve it, and create jobs, I believe the two things I mentioned, in addition to the acceleration of rates, are the three things that will positively create jobs, have a positive impact on the stock market, on wealth, investment, and will encourage people to make investments, get money out of banks or CDs that are not paying any interest to speak of and put it to work, help it create jobs. I believe all three of these provisions will do so.

I am speaking tonight before it is introduced because it looks as if all debate should be transpired on the amendments tonight because we are going to have significant votes tomorrow. I thank my colleague again, the chairman of the committee, for his work and cooperation, for his leadership on this bill, and for his support in helping us to try to come up with a more robust package that would create more jobs in the process. That is what we are trying to do—have a jobs creation bill. I think by adopting this amendment tomorrow we will help improve it dramatically.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I ask unanimous consent to set the pending amendment aside.

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

AMENDMENT NO. 594

(Purpose: To amend title XVIII of the Social Security Act to enhance beneficiary access to quality health care services in rural areas under the medicare program)

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Iowa [Mr. GRASSLEY] proposes an amendment numbered 594.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

(The amendment is printed in today's RECORD under "Text of Amendments.")

Mr. GRASSLEY. Mr. President, I put before you not a tax amendment, but I am addressing a funding crisis that affects rural America. I am talking about the issue of Medicare.

We have heard a lot about relief to States and about Medicaid during this debate, and legitimately so. But there has been no discussion of the role Medicare plays in keeping our health care infrastructure strong in rural States like mine.

Today, our rural health infrastructure is falling apart. Hospitals and home health agencies in rural areas lose money on every Medicare patient they see. Services are being slashed and staff are being cut, all to make ends meet and keep the facility open—but not to keep it open with the quality of care that ought to be there, or to meet necessarily all the needs of the community.

Medicare formulas penalize rural physicians in 30 States by reducing their payments below those of their urban counterparts for the very same service. Small physician clinics, and especially solo practitioners, who are facing rising malpractice premiums on top of the Medicare formula inequities are on the verge of closing up shop. My amendment takes important steps toward correcting geographic disparities that penalize rural health care providers.

I will summarize some of the key provisions of the amendment. On hospitals, we eliminate the disparity between large urban hospitals and small urban and rural hospitals by equalizing inpatient-based payment. The hospitals in my State and in other rural areas are paid 1.6 percent less on every discharge. That is a $14 million loss every year in my State.

We received bipartisan support to temporarily end this inequity in the fiscal year 2003 omnibus appropriations bill, but it is time to end this inequity in a permanent way.

We also revise the labor share of the wage index for inpatient hospitals. The wage index calculation is killing our hospitals in rural areas. They have to compete with larger hospitals in the big cities for the same small pool of nurses and physicians. But because of the inequity in the wage index, these hospitals are not able to offer the kinds of salaries and benefits that attract health care workers. This amendment would reduce the labor share of the wage index from 71 percent to 62 percent.

We strengthen and improve the Critical Access Hospital Program which has been so successful in keeping open the doors of some of our most remote hospitals. We also create a low volume adjustment for those small rural hospitals that are not able to benefit from the Critical Access Hospital Program. These hospital corrections are not partisan rhetoric. They are supported by the nonpartisan Medicare Payment Advisory Committee, by the CMS administrator in a recent letter to the House Ways and Means Committee, and by 31 bipartisan Members of the Senate rural health caucus.

For doctors, my amendment ends once and for all the penalty Medicare imposes on doctors who choose to practice in rural areas of our country. Medicare adjusts payments to doctors downward based on where they live, but, in fact, the value of a physician's service is the same in Brooklyn, IA, as it is in Brooklyn, NY, but the Medicare formula does not think so. My amendment changes that and sets a floor for all physician payments that will end the negative adjustment doctors in Iowa and 30 other States currently face.

My bill also provides assistance to other rural health care providers, such as ambulance services and home health agencies which millions of seniors in rural areas rely on every day.

Providers in rural States, such as Iowa, practice some of the lowest cost, highest quality medicine in the country. This is widely understood by researchers, academics, and citizens of those States, but it is not recognized by the impersonal formulas of Medicare. Medicare instead rewards providers in high-cost, inefficient States with bigger payments that have the perverse effect of incentivizing overutilization of services and also poor quality.

My legislation is paid for not by taking resources away from our growth and jobs package, nor by taking money away from those high-cost States that I mentioned, but by other modifications to the Medicare Program that make good policy sense.

I want to emphasize that because every other amendment we have had before the Senate today has taken money out of the tax package to spend someplace else. My amendment does not affect the tax provisions of this legislation.

This amendment represents a fair and balanced approach to improving equity in rural America. I urge my colleagues to support its adoption today. For those of us from rural States, our doctors, hospitals, and whole communities are counting on us.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. I yield such time as the Senator from Maine may consume.

Ms. COLLINS. Mr. President, I believe we are about to have an agreement on the order for proceeding, but I need to consult with my colleagues, so I suggest the absence of a quorum.

The PRESIDING OFFICER. Who yields time for that purpose?

Mr. GRASSLEY. The Senator from Maine suggested the absence of a quorum.

Ms. COLLINS. Mr. President, I ask that time be taken equally from both sides.

The PRESIDING OFFICER. Is there objection?

Mr. BAUCUS. Mr. President, under the rules, as I understand them, the author of the amendment has control of her time, which is 1 hour.

I ask unanimous consent that the pending amendments be laid aside so that the Senator from Iowa, Mr. HARKIN, may offer an amendment.

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

The Senator from Iowa.

Mr. HARKIN. Mr. President, I ask if the Senator can yield me 15 minutes.

Mr. BAUCUS. Mr. President, I inform the Senator from Iowa that he has 1 hour.

Mr. HARKIN. I appreciate that. I will not take an hour.

Parliamentary inquiry: The Senator asked that the amendments be set aside; right?

Mr. BAUCUS. Yes.

AMENDMENT NO. 595

Mr. HARKIN. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Iowa [Mr. HARKIN] proposes an amendment numbered 595.

Mr. HARKIN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To help rural health care providers and hospitals receive a fair reimbursement for services under Medicare by reducing tax cuts regarding dividends)

On page 281, between lines 2 and 3, insert the following:

SEC. . FAIR REIMBURSEMENT FOR RURAL HEALTH CARE PROVIDERS UNDER MEDICARE.

(a) REDUCTION OF GEOGRAPHIC DISPARITY UNDER MEDICARE.—

(1) IN GENERAL.—Subject to paragraph (3), the Secretary of Health and Human Services shall promulgate the regulations described in paragraph (2) by December 31, 2004 (unless legislation has been enacted having the effect of such regulations before the conclusion of the first session of the 108th Congress).

(2) REGULATIONS DESCRIBED.—The regulations described in this paragraph are regulations that reduce the geographic disparity in payments under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) to health care providers by—

(A) equalizing urban and rural standardized payment amounts under the medicare inpatient hospital prospective payment system under section 1886(d)(3) of such Act (42 U.S.C. 1395ww(d)(3));

(B) improving the medicare incentive payment program under section 1833(m) of such Act (42 U.S.C. 1395l(m)) to ensure that bonus payments under such section are made on behalf of all eligible physicians;

(C) providing fairness in the medicare disproportionate share hospitals adjustment for rural hospitals under section 1886(d)(5)(F) of such Act (42 U.S.C. 1395ww(d)(5)(F));

(D) establishing a medicare inpatient hospital bonus payment for low-volume hospitals under section 1886(d) of such Act (42 U.S.C. 1395ww(d));

(E) adjusting the medicare inpatient hospital prospective payment system wage index to revise the labor-related share of such index to account for 62 percent of such index under section 1886(d)(3)(E) of such Act (42 U.S.C. 1395ww(d)(3)(E));

(F) revising the physician fee schedule wage index under section 1848(e)(1) of such Act (42 U.S.C. 1395w–4(e)(1)) to establish a minimum geographic cost-of-practice index value of not less than 1 for physicians' services furnished under the medicare program;

(G) extending the temporary increase under section 508(a) of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (114 Stat. 2763A–533), as enacted into law by section 1(a)(6) of Public Law 106–554, for home health services furnished in a rural area; and

(H) making any other change to a payment system under the medicare program that the Secretary determines is appropriate.

(3) HOLD-HARMLESS.—The regulations promulgated under paragraph (1) may not result in a lower level of reimbursement for a

health care provider under the medicare program under title XVIII of the Social Security Act than such provider would have received but for the enactment of this section.

(b) FUNDING.—

(1) APPROPRIATION.—There are appropriated, out of moneys in the Treasury not otherwise appropriated, $50,000,000,000 for the purpose of implementing the regulations described in subsection (a)(2).

(2) REVERSION OF EXCESS FUNDS.—Any funds appropriated under this subsection that are not used to implement such regulations shall revert to the Treasury and shall be used to reduce the Federal deficit.

(c) FUNDING OFFSET.—Paragraph (2) of section 116(a) (relating to partial exclusion of dividends received by individuals), as added by section 201(a), is amended to read as follows:

''(2) LIMITATION.—Paragraph (1) shall apply to qualified dividend income of a taxpayer only to the extent such income does not exceed the sum of $500 ($250 in the case of a married individual filing a separate return).''.

Mr. HARKIN. Mr. President, I will speak to my amendment in a moment. Before I do, I wish to make preliminary comments about the tax bill before us which the President and the Republicans have called a jobs and growth package and they say it is to grow the economy. I certainly agree that the economy is in dire straits and we are in desperate need of taking action. That is true.

Since President Bush took office, the United States has lost 2.6 million jobs, more than 36,000 of those in my State of Iowa. Unemployment rates, including long-term unemployment rates, continue to rise. That is a fact. The economy is in a shambles. Unemployment continues to go up. This is not just some academic process. It is causing real hardship for millions of Americans and families who are without a job and without health care coverage.

Senator SPECTER and I had a hearing in our appropriations subcommittee talking about the lack of access and affordability of health care. You can read the story of the man who testified, Mr. Kurilko. He was referred to in the Wall Street Journal. He is 57 years old, worked 37 years on a job. He now has a heart problem, diabetes. He is out of a job. He and his wife now face the prospect of losing their life savings because his health care costs, just for insurance, are over $2,000 a month. This is a man who worked in a blue-collar job, a steel mill, all of his life.

That is what is happening in America today. Families without work, and the high cost of health care, go without coverage, and they see their life savings vanishing before their eyes.

We see it affecting other areas of our economy, our families, and our States. The tuition fees in Iowa have increased sharply at our public universities. However, the tuition does not make up for the shortfall in the loss of State funding. We are seeing cuts to critical public health initiatives, including those that help indigent dialysis patients, and a program that helps immunize low-income kids.

Public schools in Iowa have cut 350 teachers statewide. Schools are forced to share nurses and counselors and eliminate programs such as music and art and enrichment classes entirely from their schools.

In our hearing this morning, we had a teacher from a small school in Iowa testify. The cost just in her school district for health care coverage went up 61.5 percent over the last year.

As he said, they are now approaching the point where their health care costs are going to equal the salary of a first-year teacher. So this is the real America that is happening in my State, in every State, to people who have worked all their lives and now do not have any health care coverage. Our schools are being cut. Our infrastructure is deteriorating in this country, as well as our bridges, roads, sewer, and water systems.

What is the answer before us for growth and jobs in our economy? An enormous tax cut, in large part for the wealthy in our country. That is the answer. If I believed this tax bill before us would help the economy, create the jobs we need, and help provide health care coverage, I would be all for it. But the fact is, we have tried this before.

In 1981, under President Reagan, we had a supposedly big supply side cut in taxes. We lost 1.3 million jobs in the two years after the passage of that bill. Then OMB Director David Stockman called it a riverboat gamble. Guess what. Working Americans all over this country lost that gamble. In 1982, part of that measure was reversed and the Federal Reserve sharply dropped interest rates allowing for things to start to get better.

After much hard work in the 1990s, we passed a bill in 1993 that put us on the path towards a balanced budget, restored confidence and creating 22 million jobs. Productivity went up. It was a bill with a policy totally out of line with the supply side philosophy of the 1981 bill. Almost every Republican senator predicted that the economy would be severely hurt. The economy grew, and 6.5 million jobs were created in just the first two years after that bill passed. The United States enjoyed 40 consecutive months of unemployment below 5 percent.

Twenty years after 1981, we had another supply side riverboat gamble in front of us. President Bush assured the country in 2001 that

> We can proceed with tax relief without fear of budget deficits, even if the economy softens.

And on another occasion, he said

> A tax cut now will stimulate the economy and create jobs.

Yet what we are now facing, almost two years after the passage of that measure is a loss of another 1.8 million jobs to our economy.

The President, and the Republicans, passed a $1.3 billion tax cut like the one we are considering today. It was targeted to the wealthiest. Unfortunately, the President's predictions were dead wrong. I want to get this chart back up. Two years after the 1981 bill, we lost 1.3 million jobs. Since the 2001 tax bill was passed 20 years later, we have lost 1.8 million jobs in almost 2 years.

Now, 22 years after the first try, we are going to try it again. It is not enough that the riverboat gamble failed in 1981. It is not enough that it failed in 2001. By gosh, we are going to try it again, folks—another riverboat gamble. One would think history would teach us something.

If history does not, then how about some of the economists and what they are saying. Federal Reserve Chairman Alan Greenspan said:

> There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy . . .

He twice testified before Congress in opposition to the tax cut plan, warning that these deficits would stunt long-term growth. Ten Nobel laureates and 400 other economists disagree with the President's approach. In a statement made February 10 of this year, they wrote:

> Regardless of how one views the specifics of the Bush plan, there is wide agreement that its purpose is a permanent change in the tax structure and not the creation of jobs and growth in the near term.

The economists also said that:

> Passing these tax cuts will worsen the long-term budget outlook, adding to the nation's projected chronic deficits. This fiscal deterioration will reduce the capacity of the government to finance Social Security and Medicare benefits, as well as investments in schools, health, infrastructure, and basic research. Moreover, the proposed tax cuts will generate further inequities in after-tax income.

That is what these 400 economists said.

What we are talking about is fairness. We want fairness in the Tax Code. We want fairness to the working families of America in how they are taxed and who pays the burden in this country.

Every time we talk about fairness, President Bush says, class warfare. Why is fairness class warfare? Why is it in President Bush's head that if we try to have fairness in the Tax Code, he thinks it is class warfare?

That is what this is about. It is about basic fairness. We have tried it before. It failed horribly, and yet I guess we are going to do it again.

Why should we do this? Why should we go against the advice of some of the most renowned economists and why should we go against what we know from history? Why take a risky gamble when people's lives are at stake? Why take a risky gamble when 9 million Americans cannot find jobs?

If I were out of work, I would want my representatives in Washington to do what has been proven to grow the economy, proven to create jobs, not what has twice proven to fail.

In fact, the more I think about this tax bill before us, I think of Bill Bennett. It is like a gambling addiction, putting $500 in the slot machine and pulling the handle. That is what this tax bill is like. It is like putting $500 in and pulling the handle and hoping he hits it. Now we know that Mr. Bennett did not hit it. He lost millions of dollars over several years of gambling.

That is what this bill is like. It is a riverboat gamble, like David Stockman called it in the 1980s.

I am getting to my amendment now, and there is an interesting comparison I wanted to make on Medicare. How much does the plan before us cost? Well, when we throw out figures of billions of dollars, eyes sort of glaze over. No one can understand exactly how much money that is. So I thought I might compare it.

The President's plan if made permanent costs more than the entire 75-year shortfall in both Social Security and Medicare, about 1.8 percent of GDP. The Bush tax cuts made permanent over a 75-year period will amount to 2.3 percent to 2.7 percent of GDP.

We hear all the talk about the shortfall we are going to have in Social Security and Medicare when the babyboomers retire, and that we have to do something about it. Here is your answer: The Bush plan will cost more than the shortfall in Social Security and Medicare. Think about it. Are we going to have this riverboat gamble, a tax cut that basically benefits the wealthiest in our society, when we could be using this to secure Social Security and Medicare for 75 years? But maybe that is what this is all about.

It was Newt Gingrich, after all, who said that they—the Republicans—wanted to have Medicare ''wither on the vine.'' Maybe that is what this is all about. Pass this tax cut, reward the wealthiest in our society, and when it comes time to do something about Social Security and Medicare, we will not have enough money. Maybe that is what it is all about.

That is not what we should be about. We should be about a jobs and growth bill that helps the working families of America. We ought to be about a bill to help secure Medicare and Social Security for the baby boomers. One of the ways we can do this is by making sure we have equity in the Medicare system. The amendment I sent to the desk will help do that by making sure we have better equity in the Social Security system and Medicare system.

I tried to listen as my colleague from Iowa offered his amendment. I did not receive a copy of it earlier, so I did not have a chance to look at it. I heard some of the things that my colleague from Iowa was talking about in terms of helping right some of the wrongs in Medicare to provide for less disparity under Medicare.

Most of what I heard I agree with. I think a number of the provisions in Senator GRASSLEY's Medicare amendment are similar to provisions in my amendment. I commend him for that.

However, his amendment uses a different offset. I don't know exactly what that is. I plan to analyze it overnight. It may have some merit, I don't know. Both are trying to help rural hospitals and providers. I hope we can work together to get that done sometime this year.

Basically, what my amendment would do is, say, if the Congress does not pass legislation by December 31, 2003 then the Secretary of Health and Human Services would promulgate regulations by December 31, 2004. We would have to enact additional legislation. If none passed, the Secretary would have to act by the end of 2004. Those regulation changes would have to have the following parts:

One, to equalize urban and rural base payment rate. This increases the rate for all hospitals in cities below one million people.

Two, improve the Medicare incentive payment program to ensure that bonus payments are made on behalf of all eligible physicians; three, my amendment would eliminate the Medicare DSH cap. The current cap disproportionately hurts rural states; four, it would establish a Medicare inpatient hospital bonus payment for hospitals with low Medicare patient volumes; five, it would adjust the Medicare inpatient hospital prospective wage index to revise the labor-related share of such index to account for 62 percent of such index. Currently, payments are 71 percent based on labor costs. I heard Senator GRASSLEY's amendment did the same thing; next, reinstate a bonus payment to home health care providers in rural areas. A 10 percent bonus has expired and this would reinstate it. Next adjust the work GPCI to no less than 1 for physicians; lastly, this amendment I am offering would say we would have a hold harmless clause that whatever we do could not result in the lower level of reimbursement for a health care provider under title XVIII, that such provider would have received but for the enactment or these of this amendment or these regulations.

The offset I used would be to limit, to put a cap on any tax deductions for dividend income not to exceed $500. In other words, you could get an exclusion of up to $500 on dividends in terms of a tax benefit, but no more than that. That offset would fully pay to make sure our hospitals in Iowa or Washington State—I know Washington is very low on the payment schedule—Montana, other States, make sure that we have an equalization so the Medicare payments in those States are not so skewed as they are right now.

We can get this done simply by capping at $500 the tax benefits under the present bill before the Senate on dividends. It seems to me that would be a small price for the wealthiest in our country to pay to make sure we had a working Medicare system that was fair to all.

In closing, regarding the tax bill, do we take a risky gamble as we have before, sort of a Bill Bennett gamble, as I have said, pull the handle on the slot machine and hope something comes up? Or do we go with proven methods to grow the economy and create jobs? Do we break the bank on tax cuts for the wealthy or do we invest in education? Do we break the bank on dividend tax breaks or do we cap them and use that offset as a way of helping equalize Medicare payments in our States? Do we break the bank on tax cuts for the rich or help families afford college tuition? Do we break the bank on tax cuts for the rich or do we help families afford health care coverage? Do we break the bank on tax cuts for the rich or do we keep Social Security secure? Do we break the bank on tax cuts for the rich or do we keep Medicare benefits intact? Do we break the bank on tax cuts for the rich or do we start to work on having smaller deficits?

These are our choices. The choice is clear. This bill needs some serious amendments. There will be a number of amendments offered and, quite frankly, if some of the amendments are accepted, maybe the bill would be worthy of support. As the bill sits right now, the bill must be opposed, unless we can adopt some of these amendments that I think would make it, A, more fair and equitable, and B, to make sure we invest in the long-term security of Social Security and Medicare.

How much time do I have remaining?

The PRESIDING OFFICER (Ms. MURKOWSKI). The Senator has 39 minutes remaining.

Mr. HARKIN. Parliamentary inquiry, Madam President: In terms of the time, can this time be reserved?

The PRESIDING OFFICER. It can be reserved for use today.

Mr. HARKIN. I reserve the remainder of my time.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, before we move on with the next amendment, I think it would be accurate for me to say that the speech by my good colleague from the State of Iowa emphasizes the difference of philosophy I have tried to emphasize that our bill tries versus other approaches. These are honest, faithfully held ideas about the role of the Government in our society.

The alternatives my colleague from Iowa has given—tax cuts on the one hand, or spending money on the other hand—is exactly the point I have been trying to make of whether or not the resources of this country should go through the Federal Treasury and have 535 Members of Congress divide them up, keep taxes high in the process, or whether it is better to reduce taxes to create jobs and create the jobs by leaving the money in the hands of 110 million taxpayers making their own individual decisions; the dynamics of our free market system respond very well to that. Money that is spent by individuals or invested by individuals turns over in the economy many more times than it does if I make a decision on how that is spent.

Some believe, as evidenced by the recent speech, it is better to have higher levels of taxation, bring the money through the Federal Treasury and decide how to spend it. The other approach is that we will, as we do through this bill, give tax reduction with the taxpayers of this country deciding on investing and spending, or both, and enhancing the economy that way and creating jobs.

Another goal of this bill is to bring taxation of the people of this country within the band that it has been for about 50 or 60 years, of about 17 percent or 19 percent of the resources of this Nation coming to the Federal Government for us to finance programs and to make decisions on how that will be spent. About 17 to 19 percent of the gross domestic product has generally, over 40 years, been taxed. In recent years that has gotten as high as 21 percent, as high as it was in World War II, so the highest in peacetime history.

This tax bill, besides the motive of creating jobs, is to bring the level of taxation down so it falls within that historic band, based on two propositions. One is it is a level of taxation that has not been so high to be harmful to our economy and to our people, because our country has advanced tremendously well with the Federal Government operating within that band of deciding how to allocate 17 percent to 19 percent of our resources. The other is it is a level of taxation that has been accepted by the people of the United States.

Some of them would say it is still too high, but I guess I would have to say over the long haul I have not heard too much complaint about the level of taxation that has existed over that long period of time of 17 percent to 19 percent.

So I do not find fault with anything my colleague from Iowa said. He is expressing one very legitimate philosophy of government and the financing of that government and the distribution of resources and having that done by political decision. I am expressing another philosophy of government shared by some Democrats and hopefully by a lot of Republicans, that a level of taxation can get so high it hurts the economy, and the way to enhance the economy and grow the economy is to let people have a lower level of taxation.

Another way to say it is if we have any budget problems and any deficit problems, they are not related to the undertaxation of the American people. They are related to the overspending by the Congress.

Now we move on to another issue. But before I yield whatever time she might consume to the Senator from Maine, we are adopting policy with her amendment, in a bipartisan way, that is unrelated to the policy that is in the bill. That is because as chairman of the committee, responding to the people in my committee, both Republicans and Democrats, as well as responding to people outside the committee as represented by Senator COLLINS and Senator NELSON of Nebraska, there was a desire to have more people involved with the policy of how to meet the needs of the States through some State aid. So we have deliberately left kind of a vacuum in this legislation that is now going to be filled by the good work of Senator COLLINS and Senator NELSON off the committee, and by Senator ROCKEFELLER and others on my committee. I commend them for their hard work.

There is an awful lot of compromise that has gone into this product and I am proud to be affiliated with this product. But the product is not mine, because it was my determined effort to leave it to people who have worked on this issue for about 2 years now. For about 2 years people have been promoting this concept. I compliment them for their stick-to-it-iveness. Tonight proves that hard work pays off.

The PRESIDING OFFICER. The Senator from Maine.

Ms. COLLINS. Madam President, let me begin by thanking the distinguished chairman of the Senate Finance Committee for his hard work.

Mr. BAUCUS. Madam President, if I might ask the Senator to yield just for the sake of orderly process here in the Senate, as I understand it, the Senator means to offer her amendment. Is that correct?

Ms. COLLINS. That is correct.

Mr. BAUCUS. Technically, as I understand it, we should put aside pending amendments.

Ms. COLLINS. I was about to ask.

Mr. BAUCUS. I ask unanimous consent the Harkin amendment and the amendment by Senator GRASSLEY be temporarily set aside, as well as the other amendments, so the Senator from Maine can offer her amendment.

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

AMENDMENT NO. 596

(Purpose: To provide temporary State and local fiscal relief)

Ms. COLLINS. Madam President, I ask unanimous consent that the Senate proceed to amendment No. 596, which is a Collins-Rockefeller-Nelson, et al, amendment, regarding State aid, which is at the desk.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Maine [Ms. COLLINS] for herself, Mr. ROCKEFELLER, Mr. NELSON of Nebraska, Mr. SMITH, Mr. SCHUMER, Mr. COLEMAN, Mrs. CLINTON, Mrs. MURRAY, and Mr. WYDEN, proposes an amendment numbered 596.

Ms. COLLINS. I ask unanimous consent the reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under "Text Of Amendments.")

Ms. COLLINS. Madam President, I was beginning with my thank-yous to the distinguished chairman of the Finance Committee, who has worked so hard to produce not only the bill on the floor but also has worked very closely with the sponsors of this amendment to come up with a proposal for fiscal aid to the States that I believe is carefully drafted and is going to make a real difference to the 49 States that are struggling to close budget shortfalls.

I am pleased to have a number of cosponsors, including Senators ROCKEFELLER, BEN NELSON, SMITH, SCHUMER, COLEMAN, CLINTON, MURRAY, and WYDEN. But I particularly want to pay tribute to Senator BEN NELSON and Senator ROCKEFELLER, who have worked night and day with not only Senator GRASSLEY and myself but others interested in this issue to forge a compromise that I think will result, at the end of the day, in the conference report with $20 billion in much needed fiscal relief for our States.

Half of this funding would be through a temporary increase in the Federal Medicaid share, to ensure that States can continue to protect millions of vulnerable Americans who rely on the Medicaid program as part of the health care safety net.

The attacks of September 11, coupled with the subsequent recession and resulting unemployment, have placed tremendous and unanticipated strains on State budgets. The States are, after all, our partners in providing health care, education, and other essential services to the citizens of this Nation. They are, however, facing a dramatic and unexpected decline in government revenues at precisely the time when the demand for government services has never been higher because of a lagging economy.

States from Maine to Nebraska to West Virginia to Alaska are facing their most serious budget shortfalls in 50 years. States face deficits of between $70 and $85 billion for the next fiscal year, which begins in most States on July 1. They also face deficits of $26 billion trying to close the books on the current fiscal year.

Moreover, while the President's proposal for excluding dividends from taxation would spur needed investment in American businesses, it would cost the States nearly a billion dollars over the next 3 years. That strengthens, to me, the case for providing aid to the States.

Let me tell you what the State of Maine, my home State, is facing. The State of Maine faces a budget shortfall for this year and the next of approximately $1.2 billion. Let me put that in perspective.

The entire budget for the State of Maine is only $5.3 billion, which means it faces a shortfall of approximately 20 percent. Imagine if the Federal Government were struggling with a budget shortfall of 20 percent. It would have to close a $440 billion budget gap, and it would have to do so without borrowing a single dime. That summarizes the dilemma facing our State.

Forty-nine States have balanced budget requirements. They have to balance their budgets. They cannot print more money. They can't run temporary deficits. They can't borrow the money to close the deficit. As a consequence, States have been cutting spending, increasing taxes, using rainy day funds, and delaying capital projects. They are doing whatever they can because they must balance their budgets.

All of the States have cut programs—even programs that provide lifelines to our most vulnerable citizens. At a time when the number of people without health insurance is climbing, 49 States have either already cut their Medicaid Programs or are planning to do so.

Medicaid provides a critical health care safety net for 44 million of our most vulnerable low-income citizens, including 218,000 in my State of Maine. States, as a result of trying to balance their budgets, are slashing Medicaid Programs. As a consequence, approximately 1.7 million Americans are at risk of losing their health insurance. That means they are going to be added to the growing number of 41 million Americans lacking health insurance.

Moreover, not only is our proposal compassionate, not only will it help the most vulnerable Americans keep their health care services, but our proposal makes sound economic sense. Putting money into the hands of States is a great way to stimulate economic growth in conjunction with the tax provisions of this package. As States cut spending and raise taxes to balance their budgets, they weaken the overall economy.

A recent Goldman Sachs analysis underscores the stimulative effect of State fiscal relief. The report notes that ''State governments could provide significant support to the economy without large long-term budget cuts, reducing the need for these jurisdictions to raise taxes, and cut spending.''

After all, if we cut taxes here in Washington only to have taxes increase in State capitals across the country, we will wipe out some of the good we are trying to do by cutting Federal taxes.

I am not saying Congress should bail out the States. I am not saying States should not have to make hard choices. I am not saying States should not balance their budgets. The States are going to have to make hard, painful choices, even with the $20 billion we are proposing to assist them. The nature and the severity of the fiscal crisis facing our States has convinced me that we simply have to help them. The consequences are too dire otherwise, and too many vulnerable low-income American families will suffer if we do not step in and lend a helping hand.

I am encouraged that the economic stimulus package approved by the Senate Finance Committee authorizes temporary fiscal relief to the States. As the distinguished chairman has indicated, tonight we are deciding how to fill in the blanks and how that help should be allocated. We focus particularly on Medicaid because of our concern about the impact of State budget cuts on low-income families in America.

But there is another reason it makes sense to target one-half of the assistance to the Medicaid Program. That is that Medicaid is the fastest growing component of State budgets. While State revenues are stagnant, or declining in most States, Medicaid cuts are increasing at a rate of more than 13 percent a year. That is why States have no choice but to look to the Medicaid Program.

If you look at home State budgets, the vast majority of State spending is for education and Medicaid. If we want to help protect low-income Americans, the best thing we can do is to approve an increase in the Federal match for the Medicaid Program.

As to the State of Maine, our amendment would mean $116 million over the next 2 years for health care and other services that will help our most vulnerable Americans.

There is another advantage to using the current Medicaid structure—what is known as the Federal Medicaid matching rate, or FMAP. That is, the States don't have to take any new legislative action or establish any new administrative structures in order to use these additional Federal matching funds. They can go straight into the Medicaid Program.

The remaining $10 billion could be used by States and local governments to fund education or job training, health care or other social services, transportation or other infrastructure needs, and law enforcement or public safety. In other words, we provided a great deal of flexibility for that remaining $10 billion.

Our amendment would allocate $4 billion of those funds directly to counties and local governments.

Our amendment is strongly supported by a wide range of health care groups, which I will submit as part of my formal statement in the interest of time.

The support for our proposal—the Collins-Rockefeller-Nelson-Smith, et al, amendment—underscores the critical importance of providing assistance to States right now. Now is when they need it. Now is when we must act.

Congress is most effective when it stands arm in arm and not toe to toe with our partners, the States. Our States face a fiscal crisis of expanding dimension. We need to help, and this bipartisan, carefully crafted amendment is the critical step forward in doing just that.

I hope we will have a strong bipartisan vote for this important amendment. It is similar to proposals that my colleagues and I advanced last year and this year which garnered the overwhelming support of the Senate. Now we can make sure that it happens.

I would like to yield at this time to the Senator from West Virginia who has been stalwart in arguing for fiscal relief for the States. It has been a great pleasure to work with him. I yield to him as much time as he needs out of my time.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. I thank my dear friend, the very distinguished Senator from Maine. I thank the Presiding Officer for allowing me to talk briefly about this amendment of Senator COLLINS, myself, Senators NELSON and SMITH, and Senators, et al, as the Senator from Maine kept saying, including Senator CLINTON and many others. It is something we have been working on for 2 years. It is something we have been working very hard on for 2 years. It is something the National Governors Association has worked hard for, for obvious reasons, which I will get into in a moment, although my remarks will not be long.

The Senator from Maine really did cover the logic and the need in very clear terms. If those who are listening heard her, they heard the best possible argument. I just want to add a few comments.

I also thank the chairman of the Finance Committee, Senator GRASSLEY from Iowa, for his generosity and good judgment in accepting this $20 billion package as part of the chairman's mark. Is it everything in amount and scope that the Senator from West Virginia would wish? No. Because the Senator is from West Virginia and the needs on a proportional basis across the country are greater in West Virginia than many other places. I would support $30 billion. I support $40 billion provided that one-half is used for Medicaid, and then others could be negotiated out.

So I do not think the $20 billion is enough, but $20 billion is what we have, and $20 billion is more than we started out with last year. We will hope people forget that, even though 75 of them on this floor voted for it then, and then, for a $30 billion bill, 80 on this floor voted for it this year. That does not happen a lot around here.

That was not a free vote. That was not a trivial vote. That was a vote people made after thinking about it. So we will prevail, and we will rejoice in that. And we will not do that just because we win an amendment; we do that because we know we are helping real people.

We have almost 300,000 people in West Virginia who are on Medicaid. One of the things that always strikes me: We always talk about health care in statistics, and somehow that separates us from being able to get down to what the Senator from Iowa, Mr. HARKIN, calls ''real people.'' And I am of that school, the so-called real people school.

I picked up the paper this morning. I read that 60 million Americans, at some point during the year, do not have health care. That is not a Medicaid statement. That is a health care statement. That means some of them never have it, and others of them only have it on a part-time basis. But that means that all of them—60 million Americans out of 260 million, how ever many we are—worry all the time about health care.

But here comes a Medicaid amendment in which we can do some good for people. The Senator from Maine mentioned 1,700,000 people are at risk if we do not. I am not sure the $10 billion will take care of all those 1,700,000 people, but it will take care of a lot of people, and it is going to take care of them with very good health care. People need to understand that Medicaid, unlike Medicare, does provide a prescription drug benefit. And Medicaid, probably known to most of my colleagues, provides 6 million elderly, poor Americans—who do not have health care otherwise and prescription drugs otherwise—it provides this to them. So it has an enormous capacity and reach. It is superb health care. It does EPSDT for children. That is early screening. It does all kinds of things that Medicare, obviously being a different area, does not do. So it is a superb program.

The Senator from Maine pointed out it is very good in terms of being a stimulus to the economy. She is quite correct about that. And it is about a 3 to 1 relationship. For every $1 you spend in the State, about $3 is actually churned beyond that. So it is a stimulus program. Yes, it is actually a stimulus program. I think that is one of the reasons the chairman of the Finance Committee put it in the mark.

But there is another aspect here. The Senator from Maine used the words ''safety net.'' I will use the word ''underpinning.'' Either one is the same. This is a sacred concept. This is a country, because of our original history under the British crown, in which we wanted to protect the minority, not protect the majority. The majority, we figured, were able to do that.

There are protections and checks and balances in all these things, but people sometimes say: Well, if somebody is on Medicaid, that means they are not working or they don't deserve it. That is so untrue.

When I go back to the way I was introduced to West Virginia—and what caused me to stay in West Virginia—when I became a Vista volunteer for 2 years, and I dealt with people, none of whom had health care, they fed me every meal I had, because I ate in some home or some mobile home or whatever it was. I depended upon them. My life was them. If it was a good day for them; it was a good day for me. If it was a bad day for them; it was a bad day for me. It changed me in every single way.

But these are people who need this. There is nothing that hurts so much as to know a child cannot get screened for autism when they should be, or that a child has no dental care whatsoever. I had to deal with that. I would have to load kids from this little community into my jeep, and we would go down to the one place in Charleston, WV, which offered free dental care. And, obviously, you can't do that for 38 years. So it is a tragic situation.

These are good people. These are people sometimes who cannot find work simply because they live too far out in the country, as was the case in this community, or they did not have automobiles to be able to get to work. Or if they got to work, they didn't know how to take a job exam or have a job interview, or they had never been up in an elevator and they were scared by that, or they were asked to lower a Venetian blind because the Sun was in their eyes, and they had never seen a Venetian blind before, so they would just sort of shut up and hunker down and be defeatist.

Don't tell me those people are not worth keeping healthy because things did not break their way. Things broke well in my life. Things have not broken well in some people's lives in Maine and Alaska and West Virginia, and we cannot pretend that somehow these are not people and that they don't deserve help. The spirit of America is one in which you try to protect those who cannot protect themselves, as much as possible, within reason.

Incidentally, this also happens to do an enormous amount for our hospitals and nursing homes. And that was the one thing that was not said by the Senator from Maine. Eighty-five percent of any hospital in West Virginia depends on Medicare and Medicaid—all of them.

So by doing this—and by pouring millions of dollars into West Virginia, and $10 billion across America—for a temporary period of 18 months, we strengthen our entire health care system as well as stimulating the economy. So it helps the economy and it helps the people—and people who really do need it.

The Senator pointed out that the other $10 billion—which I was less involved with because I was focused on the Medicaid relief—is spent wisely: in education, job training, transportation. She talked about it. And it is a good expenditure. Governors and local groups can decide how to spend that.

I was worried it would be kind of a revenue-sharing thing. I remember back when I was Governor in 1982, we had revenuesharing, and, all of a sudden, county courthouses all over the State of West Virginia got new roofs and got refurbished, which is not exactly what I think the revenuesharing was meant to be for.

So it is a serious business when you give Medicaid help to people who need it.

I will conclude with this. And this really gets my goat. I have heard a lot around here the argument that you cannot give money to States. What are we, two nations? Are we 50 States, on the one hand? Is that called America? Or are we a Federal Government? Is that America? Or are we somehow bound up that we work together and that we help each other?

I was not elected by a country. I was elected by a State. I am a Senator from West Virginia. That means we work together.

To say the States have been irresponsible is so wrong because if you go back to the end of the Second World War or if you go back just 10 years, you will find the States have been far more discrete and responsible in their spending than has the Federal Government.

Now, you can say: Well, the Federal Government has very broad responsibilities, the Department of Defense, and other endeavors. And I understand that. But the fact is, the States have been responsible.

When we took in less money in 1982 than we did in 1981, I had to fire 10,000 Department of Highway workers. I had to fire them. I had to fire those people—good people who worked. So don't tell me that States don't sacrifice.

West Virginia has just raised its cigarette tax to 55 cents, and all of the money is being spent by the Governor on Medicaid. And, at the same time, the State is having to cut services.

This morning, I talked to the president of our very largest university, with 31,000 students, West Virginia University. His budget, and every other State public education budget at the college/university level, has been cut by 13 percent. And it will happen again next year. It is a devastating cut. Why? Because, as the Senator from Maine said, you have to balance the budget.

So we are dealing with real States here, but, most importantly, we are dealing with real people who need the help in an America which was created to protect those who needed that help.

I ask my colleagues to join the Senator from Maine, the Senator from Nebraska, and others who have sponsored this bill, and been working on it for a long time. I am thrilled that, at last, it has a very good chance of passing.

I thank the Presiding Officer and I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from Iowa.

Mr. GRASSLEY. Madam President, I yield myself off the bill such time as I may consume.

The PRESIDING OFFICER. The Senator has that right.

Mr. GRASSLEY. I am in support of this amendment. I am very glad that such a compromise has been worked out. I am very happy with the team of people both on and off the committee who have put it together. I would like to emphasize one thing about the amendment. I am sure it has been stated very well by other sponsors, but this is meant to bring temporary—and I want to stress ''temporary''—fiscal relief to the States. I have heard from my State and many others about the difficult budget situations they are currently experiencing. This amendment will help to bring temporary relief to all States during this difficult fiscal time.

It is important for the Senate to successfully pass a strong growth bill, and this amendment helps to achieve that goal. Numerous Senators have indicated that State fiscal relief is a key component of this growth package. Some of my colleagues believe strongly that we should direct some State fiscal relief through the Federal Medical Assistance Percentage Program or something we call around here by the acronym FMAP. This is the funding structure for Medicaid. This amendment uses a temporary adjustment in the FMAP formula.

Some of my colleagues feel strongly about giving flexible grants to the States and localities. This amendment also uses flexible grants to those States and localities. Many Members both on and off the Finance Committee have worked hard to reach this agreement. As I stated in the Finance Committee markup, I believe all Senators should have an opportunity to weigh in. The amendment before us reflects the hard work of many Senators who care deeply about State fiscal relief. It is a good compromise. For these reasons, I am going to vote for this amendment, and I urge my colleagues to do the same.

I want to state a couple more times, just so it is not forgotten, to any State and local people listening or who will read about it or for sure will be reminded about it a year or so from now: This is meant to be temporary.

The PRESIDING OFFICER. The Senator from Maine.

Ms. COLLINS. Madam President, I thank the distinguished chairman of the committee for his remarks. I thank the Senator from West Virginia for his eloquent statement, and I now yield time to the other great leader on this issue, my colleague and friend, Senator BEN NELSON of Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. NELSON of Nebraska. Madam President, I come to the floor today to support and urge my colleagues to join in support of the amendment before the Senate for State fiscal relief. I begin by thanking my friend and colleague from Maine, Senator COLLINS, who has been stalwart in pushing for State fiscal relief for 2-plus years. We have worked very carefully, very closely to bring about this amendment that is before us today.

On two other occasions, we have had overwhelming support. We believe this amendment will potentially have that same level of support. I thank her for all of the work and leadership she has provided in making this possible.

I thank also the distinguished chairman of the Finance Committee, my friend to the east of Nebraska in Iowa, Senator GRASSLEY. He has been a man of his word. We have worked very carefully, very closely on this issue and others. I thank him for contributing significantly to our effort to bring this amendment to the body.

Most of what needs to be said has been said already. I do want to emphasize, as Senator GRASSLEY has, that this is temporary. It is for a 2-year period. And why is it temporary? Because one would expect that if we are going to grant stimulus programs to grow the economy, that after a reasonably short period of time, the economy will respond. That is the hope, that is the expectation, and that clearly is the goal, not only of this amendment but of the entire growth package before the Senate.

Our goal is to make sure that we grow the economy faster than we grow the deficit. It doesn't make a lot of sense to cut taxes in Washington and ignore what is happening in the State capitals. ether it is in Juneau or Lincoln or wherever it may be, what happens in State capitals with the State legislatures does matter.

Over the weekend, I was home in Nebraska and the local news media was covering in great detail the travail of the Nebraska Legislature in trying to take care of a growing budget deficit caused by declining revenues and increasing costs. Therefore, the news was replete on the subject day in and day out. So if we are going to try to change the attitude and improve the economy with active results in Washington, DC, it does not make sense to ignore what is happening in the State capitals.

We only have one tax pocket. The Federal Government is trying to put in some money. States have their hand in taking more out. That certainly is counterproductive to the goal we have if we ignore what is happening at the State level.

I have said that it is the equivalent of trying to drive a car with one foot on the accelerator and the other on the brake. We don't want what we are attempting to do here negated by what is going on in State capitals. This will permit us to do as much as we can to help avoid that.

There is the human side. Quite honestly, in Nebraska, for example, with this projected budget shortfall, the University of Nebraska, the State colleges are all taking significant cuts. Nebraska teachers are out of work because of lower State aid to education. In fact, when it comes to health care coverage and child care options, more than 15,000 children have already been cut from Medicaid benefits and another 2,000 families have lost their child care. More harsh cuts are on the way unless we do something to help fill the revenue gap. This amendment does that.

Some have suggested that this is bailing out the States or somehow it is a gift that we are doing out of the generosity of Washington. I have encountered the generosity of Washington, generally, as a former Governor when things were given to us. They were called underfunded and unfunded Federal mandates. This is not what we are about today. We recognize that one of the best ways to help the States with their problems today is to take care of these needs and make sure that we don't have what we are doing here negated by action at the State level, which is to respond by supporting additional FMAP funding for a period of 2 years, as well as recognizing that the State and local governments are also feeling the pinch with the fast growing requirements due to hometown security under homeland security requirements. They do not have the luxury to run deficits, nor should they.

Therefore, what we propose is $10 billion to be split between the States and local governments on a block grant basis. This will help provide some relief from property taxes that would otherwise most assuredly rise as the cost of local governments are passed on to taxpayers.

As we look at this package, as we look at State fiscal relief, I hope we will continue to have the bipartisan support we have had in the past. Whether it is 75 or 80 votes is secondary. I certainly hope it would be overwhelming support for this effort.

For those who would say what kind of stimulus will come from this effort, there are studies that show that 1.24 will be returned in one year. From my perspective, a 24-percent return on this sort of investment to take back to the States is a good return, and it is certainly a stimulus to the economy. Therefore, it is a stimulus to the future of this great country.

I appreciate the opportunity. I thank my colleague, the Senator from Maine, for her support, for her constant counseling on how we should go about this effort. I thank her for the time to speak on this very important amendment.

I yield the floor to the Senator from Maine.

Ms. COLLINS. I would like to ask my friend from Nebraska how he would respond to a valid question that has been raised about our amendment: Will the increase in the FMAP, Federal share of Medicaid, be a temporary one?

Mr. NELSON of Nebraska. I am glad my friend from Maine has asked that question so that I can provide some assurances to our colleagues. On behalf of our group of Senators offering this amendment, let me be clear: We have drafted this provision in such a way that the increase in the FMAP will end June 30, 2004. My colleagues will be glad to know that there is precedent for Congress passing short-term Medicaid matching rate increases that have not become permanent.

In 1981, the Omnibus Budget Reconciliation Act reduced Medicaid matching rates for 3 years, while also creating exemptions for States that had high unemployment rates, special hospital review programs, or strong fraud and abuse recovery systems. At the time when this was enacted, some in Congress worried that these changes would be permanent, but these provisions expired on schedule without any particular controversy or efforts to extend them.

There is even a more recent example: The Omnibus Consolidated Rescissions and Appropriations Act of 1996 granted a temporary increase in the FMAP to Louisiana. The State's matching rate rose from the normal rate of 72.08 percent to a special enhanced rate of 84.28 percent in State fiscal year 1995–96 and from the normal rate of 71.49 percent to an enhanced rate of 81.46 percent in State fiscal year 1996–97. This temporary State relief was granted because the Omnibus Budget Reconciliation Act of 1993 tightened disproportionate share hospital payment policies and posed a hardship for Louisiana at a time when the State's economy was faring badly. The State was able to use these temporary funds to avoid disruptions in essential services. The temporary increase in Louisiana's FMAP expired as scheduled.

These provisions expired as planned after fulfilling their mission of temporary relief to help these States transition through a difficult period. Congress has been able to maintain discipline in the past. There is no evidence that a temporary increase in Medicaid matching rates will inevitably become permanent. In fact, because our amendment in no way adjusts how future FMAPs are calculated, it does not effect a permanent change in FMAPs for States.

Ms. COLLINS. I thank my colleague for that valuable clarification. Let me ask my colleague from West Virginia about another question that has come up regarding the impact of our proposal on the baseline for future Medicaid calculations. There is some concern that this provision might increase FMAP rates in future years. Would you clarify this issue for our colleagues?

Mr. ROCKEFELLER. I am happy to address that issue. The FMAP is currently calculated annually under the following formula. The FMAP is at least 50 percent and is calculated based on the ratio of a State's 3-year average of per capita income to the 3-year average of per capita income of the Nation. Given the nature of this formula, the previous year's FMAP in no way affects the calculation of future FMAPs. Basically, if the State's average per capita income is below the national per capita average, the State gets a higher FMAP. The FMAP is calculated usually 6 months to a year in advance of the start of a Federal fiscal year. The amendment would take the FMAP that has already been calculated by HHS under this formula for fiscal year 2003 and fiscal year 2004 and increase it by 2.95 percentage points for a portion of those years. It does not adjust the underlying formula. Because the FMAP is calculated annually, and the calculation is still based on the current per capita income ratio, our amendment in no way increases the baseline for future FMAP calculations.

I would like to add that I completely concur with the Senator from Nebraska's statement on the temporary nature of the FMAP.

Ms. COLLINS. I would like to add one other point of clarification on this provision. By no means do we intend to prohibit States from using the revenuesharing portion of this amendment on services or other spending that the State cut in its most recent budget. If a State wanted to use a portion of these funds to restore all or part of a vital service it was forced to eliminate or reduce, it should be allowed to do so. We know that the State is the best judge of how to prioritize these funds, not the Federal Government.

Madam President, I thank my colleague and close friend, the Senator from Nebraska, for his leadership and for making such an excellent case. I know there are others who are waiting, so I will conclude the debate on this by making just one final point. Forty-nine States are facing severe budget shortfalls. This is not an isolated problem. It is a problem that affects all but one State. This isn't a case where States have been fiscally irresponsible, spending wildly.

In fact, the States are coping with the demand for services and a decline in revenues at the same time. It is not something they brought upon themselves. That is why we should step in temporarily—these are not permanent assistance programs—to provide help. It will help ensure that 1.7 million Americans will not lose their Medicaid services. It will help ensure that they might just have a little bit of help as they make the painful, difficult choices that are necessary to close their budget gap. It will help ensure that it has a direct stimulative effect, which is, after all, the entire purpose of this package. It is to get our economy growing again and create good jobs. Fiscal aid to States will help to achieve that critical goal.

I want to take this opportunity to ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Ms. COLLINS. I thank the Chair and I yield the floor.

Mr. SMITH. Mr. President, I rise today in support of this amendment to allocate State fiscal relief funds to Medicaid and State and local governments.

I have been supportive of State fiscal relief since the last Congress. Last year, I introduced a bill with Senators ROCKEFELLER, NELSON, and COLLINS to provide states with fiscal relief, which garnered the support of 75 Senators.

This year, I reintroduced State fiscal relief legislation with Senators ROCKEFELLER, NELSON, and COLLINS that would provide States with $20 billion—half through FMAP.

And earlier this year, 80 Senators supported a sense of the Senate that $30 billion should be spent on State fiscal relief, with half of the money going to Medicaid. Eighty votes is a pretty clear signal that this is important to a lot of folks in a lot of States.

And make no mistake, FMAP is good economic stimulus for the States which need it badly. By providing State fiscal relief in the form of FMAP back to our states, we improve the health of our workforce, protect or expand health coverage, create new jobs, and infuse the economy with new money.

By providing a temporary boost to FMAP in the form of $10 billion, Oregon would see more than $300 million in new economic activity, more than $110 million in new wages would be generated, and more than 3,500 jobs would be created.

As you can see, State fiscal relief is one of the most effective policies the Congress could and should enact as part of the economic stimulus/growth package. There is no question that States will spend any additional Federal funds they receive quickly, putting money directly into the economy rather than curtailing economic activity.

As many economists have noted, we need to increase demand in the economy—but State budget actions to balance their budgets right now are reducing demand significantly. This is precisely the wrong medicine at the wrong time for our economy.

As you know, States are facing budget deficits of approximately $100 billion that need to be closed over the next few months. States are closing these deficits by cutting education, health care, and public safety—and sometimes by considering raising taxes.

Unfortunately, the economic impact of State budget cuts and possible tax increases have wide-reaching impacts. A dollar cut from Medicaid results in far more than one dollar less in health care.

Fortunately, the opposite is also true: every single dollar spent on Medicaid results in over $3 in the State and local economy.

Some of our colleagues will tell us that the States spent their own way into the current fiscal crisis. But most of the spending increases in health care were driven by the fact that health care costs grew almost twice as quickly as general inflation, and that Medicaid enrollment rose among disabled individuals and the elderly—two groups with expensive health care needs.

In addition, States expanded health care coverage among low income children and pregnant women.

Since the economy began to falter, virtually every State has taken Medicaid cost-containment action. Additional cuts are expected next year as States struggle to fill budget shortfalls of billions of dollars.

Of course, this means that the number of uninsured Americans will continue to grow.

According to the CDC, Medicaid and SCHIP provided coverage for 2 million children and 1 million adults who lost their health coverage last year. I suspect this year, those numbers will be even larger.

My home State of Oregon has been hit hard by the economic downturn.

The number of uninsured is up, way up. Children and adults, parents have lost their jobs and they are turning to Medicaid. Will Medicaid be there for them?

Without additional resources, 100,000 Oregonians will lose their health coverage, and the people who retain their coverage are facing drastically reduced benefits. This loss will have a ripple effect in the local economy. In some counties, a quarter of the population is eligible for Medicaid.

While we need to strengthen our economy in the long run, it is imperative that we address the immediate economic problems by tackling the State fiscal crisis.

This amendment will provide millions of dollars to needy State and local governments to provide essential services that benefit all of us.

I urge my colleagues to support this amendment.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Madam President, I yield such time as the minority leader himself may use.

Mr. DASCHLE. Madam President, I thank the distinguished ranking member, the Senator from Montana. I will just take a couple of minutes.

I think this is a critical amendment. I hope, as we consider what it is we need to do to ensure that our country can be put back in economic balance, that we recognize the importance in providing meaningful assistance to the States.

Of all the amendments we have before us, this is one of the most important. I just spoke to the Governors yesterday. They have an $80 billion shortfall. So I am very hopeful that, as we consider where it is we can do the most good, where we can get the greatest traction, where we can do the most to ensure that we have the greatest degree of economic recovery, we recognize the importance of helping States deal with the crisis they are facing in dealing with medical costs. Likewise, we must recognize that we have an obligation to offset the costs of the Leave No Child Behind Act and realize that transportation infrastructure has to be addressed. Our legislation would do that.

So I applaud my colleagues for the extraordinary effort they have made to bring us to this point. I congratulate our colleagues on both sides of the aisle for their effort. I hope our colleagues will see fit to pass the amendment when we vote on it tomorrow.

If I may say briefly, I wish we were not here tonight with the legislation that is pending before us. Our country is mired in debt. We could exceed $400 billion in debt this year—the single largest 1-year level of indebtedness our country has ever faced. I cannot imagine, with all of that debt, with the recognition that we have gone from a $5 trillion surplus to a $2 trillion deficit, that anyone could possibly feel comfortable supporting a tax cut of the magnitude we are talking about tonight.

I only wish that somehow we could resolve our differences and recognize that fiscal responsibility has to have some important part in our calculation as to what makes the most sense as we look to economic recovery. An independent analysis by Economy.com found that we could actually lose jobs in the outyears. The objective report indicated that not only do we not create many jobs in the next year because most of this legislation doesn't kick in until 2004, we actually could harm the economy in the outyears because of increasing long-term indebtedness as a result of higher interest rates.

So from a jobs point of view, we can do better. From a cost point of view, we can certainly do better. From the point of view of fiscal responsibility, we must do better. So we will be offering a Democratic alternative that will allow us that fiscal responsibility and allow us an immediate response to the economic circumstances we are facing right now.

Our bill does what the economic experts told us we must do. They said make it temporary, make it immediate, make it broad-based and, above all, make it fiscally responsible. That is what the Democratic alternative will do tomorrow. It will provide help for the States, as this amendment does. It will provide a broad-based wage credit for every working family in the country today. It will provide meaningful help to small business with the business expensing allowance. It will provide unemployment insurance for those who have seen it terminated. So it does exactly what the Nobel laureates, the economists, have told us must be done if indeed we are cognizant and sensitive to the many pressures and challenges and the many real problems we are facing as we look to our fiscal responsibilities in the coming years.

We can do better than this. I am very hopeful that we can persuade our colleagues to look carefully at what repercussions there will be if the legislation currently pending passes. I hope we can persuade our colleagues that indeed working together we can find a better approach. Our Democratic alternative is that better approach. I urge my colleagues to look at it tonight and support it tomorrow.

I yield the floor and I thank my colleagues for the opportunity to address the alternative, as well as the State amendment.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Madam President, I, too, am pleased we are going to be voting to increase aid to the States. Earlier this year, I offered legislation to cut taxes, but its centerpiece was aid to the States. In fact, I suggested $75 billion in aid to the States. That sounds like a pretty large sum, but I suggested in the introduced legislation to provide up to $75 billion because, in my judgment—and I think it is the judgment of most economists—dollars that are spent to help States to balance their budgets will significantly help the economies in those States. Unfunded mandates by the U.S. Federal Government has caused some of the problems the States are facing. No Child Left Behind has been mentioned, and there are others, such as IDEA and special education. There are various unfunded mandates.

We in the Congress have said that the States must provide these services, but the President and the Congress have not provided the money to the States so they can provide these services. So the States have had to figure out how to pay for these services because that is Federal law, they must do so.

In the meantime, as we all know, States have suffered dramatic reductions in revenues because the economy has been down. States all across the country have not received near the amount of revenues they expected in their last budgets. When you add to that rising health care costs in the country, which are averaging 12 to 13 percent higher each year, this is a huge increase to the States' Medicaid budgets and other health care budgets. So it is very important to give increased aid to the States. I am disappointed, frankly, that this bill provides only $20 billion when the need is so great.

I remind our colleagues also, as the occupant of the chair knows well—particularly because her father is Governor of a State—States have to balance their budgets. That is not true for the Federal Government. When States face all these unfunded mandates and a reduction in revenue, they have huge budget deficits, which they have to somehow solve, and they can only do so by raising taxes or by cutting various State services, such as Medicaid—their share—and whatnot.

So that is why we are here today and why so many Senators have spoken out in favor of aid to the States. We are soon to have an amendment offered by the Senator from Washington, which I support. She is going to suggest even more aid to the States. This $20 billion is merely a drop in the bucket. As we all know, the budget deficit in California is $35 billion alone. This bill provides just $20 billion. One State alone is much more than that. My State of Montana is running a budget deficit of about $260 million. We are a small State, but $260 million in deficit is a lot for my State with a population of 19,000 people.

So I join in the chorus, and I particularly thank the Senator from Maine and the chairman of the committee. I also thank the other Senators who are working to put this together. I must say I will support it, but I wish we were a little wiser, frankly, and providing more aid to the States. Certainly $20 billion is low, but if that is all we can get, that is what we face. I thank all my colleagues who have worked on this.

Madam President, I now yield 3 minutes to the Senator from New York.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Madam President, I thank my colleague from Montana. I add my remarks to his. I agree with him completely. I am in full support of the Collins-Rockefeller-Nelson amendment. Our localities and States desperately need aid. It makes no sense to tell John Q. Citizen that he will get a $100 rebate from the Federal Government and then have his State and local taxes rise $100. That does not put money in his pocket and stimulate the economy.

Madam President, $20 billion is a decent sum, half going to FMAP and half to direct aid. I would like to see a little more going to localities. It is 60–40, as I understand it. My original proposal with Senator COLLINS and Senator SNOWE was 50–50. That would be a little fairer because localities need help in property taxes a lot. But this is a good start. I am glad it is in the bill. I hope it will stay in the bill because our localities desperately need aid.

Property taxes are going through the roof, and the best property tax circuit breaker is local aid. I wish it was higher as well, and I am glad that in a few minutes, my colleague from Washington will be offering an amendment that doubles that amount.

The original legislation that Senator SNOWE and I introduced was $40 billion. I know my friend from Montana originally proposed $75 billion. Even that would not be enough to do what we need to do. I hope we can raise the amount. Again, States and localities need it.

Cities and counties throughout my State are raising taxes. That is going to put a real damper not only on New York's economy but on America's economy. Local aid prevents some of that from happening.

This is one of the most important provisions in this bill. There are a lot of provisions in the bill that Senator GRASSLEY has proposed with which I agree. There are some with which I disagree. But there is probably none that is more needed, more demanded by the Governors, mayors, county officials, town and village officials than the proposal the Senator from Maine, the Senator from West Virginia, and the Senator from Nebraska have brought before us.

I am going to support it rather enthusiastically, only tempered by the fact that I think it should be more. I hope it can be more. I hope it does not get any lower, I say to my good friend from Iowa, in conference and in other places. He is shaking his head yes, let the record show. I hope he is saying, yes, it should not get lower not, yes, it should get lower.

This is a very important amendment. I will fully support it. I was involved in helping to push this local aid issue. I hope we can increase the amount with the amendment of the Senator from Washington.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Madam President, it is my understanding that all Senators who wished to speak on the Collins amendment have spoken.

I ask unanimous consent that all pending amendments be temporarily laid aside so the Senator from Washington can offer her amendment.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Washington.

AMENDMENT NO. 564

Mrs. MURRAY. Madam President, I call up amendment No. 564.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Washington [Mrs. MURRAY], for herself, Mr. DASCHLE, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. WYDEN, Mr. SCHUMER, and Mr. CORZINE, proposes an amendment numbered 564.

Mrs. MURRAY. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To provide temporary State fiscal relief)

Strike section 371 and insert the following:

SEC. 371. GENERAL REVENUE SHARING WITH STATES AND THEIR LOCAL GOVERNMENTS.

(a) APPROPRIATION.—There is authorized to be appropriated and is appropriated to carry out this section $20,000,000,000 for fiscal year 2003.

(b) ALLOTMENTS.—From the amount appropriated under subsection (a) for fiscal year 2003, the Secretary of the Treasury shall, as soon as practicable after the date of the enactment of this Act, allot to each of the States as follows, except that no State shall receive less than ½ of 1 percent of such amount:

(1) STATE LEVEL.—$16,000,000,000 shall be allotted among such States on the basis of the relative population of each such State, as determined by the Secretary on the basis of the most recent satisfactory data.

(2) LOCAL GOVERNMENT LEVEL.—$4,000,000,000 shall be allotted among such States as determined under paragraph (1) for distribution to the various units of general local government within such States on the basis of the relative population of each such unit within each such State, as determined by the Secretary on the basis of the most recent satisfactory data.

(c) DEFINITIONS.—For purposes of this section—

(1) STATE.—The term ''State'' means any of the several States, the District of Columbia, and the Commonwealth of Puerto Rico.

(2) UNIT OF GENERAL LOCAL GOVERNMENT.—

(A) IN GENERAL.—The term ''unit of general local government'' means—

(i) a county, parish, township, city, or political subdivision of a county, parish, township, or city, that is a unit of general local government as determined by the Secretary of Commerce for general statistical purposes; and

(ii) the District of Columbia, the Commonwealth of Puerto Rico, and the recognized governing body of an Indian tribe or Alaskan native village that carries out substantial governmental duties and powers.

(B) TREATMENT OF SUBSUMED AREAS.—For purposes of determining a unit of general local government under this section, the rules under section 6720(c) of title 31, United States Code, shall apply.

SEC. 371A. TEMPORARY STATE FMAP RELIEF.

(a) PERMITTING MAINTENANCE OF FISCAL YEAR 2002 FMAP FOR LAST 2 CALENDAR QUARTERS OF FISCAL YEAR 2003.—Notwithstanding any other provision of law, but subject to subsection (e), if the FMAP determined without regard to this subsection for a State for fiscal year 2003 is less than the FMAP as so determined for fiscal year 2002, the FMAP for the State for fiscal year 2002 shall be substituted for the State's FMAP for the third and fourth calendar quarters of fiscal year 2003, before the application of this section.

(b) PERMITTING MAINTENANCE OF FISCAL YEAR 2003 FMAP FOR EACH CALENDAR QUARTER OF FISCAL YEAR 2004.—Notwithstanding any other provision of law, but subject to subsection (e), if the FMAP determined without regard to this subsection for a State for fiscal year 2004 is less than the FMAP as so determined for fiscal year 2003, the FMAP for the State for fiscal year 2003 shall be substituted for the State's FMAP for each calendar quarter of fiscal year 2004, before the application of this section.

(c) GENERAL 4.95 PERCENTAGE POINTS INCREASE FOR LAST 2 CALENDAR QUARTERS OF FISCAL YEAR 2003 AND EACH CALENDAR QUARTER OF FISCAL YEAR 2004.—Notwithstanding any other provision of law, but subject to subsections (e) and (f), for each State for the third and fourth calendar quarters of fiscal year 2003 and each calendar quarter of fiscal year 2004, the FMAP (taking into account the application of subsections (a) and (b)) shall be increased by 4.95 percentage points.

(d) INCREASE IN CAP ON MEDICAID PAYMENTS TO TERRITORIES.—Notwithstanding any other provision of law, but subject to subsection (f), with respect to the third and fourth calendar quarters of fiscal year 2003 and each calendar quarter of fiscal year 2004, the amounts otherwise determined for Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa under subsections (f) and (g) of section 1108 of the Social Security Act (42 U.S.C. 1308) shall each be increased by an amount equal to 9.90 percent of such amounts.

(e) SCOPE OF APPLICATION.—The increases in the FMAP for a State under this section shall apply only for purposes of title XIX of the Social Security Act and shall not apply with respect to—

(1) disproportionate share hospital payments described in section 1923 of such Act (42 U.S.C. 1396r–4);

(2) payments under title IV or XXI of such Act (42 U.S.C. 601 et seq. and 1397aa et seq.); or

(3) the percentage described in the third sentence of section 1905(b) of the Social Security Act (42 U.S.C. 1396d(b)) (relating to amounts expended as medical assistance for services received through an Indian Health Service facility whether operated by the Indian Health Service or by an Indian tribe or tribal organization (as defined in section 4 of the Indian Health Care Improvement Act)).

(f) STATE ELIGIBILITY.—

(1) IN GENERAL.—Subject to paragraph (2), a State is eligible for an increase in its FMAP under subsection (c) or an increase in a cap amount under subsection (d) only if the eligibility under its State plan under title XIX of the Social Security Act (including any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315)) is no more restrictive than the eligibility under such plan (or waiver) as in effect on July 1, 2003.

(2) STATE REINSTATEMENT OF ELIGIBILITY PERMITTED.—A State that has restricted eligibility under its State plan under title XIX

of the Social Security Act (including any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315)) after July 1, 2003, but prior to the date of enactment of this Act is eligible for an increase in its FMAP under subsection (c) or an increase in a cap amount under subsection (d) in the first calendar quarter (and any subsequent calendar quarters) in which the State has reinstated eligibility that is no more restrictive than the eligibility under such plan (or waiver) as in effect on July 1, 2003.

(3) RULE OF CONSTRUCTION.—Nothing in paragraph (1) or (2) shall be construed as affecting a State's flexibility with respect to benefits offered under the State medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) (including any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315)).

(g) DEFINITIONS.—In this section:

(1) FMAP.—The term ''FMAP'' means the Federal medical assistance percentage, as defined in section 1905(b) of the Social Security Act (42 U.S.C. 1396d(b)).

(2) STATE.—The term ''State'' has the meaning given such term for purposes of title XIX of the Social Security Act (42 U.S.C. 1396 et seq.).

(h) REPEAL.—Effective as of October 1, 2004, this section is repealed.

SEC. 371B. ELIMINATION OF 20 PERCENT PARTIAL EXCLUSION OF DIVIDENDS RECEIVED BY INDIVIDUALS.

Section 116(a)(2)(B), as added by section 201 of this Act, is amended by striking ''(20 percent in the case of taxable years beginning after 2007)''.

Mrs. MURRAY. Madam President, I rise to offer an amendment that will help address the real needs of families in cities and States all across this country. I thank my cosponsors Senators DASCHLE, BAUCUS, ROCKEFELLER, WYDEN, KOHL, SCHUMER, EDWARDS, and CORZINE.

As I look at the current tax proposal, I do not see much that will provide an immediate stimulus to our economy or help working families who are struggling during this recession. In fact, today's Washington Post said that even some Republicans consider this plan ''bizarre and economically suspect.''

This tax bill ignores the real needs that families are facing, and it dramatically increases the deficit, all to give massive tax cuts to a very few. That is an approach that has already failed us. Simply put, this tax bill fails America's families. So tonight I am offering an amendment to put some stimulus and relief into this no-stimulus bill.

The Murray amendment provides direct help where it is so badly needed—in our States and in our local communities. My amendment addresses a crisis in health care that jeopardizes access for all Americans.

Currently, the underlying bill, as we just heard, offers $20 billion in aid to the States. By the way, that funding is only there because Democrats fought for it. That is a major accomplishment considering the President's plan included nothing for our ailing States, and the House also failed our States.

While $20 billion is a victory in our current political environment, we all know it is not enough to help our States recover quickly. So my amendment offers an additional $20 billion for our struggling States and local governments. In total, my amendment provides $40 billion in immediate assistance to our ailing States.

Here is how the money will be divided: $20 billion will go to general revenue sharing. Of that, $16 billion is for State governments, including Washington, DC, and Puerto Rico; $4 billion is for local governments, and each State will receive a minimum of $100 million.

The other $20 billion goes to States for Medicaid relief. This provision would temporarily increase the Federal matching rate for Medicaid. If we are going to help our economy recover, we need to help our States and local governments get through this crisis.

All of my colleagues know the plight of our States. My home State of Washington continues to suffer real economic problems, and it illustrates the importance of adopting the Murray amendment. Washington State has the second highest unemployment rate in the Nation at 7 percent. My colleague from Oregon, Senator WYDEN, who is going to be speaking in just a few minutes, shares the distinguished record of having the highest unemployment in the Nation go back and forth between Oregon and Washington in the last 2 years.

In Washington State, since the spring of 2001, we have lost tens of thousands of jobs. In fact, one in nine Washington residents does not have health care coverage today, and 150,000 people in my State have lost health insurance in the last 2 years. In the last 2 years alone, we have faced in my State an earthquake, an energy crisis, declines in our technology sector, the downturn of Boeing, and the loss of thousands of jobs. And now we face a State budget deficit of $2.7 billion. That translates to dramatic cuts in education, health care, transportation, and social services.

These programs are more important now than ever because times are so tough. Unfortunately, as we all know, many other States are facing very similar challenges. In fact, today our States are experiencing the most severe economic crisis since World War II. Nationwide, States are facing deficits totaling $70 billion to $85 billion.

Experts are warning us that 1.7 million people nationwide risk losing Medicaid coverage as States cut their budgets. In fact, in Washington State, according to our insurance commissioner, 60,000 children will lose access to health care unless we help. That is 60,000 children in Washington State alone. Unlike the Federal Government, States do not have the option of deficit spending. Instead, States are forced to cut existing programs or raise new revenues to balance their budgets.

To add to the State's budget crises, the Federal Government has created costly new mandates in areas such as education and homeland security.

The ''No Child Left Behind'' law required States to implement new accountability measures, but the assistance that was promised has never been delivered.

On homeland security, State and local law enforcement must work overtime whenever the threat level is raised. For many States and localities, homeland security is on the verge of becoming another unfunded mandate. Unfortunately, in response to the crises in our States, the President proposed nothing to help them. It is like the famous newspaper headline: ''Ford to City: Drop Dead.'' The House of Representatives followed the President's lead in leaving States in crisis. It took Democratic efforts in the Senate to build bipartisan support for our States.

I am proud of the work that Democrats have done to add $20 billion to the tax legislation to help our States get through this difficult time. I also commend my colleagues on the other side who are working on this issue. I applaud their work in the face of strong opposition from the President and the Republican party leadership.

My amendment will help States deal with education, as many State universities and community colleges are facing double-digit tuition increases. My amendment will also help States address their Medicaid shortfalls by temporarily raising the Federal share of Medicaid payments.

Given the fiscal crisis in our States, this additional support is critical today. This aid will allow our States to maintain health care coverage for our most vulnerable citizens.

Some of my colleagues may hear the word ''Medicaid'' and think I am just talking about helping low-income families. That is true and it is critical, but it is much more than that.

Yes, Medicaid does provide coverage for more than 42 million low-income, disabled, and elderly Americans, but let's not forget that Medicaid plays a major role in America's health care delivery system.

It pays for about half of all nursing home care. It pays for 17 percent of prescription drug coverage.

Hospitals, doctors and clinics in every State rely on Medicaid as a significant source of revenue.

Cuts in Medicaid could close nursing homes. Cuts could make it harder for middle class families to pay for long-term care for their aging parents or relatives. It could mean lower wages for nurses in long-term care facilities. Finally, let me emphasize, it could have a major impact on women because 70 percent of Medicaid beneficiaries over age 15 are women.

Unless we address the Medicaid shortfall, we will feel the impact everywhere.

When poor kids, families, and moms do not have health care, kids show up at school sick, moms cannot care for families, and parents do not go to work. That affects everyone. It will add to the 41 million Americans who do not have health insurance, and that will add to the costs we all pay for health care. This affects families and businesses in the form of much higher insurance premiums.

Finally, when Medicaid is underfunded, it puts more pressure on our doctors, hospitals, and clinics that are already struggling. We are losing doctors and seeing hospitals close today.

We cannot afford to let things get worse. We need to improve the underlying tax bill so it addresses the real challenges facing families in our States and local communities. States are facing a fiscal crisis, and my amendment provides $20 billion in aid. States are facing a healthcare crisis, and my amendment provides another $20 billion to make up the Medicaid shortfall.

This amendment is a chance to improve what has been called a ''bizarre and economically suspect'' tax plan.

Before I close, I want to clarify something that we may hear during this debate. I want my colleagues to know that this is not about bailing out States that have overspent. We are talking about individual Americans and their access to services like vision and dental care, asthma medicine, hospice care, and physical therapy. So when my colleagues blame the States for this crisis, they are choosing their words carefully. They do not dare blame the disabled, the elderly, poor children and their parents, but that is who they are really talking about, the people who will lose access to health care unless we pass the Murray amendment.

Let's not forget that our States have had to pick up the bills because the Federal Government has not done its job in certain areas.

For example, because we have not reformed health care at the Federal level, States have had to deal with more and more residents on Medicaid. Because Federal assistance for tuition has been cut, there is more pressure on State-funded universities. To those pressures we can add the Federal Government's failure to fund the education law and new homeland security mandates.

So this is not about bailing out States that have done something wrong. This is about recognizing our responsibility to pay for the things we have required at the Federal level. We know there is an economic crisis in our States, and this is a chance to provide some critical support.

Unless we provide some real aid to our States, Congress and the President will just be passing the tax burden on to the local level. Let's do the responsible thing.

I think that any Senator who votes against the Murray amendment will have a hard time explaining to their Governor, their mayors, and all their citizens why they left their State hanging in order to provide a massive tax cut to the few, which will not result in immediate economic growth.

I urge my colleagues to vote for the Murray amendment, and I thank my co-sponsors.

I yield 15 minutes to my colleague from Oregon, who is a cosponsor of this amendment and who knows in his State how much they are struggling as they try to meet a crisis, as so many other States are.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. WYDEN. Madam President, I thank Senator MURRAY, the lead sponsor for this legislation.

Oregon and Washington are really ground zero as far as the economic hurt in this country, and I thank her for all of her leadership and support.

I will take only a few minutes tonight because I know we have had a number of speakers on this topic, but I think it is time to put a human face on this issue and try to make sure that people really understand what is at stake.

In Eugene, OR, where I went to school, parents have recently been selling their own blood plasma—that's right, their own blood plasma—to pay for a math teacher's salary for one more year because the school district has been unable to come up with the cash to pay for a math teacher. I think that really says it all.

As Senator MURRAY and other colleagues talked about, we are not talking about luxuries. We are not talking about something that would be frivolous or on somebody's wish list. We are talking about the most essential services in our society, making sure that kids get a good start, and decent health care.

What it has come to in my State, which is in its third year now of financial meltdown, is we have parents actually going out and selling blood.

Something is really out of whack in this country when somehow the Congress is going to find ways to come up with billions of dollars to rebuild Iraq, but the Congress of the United States will not come up with the dollars that are needed to rebuild the States. That is what this effort on a bipartisan basis is all about.

In my home State, we now have schools closing a month early. We brought an end to the medical-needy program which helped nearly 9,000 low-income Oregonians with unusually high health costs who do not qualify for our innovative health plan. More than 2,500 older adults and persons with disabilities have lost adult care, assisted living care, nursing home care, and the list really goes on.

I particularly wanted to highlight the fact that these cuts and the hardship that has been engendered as a result of these cuts comes about at a time when some of our States have been on the cutting edge of innovation.

I will take a minute to describe our health plan. The State of Oregon has been the only State in the country—in fact, the only political jurisdiction on the planet—that has been willing to force a discussion about tough calls in health care. Many feel, given the demographics tsunami that is ahead with millions of baby boomers retiring and the technology explosion, it is not on the level if you are not willing to make some tough choices in health care. That is what my home State did a number of years ago with the Oregon Health Plan; we held the first nationwide debate about how to go about making choices in health care, making sure you are doing prevention first in kids and pregnant mothers. And all the services we know will reap great benefits in the years ahead.

That is the program that has been slashed. It was not a program that engendered a lot of fancy services or Cadillac health care or profligate spending. It was a program that focused on the basics, on the essential health care services, on services that by anyone's analysis are just plain vanilla, essential services for our citizens.

I bring this up by way of saying, as we move tonight to close out the discussion of these amendments, I certainly support the Collins amendment. It is very helpful. I would like to go further, for all the reasons Senator MURRAY has described tonight, that we think about these consequences in human terms: What is going on today in Eugene, OR, what is going on with the Oregon Health Plan where people did make tough and courageous calls.

A lot of the States must be wondering now, what was the point of trying to be innovative? What was the point of trying to be innovative because when there were tough financial circumstances nationally beyond their control, the Federal Government said: That is the way it goes, we are not going to do anything to help tide you over so innovative programs such as the Oregon Health Plan are not decimated.

These are critical issues. The budget cuts we have seen in health care and education are not going to be quickly healed. Regarding the national economy, we all hope for a speedy recovery, but it seems to me, by any calculation, the States are going to need significant and ongoing help to ameliorate the damage that has been done and to start pulling together the tatters of the social safety net and begin to help our citizens again. We are not going to repair that tattered safety net with just a few needles and thread; we will do it with real and tangible help, the way the Murray amendment seeks to do.

I come to the Senate tonight to make it clear, what we seek to do in these important amendments is to try to give our States the tools in this struggle to provide the most critical of services, to tell them they are going to have a little bit more to get by with during unprecedented times.

School finance in Oregon has been cut so drastically they have curtailed the school year in some districts. We have been laying off teachers left and right. We have no way to attract them. Senator SMITH and I co-hosted an important economic development summit at the end of last year with 1,300 business leaders from all over the State.

They are worried, as a business community, that with the shortening of the school year in the country, it will be very tough to grow existing businesses and to attract new ones.

Suffice it to say, we are not really happy about the Doonesbury cartoons either. We have been first so often in my home State—with environmental protection, mass transit—but we are not pleased to be first in terms of economic hurt and unemployment and the kinds of problems we have been outlining on the floor tonight.

We have to start filling the holes in these devastated budgets. The situation is dire. In the face of this unprecedented suffering, many in the Senate believe the $20 billion allocated is not enough and the Senate must do better.

Ultimately, budgets are about choices. Budgets are not just about charts and graphs and figures and lots of dark ink on paper. Budgets are about hopes and aspirations and what kind of country we want. I don't want a country and I don't want a State to have to sit by while the Government does not respond when people have to sell blood to finance a teacher's salary and we end up having the devastation to an innovative state-of-the-art health plan, the way the Oregon Health Plan was at the outset.

I don't want to tell the people of my home State, and I don't think others in this body want to either, that the U.S. Congress can figure out a way to come up with billions and billions of dollars to reconstruct Iraq, hundreds of millions of dollars for tax cuts, and simply not come up with the critical dollars needed to keep our kids in school for a full year, to keep older people in health care systems that are a lifeline for them.

I hope our colleagues will support the Murray amendment. The very least the Senate can do is to keep the huge budgetary hole the States have found themselves in from getting deeper and wider. The Murray amendment ensures that can be done.

I urge the passage of this critical amendment. I yield the floor.

Mr. SCHUMER. Madam President, I first thank my colleague, Senator MURRAY, for her sponsorship of this vital amendment. I also want to specifically recognize Senator GRASSLEY, the distinguished chairman of the Finance Committee, and Senator BAUCUS, the distinguished ranking member, for their leadership in putting State and local fiscal relief on the agenda. I should also note the bipartisan effort of Senators COLLINS, ROCKEFELLER, SMITH and NELSON which helped establish State aid in the budget debate. Finally, Senator SNOWE deserves special recognition for her early and steadfast support of this legislation.

The fiscal crisis in our States and cities is a national problem that requires bipartisan cooperation in the best spirit of the Senate, and I am proud to be working together with my esteemed colleagues.

I support the Murray amendment.

This amendment is critical to New York. It will help thousands of New Yorkers keep their jobs, maintain the State services they rely on, and most importantly avoid the burden of increasing taxes. I cannot state that more clearly—without this legislation the tax burden on citizens in my State will go up. That threatens to undo the very stimulus we all believe is necessary.

As we all know, New York is not alone. States are facing their worst fiscal crisis since World War II. The Governor of New York, George Pataki, stated the situation in all of our States and cities clearly, ''We face a fiscal crisis today of a magnitude that we have not faced in our lifetime.''

According to estimates provided by the National Conference of State Legislatures, the total budgetary shortfall for all States in fiscal year 2004 was in the range of $80 billion, and an approximate $22 billion gap still remains from fiscal 2003. Many believe these figures remain significantly understated.

Almost every State is running a significant, multi-hundred million dollar deficit. In many States, the figure runs into the multi-billions of dollars. In several States, the deficit's percentage of the total State budget is estimated to be in the range of 25 percent or more. New York State's budget shortfall alone is $12 billion dollars.

The situation at the local level is just as dire. According to the National Association of Counties, nearly 72 percent of counties are facing budget shortfalls, 37 percent are reducing services, and 17 percent are increasing taxes—all at a time when the demand for services and the need for tax cuts is rising given the sour economy.

This is not a regional issue. It is a national crisis.

Unlike the Federal Government, which has seen its fiscal position change from a budgetary surplus in 2000 to a newly estimated deficit of over $300 billion in fiscal 2003, almost every state is required by law to have a balanced budget. To achieve this the only options are to raise taxes and/or cut spending.

State taxes are increasing in three ways. First, state income tax rates are increasing. Second, property tax rates are skyrocketing. In New York City, Mayor Bloomberg was forced to raise property taxes over 18 percent to preserve vital services. Third, States are increasing sales taxes, excise taxes, and other fees. As the New York Times recently reported ''at least 15 states have raised taxes, five of them by 5 percent or more.''

This increasing tax burden falls heavily and squarely on the backs of our working families. It will make it harder for them to make ends meet in these already difficult economic times when every dollar counts.

State spending cuts follow 2 years of a deteriorating economic environment and fiscal outlook. During that time, States have cut the fat from their budgets and depleted reserves. They now are cutting muscle. To balance their budgets for fiscal 2004, States are in the process of eliminating thousands of jobs.

In many States, the jobs that will be lost are vital to our communities: policemen, firefighters, teachers, postal workers, and bus drivers. In New York these were the jobs of the everyday heroes that we celebrated after the tragedies of September 11.

States also are eliminating many critical programs and reducing funds available for those programs that remain.

Among the most vulnerable targets are those services that working families rely on, such as childcare and elementary and secondary education. Without funds, school improvements will not be made. Libraries will not be upgraded. Staff will be cut. Class sizes will dramatically increase.

All of this is happening today. As one school superintendent stated, ''It is the worst thing that has happened in my thirty years in public education.''

This comes at a time when, as a nation, we are striving to raise our children's test scores and improve overall school performance. In addition, in many states the cost of higher education is increasing. Tuition at some State colleges and universities has been raised over 20 percent. Also vulnerable are programs that help those most in need during difficult times.

States now bear the responsibility for numerous programs and services that provide the safety net that our citizens rely on. For example, as we know well, states fund a large percentage of the cost of Medicaid. During the current fiscal crisis, according to the Kaiser Commission on Medicaid and the Uninsured, Medicaid programs have been cut substantially. This will place an enormous burden on our society. States clearly need funding to pay for Medicaid.

In addition, programs such as job-training, housing subsidies, and other services for lower-income citizens are at risk.

Most importantly, states now face extraordinary demands to provide the protection citizens require in the new post-9/11 world. They face increased responsibilities to patrol ports, bridges and tunnels, to train emergency response personnel, and to put in place the infrastructure to protect their citizens.

In the current world, with threats on our home soil at high levels, and on the brink of a war with a nation accused of sponsoring international terrorism, we cannot abandon our States and cities. We must give them the funds they need to protect our citizens.

The solution is to provide direct Federal aid to the States and localities within the budget. We have had bipartisan agreement to provide $20 billion in direct Federal aid to the States and localities on a one-time basis. I commend Senator GRASSLEY for his leadership in getting this done. It is a very good start, but it not enough.

I have heard some argue that state aid is not good economic policy, but numerous reports indicate that a very large number of economists believe that aid to the States is, in fact, an extremely effective means of providing fiscal stimulus, as it quickly puts money in the hands of people who need it and will spend it.

State and local aid also alleviates the need for States to cut more jobs, cut more programs, and raise taxes, which acts as an ''antistimulus'' on the economy. Without any State aid, an individual's or family's decreased in Federal taxes could be surpassed by an increase in State and local taxes.

We should not support policies where, ''What one hand giveth the other taketh away.'' We should not ''rob Peter to pay Paul.''

This modest increase in the amount of aid is a one-time shot in the arm for the States. It is not an enormous, multi-year change that threatens to build more deficits. It is a short-term proposal in response to a crisis that threatens to further drag down our economy and further increase the tax burden on our citizens.

Some argue that States and cities have dug their own fiscal graves, and should now lie in them. I could not disagree more. Our States and cities face the same economic forces as the Federal Government. As the economy has forced a dramatic reversal in fiscal health in our Federal budget, so has it wreaked havoc on local budgets.

Why should we hold States and localities to a different standard than we hold ourselves?

If we want to teach States a lesson, why should we force citizens to bear the brunt of that discipline through higher taxes on their income, bigger class sizes for their children, and less services for those in need?

The money we are discussing is not a bailout. Nowhere close. States and locals will still need to make painful cuts and possibly raise taxes. But we can help alleviate the pain which will fall not on lawmakers, as we all know, but on our citizens.

As President John Kennedy once said, ''Let us seek not the Democratic solution or the Republican solution, but the right solution.''

This is the right solution. I fully and enthusiastically support Senator MURRAY's amendment.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Madam President, I spoke earlier in support of the Collins amendment which is a $20 billion fiscal relief package. We have been told that $20 billion is a drop in the bucket. I don't think $20 billion is a drop in the bucket. We have been told that maybe $75 billion is not enough for State aid.

We have to be fiscally responsible as we approach this. I do not fault the good intentions behind people who have higher figures in mind, including the amendment by the Senator from Washington. There are Members on both sides of the aisle for whom fiscal relief is a key component of any larger tax and jobs package. I have worked hard to accommodate Members' priorities relative thereto.

A number of provisions in this amendment have been addressed by the State fiscal conservative relief amendment offered by Senator COLLINS. The State fiscal relief amendment offered by Senator COLLINS represents a significant boost to States. It provides $20 billion. To me, that is lots of money. This is much more money than some would like to spend at all. However, there will be those for whom no amount of spending will ever be enough.

I am not saying Senator MURRAY is one of those for whom no amount of money would ever be enough. All I am saying is that at some point we have to determine a final dollar amount for State aid.

We have an amendment that provides $20 billion for States, and I think we should stick with that number. Therefore, Senator MURRAY's amendment at $40 billion is too expensive and must be opposed. I urge my colleagues to vote against this amendment. I urge them to support the Collins amendment.

I yield the floor.

Mr. BAUCUS. I yield whatever time the Senator from Washington desires.

The PRESIDING OFFICER. The Senator from Washington.

Mrs. MURRAY. Madam President, I know there are many other Senators on the floor who wish to speak to their amendments. Let me conclude this amendment debate by saying how important it is for our States that are struggling today with $75 billion or $80 billion in debt, that we do everything we can to get the economy going in a true economic stimulus package to provide funds for those States to assure they do not lose people off health care, that their education systems are intact, and they have the ability to deal with their budget crisis and we don't add to it with fiscally irresponsible tax cuts that preclude them from being able to provide the services that are so critical today.

I ask for the yeas and nays on this amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Madam President, I ask unanimous consent all pending amendments be temporarily set aside and the Senator from Michigan be recognized for the purpose of offering an amendment.

The PRESIDING OFFICER. Is there an objection? Without objection, it is so ordered.

The Senator from Michigan.

AMENDMENT NO. 614

Ms. STABENOW. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Michigan (Ms. STABENOW) proposes an amendment numbered 614.

Ms. STABENOW. I ask unanimous consent the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To ensure the enactment of a medicare prescription drug benefit)

At the end of end of subtitle C of title V, add the following:

SEC. . ENSURING ENACTMENT OF A MEDICARE PRESCRIPTION DRUG BENEFIT.

(a) TRIGGER.—Notwithstanding any other provision of this Act, the provisions as described in subsection (b) shall not take effect except as provided in subsection (c).

(b) PROVISION DESCRIBED.—A provision described in this subsection is—

(1) section 102 of this Act to the extent such section accelerates the scheduled phase down of the top tax rate of 38.6 percent to 37.6 percent in 2004 and to 35 percent in 2006; and

(2) section 116(a)(2)(B) of the Internal Revenue Code of 1986, as added by section 201 of this Act.

(c) DELAY UNTIL ENACTMENT OF A MEDICARE PRESCRIPTION DRUG BENEFIT.—The provisions described in subsection (b) shall apply to taxable years beginning in or after the calendar year in which a prescription drug benefit under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is enacted that is—

(1) available to all beneficiaries under such program; and

(2) actuarially equivalent to the Blue Cross and Blue Shield benefit offered through the Federal employees health benefits program.

Ms. STABENOW. Madam President, I rise this evening to offer an amendment that seeks to set the right priorities for us in the Senate and in the Congress as we move forward this year with the budget. My amendment is simple. It says before the dividend tax cut and the acceleration of the top tax rate go into effect, Congress must pass a Medicare prescription drug bill that is actuarially equivalent to the value of the Blue Cross standard option under the Federal Employees Health Benefits Program, known as FEHBP, for all Medicare beneficiaries.

This is a question of our values and priorities. My amendment is a promise to our Nation's seniors. It says you are as important as the elite in this country; we are finally going to get something done; and that it will be something that is equal to what we receive in the U.S. Senate. This is the third consecutive Congress that has considered adding an outpatient prescription drug benefit under Medicare. In the last two Congresses we were unsuccessful. To be fair, we were unsuccessful with a Democratic President, a Republican President, a Democratic Congress, a Republican Congress. The reality is we have not yet been able to deliver for our seniors the promise of prescription drug coverage under Medicare.

I believe the time is up. Our seniors and those who are disabled, who depend on Medicare, are counting on us to get this done this year.

In order to be able to do that, we need to impose some discipline on ourselves. We have to hold our feet to the fire in order to get this done. This amendment says to the House and Senate and the administration that we must all work together to pass a meaningful prescription drug benefit or a major component of the tax cut that is supported by the majority will not go into effect.

I would like to make it clear that my amendment does not eliminate the tax cuts on dividends or those for the people who pay the highest rates. As long as we pass a meaningful prescription drug benefit, these tax cuts would take effect as scheduled.

Having said that, I want to also indicate that I do not believe, from an economic standpoint, that is the best way to stimulate the economy. I agree with the over 450 economists who have said this will not create jobs; it will not create growth. But if in fact there is support to pass the tax breaks geared to the elite in the country, I ask my colleagues to at least be willing to hold off. At least be willing to hold off until we can fulfill the promise of an outpatient prescription drug benefit under Medicare.

My amendment says this should be available to all seniors, not just seniors in private insurance, as has been proposed by the President and by others, but all seniors should be able to get the same prescription drug coverage.

In addition, this amendment says the prescription drug benefit we pass should be actuarially equivalent to the plan that is most often used by Federal employees, including Members of Congress. In other words—and I have heard other colleagues say this—the seniors of this country should get no less in prescription drug help than we get through our insurance plan. That is what my amendment says, simply. The tax cuts geared to the most wealthy among us, the elite in the country, should wait until we can fulfill the promise of a prescription drug benefit that is equal to what we receive as Members of the Senate.

I have heard many friends on the other side of the aisle extol the virtues of our plan, the FEHBP plan. I have also heard the President and members of his administration make similar comments. They say a new prescription drug benefit should be modeled after the benefit in the Federal employee plan. In fact, on May 6 my distinguished colleague from Idaho, Senator CRAIG, held a hearing in the Aging Committee, which I am on, that highlighted the Federal employee program, its benefits, and so on. While the witnesses disagreed on whether it would be appropriate to go to the structure of that plan—and I have great concerns about anything outside of Medicare—they all agree that this plan that we and other Federal employees have offers excellent prescription drug coverage for Federal employees.

I think most of us agree our seniors deserve the same opportunity to have prescription drug coverage equal to what we or other Federal employees receive. However, the current budget resolution does not allow for that. It does not provide for the resources to do that. So despite the comments I have heard on a number of occasions from colleagues that, in fact, we ought to be providing similar coverage, the budget resolution does not provide the resources. So this, again, is a question of priorities. It is a question of values. What should come first, fulfilling the promise of a quality prescription drug benefit for our seniors under Medicare or proceeding with a tax cut geared to the elite in this country?

I think it is particularly of concern that we focus on this, particularly in light of the overwhelming evidence that those particular tax cuts will not stimulate the economy in the short run, will not create jobs, will not create growth. No matter how many times Members say that, with all due respect, we have overwhelming evidence—450 economists, 10 Nobel laureates, concerns by Chairman Greenspan—and only 13 economists on the side, saying it is a good idea.

Before we go ahead with something we know is not a short-term stimulus, doesn't create jobs, doesn't create growth, and, in fact, created red ink as far as the eye can see, I ask that we stop.

Whether Members wish to have a dividend tax cut and a top rate cut or wish not to, we should come together and agree we would not proceed until we provide prescription drug coverage that is quality and is similar to what we have as Members of the Senate.

This is a trigger. As I indicated, it is not eliminating those parts of the tax bill. It is simply a trigger on those.

If I might take just another moment on the broader issues of Medicare, on this question of whether we will have the resources to update Medicare to provide a real prescription drug benefit, one that we could probably support because it would be similar to what we are able to receive as Members of the Senate. The larger issue is where we are going in terms of the huge national debt projected for the future. The actual question is whether we will be able to meet our obligations overall for Medicare and Social Security in the long run without going into more and more deficit.

I refer to the study that was recently done that indicates if we were to take the proposals that have been put forward by the President—I realize in the Senate there is a modified version of that. We don't have exactly this amendment in front of us. But if we are to take what the President has suggested in totality over the next 75 years, we would see a cost of over $14 trillion.

At the same time, the projected Medicare and Social Security deficit is $10 trillion.

I go back again to my concern that this an issue of priorities. We have one proposal that creates a $14 trillion cost. At the same time that we know we have an unfunded liability in Social Security and Medicare of $10 trillion, why in the world would we do that? Why in the world would anybody? This is what the economists are talking about. Over 450 economists have come out against this, saying it will not create jobs; it will just create more massive debt; it will create instability long term in the economy; it jeopardizes Medicare and Social Security.

These are the numbers they are looking at. Why in the world would anybody with common sense looking at this say we ought to go in this direction? If we didn't go in this direction, and if we agreed to the amendment we are talking about, we would be sending a clear message that we are committed to really providing Medicare prescription drug coverage and not just talking about it for another session but really providing it for our seniors and for the disabled. And we would be sending a message that we are making a long-term commitment to Medicare and Social Security.

My fear is, if we proceed down the road as we currently are as a Congress, that we are creating a situation which will lend itself to the argument of those who say we can't afford Medicare and Social Security anymore. We heard that. We heard we can't afford prescription drug coverage; we can't afford Medicare as we know it; we can't afford Social Security as we know it. We can afford to update it for prescription drugs if we do not pass irresponsible tax policy that creates trillions and trillions of dollars in debt.

That is my concern overall. I am hopeful that we will reconsider this. I am very hopeful that in the meantime, regardless of the broader picture, colleagues will join to be able to send a strong message that we are going to put the seniors of the country first and a real prescription drug benefit first. As many colleagues have said, our seniors deserve the same kind of benefit that we receive in the Senate. This amendment would allow that to happen.

With the passage of these other provisions, it then would allow them to take effect after the prescription drug benefit is passed.

I reserve the remainder of my time. I yield to my colleagues who are possibly wishing to speak. I would like the opportunity to respond at the appropriate time.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. WARNER. Madam President, I see my distinguished colleague from

Ohio who arrived a few moments before me. I simply ask of my colleague whether I can proceed for 4 or 5 minutes without being disruptive to the statement on which he is proceeding.

Mr. VOINOVICH. I am happy to yield my distinguished colleague 3 or 4 minutes prior to submitting my amendment.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. Madam President, I ask unanimous consent to lay the pending amendments aside.

The PRESIDING OFFICER (Mrs. DOLE). Without objection, it is so ordered.

AMENDMENT NO. 550, AS MODIFIED

Mr. WARNER. Madam President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Virginia [Mr. WARNER], for himself and Ms. COLLINS, Mr. ALLEN, Mr. CRAIG, and Ms. MURKOWSKI, proposes an amendment numbered 550, as modified.

Mr. WARNER. Madam President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to increase the above-the-line deduction for teacher classroom supplies and to expand such deduction to include qualified professional development expenses)

At the end of subtitle C of title V, insert the following:

SEC. ___. EXPANSION OF ABOVE-THE-LINE DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) IN GENERAL.—Subparagraph (D) of section 62(a)(2) (relating to certain trade and business deductions of employees) is amended to read as follows:

''(D) CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.—The deductions allowed by section 162 which consist of expenses, not in excess of $400, paid or incurred by an eligible educator—

''(i) by reason of the participation of the educator in professional development courses related to the curriculum and academic subjects in which the educator provides instruction or to the students for which the educator provides instruction, and

''(ii) in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

Mr. WARNER. Madam President, I thank the distinguished Presiding Officer. I thank the managers of this bill and my colleague from Ohio.

I will proceed for a few minutes with regard to amendment No. 550, in which I am privileged to be joined by Senators COLLINS, ALLEN, CRAIG, and MURKOWSKI, the Presiding Officer. It relates to the teachers of America.

I learned, as other colleagues have learned on their trips to schools, to my utter astonishment that so many teachers reach into their own pockets and take their own dollars, after paying taxes in those instances where they pay taxes, and buy school supplies for the children. They have to use their own money for further teacher education.

Last year, the Congress of the United States, at the initiative of myself and many others, finally passed a law by which they got a $250 above-the-line deduction. That was a remarkable achievement legislatively. Unfortunately, that piece of legislation sunsets at the end of this calendar year.

The purpose of this amendment is, first, to increase $250 to $400 as the amount of deduction and, second, to enable that amendment now, by virtue of this amendment, to become permanent law so that they can plan their futures a little bit better. This deduction will be there for those wonderful and courageous teacher expenditures which they take out of their own pockets. I find it to be very touching.

I was talking to my colleague from Ohio while waiting to take the floor, and he told me that at the time he was Governor, they put similar legislation into State law. This, of course, will be Federal law and apply to all 50 States.

This amendment will make this important tax benefit permanent for our teachers. In addition, it will increase the above the line deduction to $400 and expand the allowable uses for the deduction to include professional development expenses.

It is important to note that the President's budget calls for this tax relief. I also note that the amendment has been endorsed by the National Education Association.

I ask unanimous consent to have printed in the RECORD a letter from the NEA endorsing my amendment.

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

NATIONAL EDUCATION ASSOCIATION,
Washington, DC, May 14, 2003.

U.S. Senate,
Washington, DC.

DEAR SENATOR WARNER: On behalf of the National Education Association's (NEA) 2.7 million members, we urge your support for the Warner amendment on teacher tax deductions when it is offered during consideration of the tax reduction plan. A similar amendment was approved by the Senate during the last Congress by a vote of 98–2. This year's vote may be included in the NEA Legislative Report Card for the 108th Congress.

The Warner amendment, which was originally introduced as the Teacher Tax Relief Act (S. 695), would increase to $500 and make permanent a tax deduction for educators' out-of-pocket classroom supply expenses. The amendment also would help educators access quality training, much of it mandated by the No Child Left Behind Act, by expanding the deduction to include professional development.

Last year, Congress enacted a $250 tax deduction for educators' out-of-pocket expenses as part of the economic stimulus package. The current deduction expires at the end of the year. The Warner amendment would make a real difference for many educators, who often sacrifice other personal needs in order to pay for classroom supplies and professional development. Two important reasons for supporting this amendment are:

According to a study by the research firm Quality Education Data, a division of Scholastic, elementary school teachers spend more than $1 billion a year on classroom supplies. The study found that the average elementary educator spends $521 annually, with first-year teachers spending over $700 a year for classroom supplies.

Teacher quality is the single most critical factor in maximizing student achievement. Ongoing professional development is essential to ensure that educators stay up-to-date on the skills and knowledge necessary to prepare students for the challenges of the 21st century.

We urge you to support this important amendment.

Sincerely,

DIANE SHUST,
Director of Government Relations.
RANDALL MOODY,
Manager of Federal Relations.

Mr. WARNER. Madam President, why do teachers need this kind of relief? It is now estimated that the average teacher spends $521 out of their own pocket each year on classroom materials—materials such as pens, pencils and books. First-year teachers spend even more, averaging $701 a year on classroom expenses.

Why do they do this? Simply because school budgets are not adequate to meet the costs of education. Our teachers dip into their own pocket to better the education of America's youth.

Moreover, in addition to spending substantial money on classroom supplies, many teachers spend even more money out of their own pocket on professional development. Such expenses include tuition, fees, books, and supplies associated with courses that help our teachers become even better instructors.

The fact is that these out-of-pocket costs place lasting financial burdens on our teachers. This is one reason our teachers are leaving the profession. Little wonder that our country is in the midst of a teacher shortage.

Without a doubt the Teacher Tax Relief Act of 2001 took a step forward in helping to alleviate the Nation's teaching shortage by providing a $250 above-the-line deduction for classroom expenses.

However, it is clear that our teachers are spending much more than $250 a year out of their own pockets to better the education of our children.

This amendment that I have offered today is the same as the administration's request. Again, the amendment will increase the above-the-line deduction for educators from $250 allowed under the current law to $400; allow educators to include professional development costs within that $400 deduction (under current law, up to $250 is deductible but only for classroom expenses); and make the Teacher Tax relief provisions in the law permanent.

Current law sunsets the teacher tax provisions at the end of this year.

Our teachers have made a personal commitment to educate the next generation and to strengthen America. And, in my view, the Federal Government should recognize the many sacrifices our teachers make in their career.

This amendment is another step forward in providing our educators with the recognition they deserve.

In my view, America's teachers deserve better.

I ask unanimous consent that an analysis of the President's budget request which depicts exactly the same amendment about which I am speaking also be printed in the RECORD.

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

EXTEND, INCREASE AND EXPAND THE ABOVE-THE-LINE DEDUCTION FOR QUALIFIED OUT-OF-POCKET CLASSROOM EXPENSES

Under current law, teachers who itemize deductions (do not use the standard deduction) and incur unreimbursed, job-related expenses are allowed to deduct those expenses to the extent that when combined with other miscellaneous itemized deductions they exceed two percent of AGI. Current law also allows certain teachers and other elementary and secondary school professionals to treat up to $250 in annual qualified out-of-pocket classroom expenses as a non-itemized deductions (above-the-line deduction), effective for expenses incurred in taxable years beginning after December 31, 2001 and before January 1, 2004. Unreimbursed expenditures for certain books, supplies and equipment related to classroom instruction qualify for the above-the-line deduction. Expenses claimed as an above-the-line deduction cannot be claimed as an itemized deduction. The Administration proposes to extend the above-the-line deduction to apply to qualified out-of-pocket expenditures incurred after December 31, 2003, to increase the deduction to $400, and to expand the deduction to apply to unreimbursed expenditures for certain professional training programs.

Mr. WARNER. Madam President, the amendment is in compliance with the President's program. It is the desire of this National Education Association just to take existing law, make it permanent, and to increase it to $400, given the calculations of the amounts that are expended each year by teachers all across America, which is larger than existing law, $250.

I appreciate the indulgence of my colleagues. I hope this amendment will receive the support of the Senate tomorrow as we proceed to vote.

I thank my colleague from Ohio and yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Madam President, I ask unanimous consent that the pending amendments be temporarily laid aside so the Senator from Ohio may offer an amendment.

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

Mr. VOINOVICH. Thank you, Madam President.

AMENDMENT NO. 592

Madam President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Ohio [Mr. VOINOVICH] proposes an amendment numbered 592.

Mr. VOINOVICH. Madam President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To establish a blue ribbon commission on comprehensive tax reform)

At the appropriate place insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Fundamental Tax Reform Commission Act of 2003''.

SEC. 2. ESTABLISHMENT OF COMMISSION.

(a) ESTABLISHMENT.—There is established the ''Blue Ribbon Commission on Comprehensive Tax Reform'' (in this Act referred to as the ''Commission'').

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Commission shall be composed of 12 members of whom—

(A) 1 shall be the Chairman of the Board of Governors of the Federal Reserve System;

(B) 1 shall be the Vice Chairman of the Board of Governors of the Federal Reserve System;

(C) 1 shall be the Commissioner of Internal Revenue;

(D) 2 shall be appointed by the majority leader of the Senate;

(E) 1 shall be appointed by the minority leader of the Senate;

(F) 2 shall be appointed by the Speaker of the House of Representatives;

(G) 1 shall be appointed by the minority leader of the House of Representatives; and

(H) 3 shall be appointed by the President, of which—

(i) no more than 2 shall be of the same party as the President; and

(ii) 1 may be the Secretary of the Treasury.

(2) FEDERAL EMPLOYEES.—The members of the Commission may be employees or former employees of the Federal Government.

(3) DATE.—The appointments of the members of the Commission shall be made not later than July 30, 2003.

(c) PERIOD OF APPOINTMENT VACANCIES.—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(d) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its first meeting.

(e) MEETINGS.—The Commission shall meet at the call of the Chairman.

(f) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

(g) CHAIRMAN AND VICE CHAIRMAN.—The President shall select a Chairman and Vice Chairman from among its members.

SEC. 3. DUTIES OF THE COMMISSION.

(a) STUDY.—The Commission shall conduct a thorough study of all matters relating to a comprehensive reform of the Federal tax system, including the reform of the Internal Revenue Code of 1986 and the implementation (if appropriate) of other types of tax systems.

(b) RECOMMENDATIONS.—The Commission shall develop recommendations on how to comprehensively reform the Federal tax system in a manner that generates appropriate revenue for the Federal Government.

(c) REPORT.—Not later than 18 months after the date on which all initial members of the Commission have been appointed pursuant to section 2(b), the Commission shall submit a report to the President and Congress which shall contain a detailed statement of the findings and conclusions of the Commission, together with its recommendations for such legislation and administrative actions as it considers appropriate.

SEC. 4. POWERS OF THE COMMISSION.

(a) HEARINGS.—The Commission may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers advisable to carry out this Act.

(b) INFORMATION FROM FEDERAL AGENCIES.—The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out this Act. Upon request of the Chairman of the Commission, the head of such department or agency shall furnish such information to the Commission.

(c) POSTAL SERVICES.—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(d) GIFTS.—The Commission may accept, use, and dispose of gifts or donations of services or property.

SEC. 5. COMMISSION PERSONNEL MATTERS.

(a) COMPENSATION OF MEMBERS.—Each member of the Commission who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(b) TRAVEL EXPENSES—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(c) STAFF.—

(1) IN GENERAL.— The Chairman of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director shall be subject to confirmation by the Commission.

(2) COMPENSATION.—The Chairman of the Commission may fix the compensation of the executive director and other personnel without regard to chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the Executive Schedule under section 5316 of such title.

(d) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(e) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairman of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

SEC. 6. TERMINATION OF THE COMMISSION.

The Commission shall terminate 90 days after the date on which the Commission submits its report under section 3.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as are necessary to the Commission to carry out this Act.

Mr. VOINOVICH. Madam President, I rise today to commend Chairman GRASSLEY for the outstanding job he has done to bring this reconciliation bill to the floor and to focus attention on our urgent need to address fundamental tax reform.

When the Senate enacted the budget resolution for fiscal year 2004, it presented Chairman GRASSLEY with a very difficult challenge—to report to the Senate meaningful, stimulative tax deductions while keeping the overall growth in the deficit below $350 billion. Many observers, in and out of Congress, considered that task impossible. But I believe the Finance Committee has accomplished that goal.

The reconciliation bill before the Senate today contains $430 billion in tax cuts and $80 billion in offsets, for a net cost of $350 billion. Equally important, both the tax cuts and the offsets are real. The Joint Committee on Taxation, a highly respected, neutral scorekeeper, has analyzed this bill and certifies the revenue effects of both the tax cuts and the offsets.

Many people claim this economic growth package is too small and they would like to see larger tax relief for small businesses and working families. So would I, but only if we can offset the additional cost. And some people claim the tax cuts are too large and will limit funds available to low-income support programs. I sympathize with their concern, but we must recognize that the most effective low-income support program is a job. And we can only provide jobs by jump-starting the economy.

Too many of our fellow Americans are out of work, too many of our fellow Americans are worried about whether they are going to have a job. Small business owners and investors in Ohio have told me this is a good plan that will help them create jobs in my State. We accelerate the reduction of tax rates, we end the marriage penalty, we accelerate small business depreciation, we increase the size of the child tax credit, and we begin to eliminate the double taxation of dividends.

Another area of contention is the nature of the offsets. It is in this area, more than any other, that Senator GRASSLEY has been unjustly criticized. He was asked to produce offsets that would limit the total cost of tax reform to $350 billion, and he has done it.

Members of Congress who oppose some or all of the offsets because of their impact on special interest groups have had ample time to present their own alternatives and failed to do so. It is easy to criticize, but it is difficult to legislate. Let us acknowledge that regardless of our individual opinions regarding the offset package Chairman GRASSLEY and a majority of his committee have chosen to legislate.

However, the current disagreements over the offset package inevitably begs the question: Why is the Tax Code so complicated? How did we get into this situation? And how can we return to a simple, fair, and honest Tax Code? What is stimulative to the economy? What isn't stimulative? What tax expenditures came in several years ago which are no longer relevant? All these issues need to be discussed. That is why I am offering this amendment.

Many of my colleagues have said: We need fundamental tax reform, but now is not the time. I have heard that over and over. I have heard that for years: Tax reform but now is not the time.

I think the debate over offsets demonstrates this is precisely the time to abandon piecemeal tinkering and embrace fundamental tax reform. This Congress—not the next or the one after that—should seize the opportunity to focus national attention on the need for comprehensive tax reform in the United States of America.

I am proposing the establishment of a commission to examine the Tax Code from top to bottom. And I recommend fundamental restructuring. The goal of any Government revenue program should be to raise sufficient funds to operate public programs with the minimum disruption of the economy. Tax structures should be simple, fair, effective, and honest. Our current Tax Code achieves none—none—of these objectives.

Proof of the complexity of our current Tax Code is demonstrated by a few, simple observations:

The Internal Revenue Code consists of approximately 1,395,000 words.

There are 693 sections of the Internal Revenue Code that are applicable to individual taxpayers; 1,501 sections applicable to businesses; 445 sections applicable to tax-exempt organizations, employee plans, and governments.

As of June 2000, the Treasury Department had issued almost 20,000 pages of regulations containing over 8 million words.

The current 1040A short form has doubled the number of lines that once appeared on the 1945 version of the standard 1040 tax return. It has an 85-page instruction booklet which now tops the long form 1040 instructions published just 7 years ago. This is the short form, 85 pages; and it is more than the instructions that we had 7 years ago on the long form.

The IRS prints at least 1,101 publications, forms, and instructions, containing 16,339 pages, up from 943 documents with 12,933 pages. That is 2 years ago.

Over 56 percent of the taxpayers in this country need professional people to help them prepare their tax return. Americans toil for about—listen to this—6.4 billion hours on tax forms and recordkeeping, accounting for 84 percent of the Federal Government's paperwork burden in this country. And that is associated with the Internal Revenue Code. This only includes financial recordkeeping and tax preparation, and these estimates may be too low since they ignore the countless hours spent on tax minimization strategies. Everybody is working to figure out a way not to pay taxes.

Included among the items of needless complexity today are the following:

An alternative minimum tax that treats items such as dependent exemptions as tax shelters, thereby threatening to tax millions who never were meant to be affected; phaseout after phaseout of such allowances as itemized deductions, earned-income tax credits, personal exemptions, eligibility for IRAs, eligibility for other savings incentives, eligibility for educational tax breaks; and each of these is like an additional minimum tax system all of itself, forcing taxpayers to file multiple schedules for each form.

I have a very simple return. I do not have that much. But the schedules that are connected with my return are unbelievable. I am sure my colleagues who think about it think about all the time they spend on preparing their own individual tax returns.

Also, included among the many items of needless complexity today are:

Pension and saving incentives that add administrative costs and possibly even reduce net savings by providing different rules for withdrawals, penalties, Social Security tax treatment, allowable amounts of exclusion or deduction, and so on; a tax treatment of dependent children that needlessly causes millions of unnecessary tax returns to be filed; a capital gains law with at least seven different tax rates, and that requires taxpayers to fill out pages of forms even when they have only a few dollars of capital gains; complicated rules for charitable deductions and charities, including multiple limits on giving as a percent of income, and a perverse excise tax on foundations that actually discourages charitable giving; child credits and dependent exemptions that could easily be folded into one; and unnecessarily strict estimated tax rules that pick up very little extra revenue for all the complexity they introduce.

It is unbelievable.

One of the most disturbing aspects of this current Tax Code is the almost continual growth of so-called tax expenditures. Essentially, they increase the level of tax rates far beyond what is necessary, and then mitigate the impact with incentives to special interest groups. It is the Government equivalent of jacking up prices in the grocery store, and then accepting coupons at the checkout counter.

Private sector investment becomes distorted by tax provisions encouraging both individuals and corporations to allocate their funds to minimize their taxes rather than to maximize their income. Ultimately, most people end up paying more than they should for both their groceries and their taxes.

According to a recent article in the Washington Post, many leading tax reform advocates believe the only solution for this dilemma is to propose new and different tax cuts every year. Although I sympathize with their goal, it will not provide the most effective reforms that meet the ultimate test the American people demand: a Tax Code that is fair, simple, and honest. Tax reform, like surgery, is best done quickly. Do you hear that? Tax reform, like surgery, is best done quickly and infrequently rather than slowly and often.

That is why I am proposing a commission to propose comprehensive reform that can be enacted at once, implemented quickly, and establish a fair, simple, honest, and effective revenue structure for the next generation.

This commission will examine all aspects of the Federal revenues, including individual taxes, corporate taxes, capital gains taxes, excise taxes, user fees, taxes on dividends, tax deductions, tax credits, and tax complexity.

The commission will recommend fundamental reforms that can be enacted in a single reform package and implemented quickly. It will allow Congress and the Nation to focus on tax reform, devise a simple, fair, honest solution, and move on to other priorities.

The current debate clearly demonstrates the system is broken and now—not next year, or the year after—now is the time to fix the problem.

Madam President, I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from Montana.

Mr. BAUCUS. Madam President, I think the Senator from Ohio is on target. It makes excellent sense for the United States to set up some kind of a tax commission to take a good, hard look at our tax structure. As I listened to the Senator's amendment being read, one thought came to my mind, though. That is, commissions sometimes work and sometimes they don't work. And the goal here, clearly, if we do this, is to make it work.

That begs the question, how do you make it work? How do you make it worthwhile, not just some outfit drawing conclusions that are put on the shelf to gather dust. Most commission recommendations are put on the shelf to gather dust.

The one commission that comes to my mind that really has worked—and I can think of many that have not—is the commission on Social Security back in the early 1980s, when President Reagan nominated Chairman Greenspan to head the commission on Social Security. Various Senators were on the commission. Senator Dole was on the commission, and Senator Moynihan. They had a job to do, and they did a pretty good job. It was not political. The President, both bodies of Congress, both political parties, all got together and worked with members on the commission to come up with recommendations to save Social Security.

Two points: One is, the membership is people who really want to do a good job. They work together. There is not any political sniping, no partisan rhetoric. They work together. And it is very important that the composition of the commission be people who do want to work together; that is, the commission not be stacked.

The second point is at that time there was a crisis. Social Security was about to go belly up. A crisis generally creates solutions and results. The complexity of the U.S. Tax Code and the increasing complexity of the Tax Code may have become a crisis in the nature of Social Security back in the early 1980s; I don't know.

I am saying to the Senator from Ohio: It is a good amendment. As most things in life, it is the followthrough that counts, the followup that counts. It is making sure that if we do this, the right people are appointed. I say that in part because when I listened to the Senator, he mentioned two members appointed by the majority leader, one by the minority leader, three by the President, and also the House. It has the possibility of being a stacked deck, possibility of being a partisan commission. That is the last thing we need around here is a partisan commission on tax reform.

I would like to work with the Senator, and I know other Senators would like to work with him, to do the very best we can to make sure this is not a stacked deck, and it is not therefore a commission whose recommendations collect dust on some shelf somewhere but rather something that makes good sense.

One other point I might mention while the Senator from Ohio is here. I know the Senator is wondering, just as I think most Senators in this body are wondering, what is the real effect of dividend exclusion. What effect does it really have. There are a lot of people who have lots of ideas. A lot of economists have spoken on the effect of excluding dividends from income. I think in theory most of us agree there is some inequity between the taxation of equity and the taxation of debt with respect to companies' decisions as to whether to invest or investor decisions as to whether to invest.

One point that often rises in the debate is the wealth effect. What is the wealth effect of a significant reduction in dividend income? Who knows, really? There are all kinds of analyses; different people have different points of view. We are trying to do our best to try to get opinions of people who really don't have an axe to grind, of people who really, as far as we can tell, are pretty straight, who have their heads screwed on straight and they are trying to give us the right recommendation rather than spoon-feed us some political agenda from any side.

I am trying to do the best I can by trying to find people who are probably neutral. The three organizations I looked at that have analyzed the wealth effect of the President's dividend proposal are Brookings Institute, McKinsey & Company, and Goldman Sachs is the third. Let me go through first the Brookings analysis briefly. I think it is instructive.

The total value of equities held by households in the United States is $10 trillion. That is, the total value of all equities held by households is $10 trillion. I will get to institutional investors in just a moment.

The reasonable estimate of the stock price increase due to the President's dividend proposal, according to Brookings' analysis, is 5 percent. The increase in value effect of equities held by households as a result of the stock price increase is about $500 billion. The next question is what is the wealth effect, how much effect of that increase, if it is 5 percent, is going to be translated into spending in the economy.

The Brookings analysis is that the wealth effect—that is, the percent of wealth increase that is consumed rather than saved by households—will be 3 to 5 percent. So that means the increase in consumption as a result of the wealth effect is about $15- to $25-billion, which is about .14 percent to .23 percent of GDP. We all know that usually to have a real stimulus in the economy you need somewhere between 1 and 1.5 percent; and .14 and .23 is certainly very small compared with 1 percent or 1.5. That is the Brookings analysis.

The McKinsey Company's analysis is very similar. I want to read a quote from the McKinsey analysis. I think it is instructive. It says:

> But the proposed tax cut (eliminate tax on dividends) isn't likely to have a major lasting effect on US share prices, primarily because the key investors who drive them are already exempt from taxes. What little impact the proposal may have was probably reflected in the 2.2 percent gain in the S&P 500 the day before it was announced.

Continuing on to quote:

> Those who believe otherwise draw on classic finance theory. In a world without taxes, theory suggests, shareholders would be indifferent to whether a corporation paid dividends, since the funds to do so would come at the shareholders' own expense. In a world with taxes, shareholders may face different tax rates on, for example, dividends as opposed to capital gains. They would care whether a company retained its earnings or distributed those earnings as dividends, because this would affect how much they got to keep. If all investors paid taxes on dividends, yes, share prices probably would rise if the tax were eliminated.
>
> The fact, however, is that tax-paying US individual shareholders own a minority of all US shares—

That is, about 28 percent. That is, individuals own about 28 percent.

> whereas tax exempt US institutions and individuals who hold shares in tax-exempt accounts own 61 percent. (The remainder was

in foreign hands.) For the most part, taxpaying individual shareholders don't drive share prices, whereas nontax-paying institutional investors do: the trading activity of a company's top 40 to 100 investors—again, usually big institutional investors—accounts for 70 percent of its stock price movement.

Since these investors are indifferent to the issue of taxes on dividends [because they are tax exempt] they are unlikely to set in motion the kinds of changes in their portfolios that would drive up share prices.

I will soon yield to the Senator from Ohio.

The third reason Goldman Sachs gave in their review is that it would generate no more than a 5 percent increase in stock prices. That is the Goldman Sachs view.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. VOINOVICH. I will soon ask for the yeas and nays on my amendment.

Second of all, the ranking member of the Finance Committee and I sat in on meetings together as part of the centrist coalition. The thing that impressed me, when we met with Alan Greenspan, was the fact—and he has said this publicly since the time we had our private meeting with him—that the most significant thing we could do to aid the economy was to eliminate double taxation, eliminate the tax on dividends, although it was a short-term benefit, he said, but something systemic needs to be done to better the Tax Code.

You can argue the dividend issue any way you want, but what I usually do is ask the people back in Ohio how they feel about it. No. 1, many of our businesses that have defined pension plans, because their stock is down, are going to be asked for an enormous amount of money to be deposited in those fine pension plans, which they don't have. Other corporations have told me that if their stock price gets a bump, they will issue stock and they will get cash that way so they won't have to borrow it the way they are now borrowing the money.

In addition, there are many people, such as my son George, who have retirement accounts, who have seen those retirement accounts go down in value. There are millions of Americans in that same position. Other Americans, who are in a better position, have seen a vast amount of wealth disappear in the stock market. Many of them say to me that eliminating the tax on dividends will give a bump to the market. Because the market will get a bump up, they are going to feel a little better about the future and, as a result of that, will be more likely to spend some money.

So you can argue this any way you want.

I have other people who say to me, if you do this, it is going to impact on municipal bonds, affect real estate trusts, and eliminate or have an impact on the low-income housing tax credit.

So that is the issue we are talking about here. We will talk about that today and tomorrow.

What we really need to do is put all of this on a table and not do it as part of this stimulus package, and have tax reform, so we can start to look at the wealth factor and look at whether it makes a difference in terms of our economy. We have tax loopholes and tax expenditures that are really no longer relevant. We can take that money and put it into something elsewhere. We can reduce taxes and provide something that would be really helpful to the economy. But we don't do that around here. We take things from day to day, week to week, year to year.

I say to the ranking member of the Finance Committee, my distinguished colleague, if the commission membership is not what it ought to be, I am glad to rewrite it so that it is entirely impartial, so it will get the job done. I want to get the job done. I would like to have a commission such as they had in 1983 when we looked at Social Security. They did a good job. I think we ought to do that again. I think a lot of people agree on that. But unless we get at it now, it will not happen, we will let it go, and it will be something else next year.

Mr. BAUCUS. Madam President, I appreciate what the Senator said, and he is correct. We have had all kinds of theories, and it is hard to tell what is the most accurate. Maybe we should just not pass this bill because we are going to make the Code that much more complex by passing this legislation, and so we will at least be giving the commission a bit of a break. I appreciate what the Senator has said.

Mr. VOINOVICH. Madam President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. BAUCUS. Madam President, I ask unanimous consent that the pending amendment be temporarily laid aside so the Senator from Florida may offer an amendment.

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

AMENDMENT NO. 617

Mr. GRAHAM of Florida. Madam President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Florida [Mr. GRAHAM] proposes an amendment numbered 617.

Mr. GRAHAM of Florida. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

(The amendment is printed in today's RECORD under ''Text of Amendments.'')

Mr. GRAHAM of Florida. Today, the Senate began consideration of the Jobs and Growth Tax Relief Reconciliation Act of 2003. This is an appropriately named act because the economy is very much in need of assistance.

The President's mishandling of the economy since January 20, 2001, is almost incredible. Two million-plus Americans have lost their jobs since that date. We have seen a 50 percent increase in the unemployment rate to last month's 6 percent. The stock market has lost a quarter of its value. There has been a $7 trillion turn in the Federal Government's finances—from a $5 billion projected surplus to today's $2 trillion projected addition to the national debt.

The CBO's most recent estimate is that the deficit this year will top $350 billion—the largest annual deficit ever. Economic growth has been anemic—on average, 1 percent, and consumer confidence has dropped 34 percentage points.

What has been the response to this dismal economic record? The President has proposed the same prescription that he proposes for nearly all of our mounting domestic problems: tax cuts for the very wealthy.

Madam President, I don't think we have a problem; we have at least three interconnecting challenges. The first is to regenerate a moribund national economy; the second is to prepare for the next decade, when our Government will be faced with enormous additional expenses, particularly in Social Security and Medicare; and finally, the immediate crisis that is occurring because of our States' financial positions and what that is doing to wage loss, benefits loss, and a denial of the services that represent the ultimate safety net under much of our population.

The bill the Finance Committee has reported very closely follows the President's plan. There are two fundamental aspects of this plan with which I take the strongest exception. First, the mix of tax cuts that it includes will do little to stimulate the economy, which we desperately need. Second, the cost of this program is not offset, so Federal deficits and the debts that we will pass on to our children and grandchildren will grow even greater.

Why is a stimulus important—a real stimulus? It is important because consumer spending makes up two-thirds of our economy; so as consumers go, so goes our economy. The economy is struggling today not because we don't produce enough goods and services in the United States but because consumers are reluctant to spend what they have to purchase those goods and services.

Madam President, I would like to direct your and my colleagues' attention to this picture. This picture was taken on a desert airport in Senator KYL's State of Arizona. It is a picture of a portion of the over 300 commercial airliners currently parked on that airfield.

I submit these airplanes are not parked on the airfield in Arizona because Boeing cannot build enough airplanes. They are parked there because there are not enough passengers who want to or are able to or are willing to fly in those airplanes.

This administration, in spite of that fundamental truth, has pursued a plan that does not emphasize demand-side stimulus. The administration believes producing goods and services is more important than selling those goods and services.

This picture of airplanes parked is evidence that producing goods is not enough. For the economy to get back on track, more Americans must shop at our malls, go out to eat, and buy airline tickets. Putting more money quickly into the hands of those who are the most likely to spend it is the best formula for jump-starting this economy.

Rather than spread tax cuts broadly to spur consumer demand, the President's plan directs most of the tax cuts to the wealthiest taxpayers. President Bush believes we need to reduce the tax burden on investment by completely exempting dividend income from the income tax. By doing so, President Bush hopes to spur savings and investments. Businesses are not going to make such investments when today, on average, they are only using 75 percent of their capacity.

The plan I offer today provides substantial tax relief for all working Americans. My plan will give to the typical two-working-member family paycheck tax relief of up to $1,530 this year and again $1,530 next year. Let me recite a couple of recent experiences.

Last Friday, I taught school at Oyster River High School in Durham, NH. I talked to some of the teachers at that school. Very few of them are invested in the stock market. Those who are invested in the stock market are invested generally through a plan, such as a 401(k) retirement plan, where the dividends are already exempt from taxation. So they will get zero benefit from this plan.

On Sunday of this week, I worked at Drake's Diner in Des Moines, IA. I talked to the bus boys, the waiters, the cooks, and the dishwashers. I tell you, their salary level is not sufficient for them to have a significant presence in the stock market. This paycheck relief plan will put real money in the pockets of real Americans who will spend it to stimulate the demand that is so critical to getting this economy jump-started. This paycheck tax relief will inject $200 billion into the economy over the next 2 years.

During the Finance Committee markup, some criticized the wage tax as being a threat to the finances of the Social Security trust fund. That argument is a red herring and has no basis. My amendment makes absolutely no changes to the payroll taxes paid by employers and employees and, therefore, does not affect one thin dime of the revenues that go in to the Social Security and the Medicare trust funds.

My amendment provides a refundable income tax credit for workers designed to provide the same benefits as would a temporary reduction in the payroll tax.

My plan also includes tax relief for small businesses. It substantially increases the amount of machinery and equipment that a small business can deduct; therefore, creating an incentive for that business to make its investment now when we need it as opposed to deferring it to a future date.

My amendment will provide States with over $40 billion in aid over the next 12 months. This temporary assistance is provided to the States by the Federal Government, increasing its share of Medicaid costs.

Greater assistance from the Federal Government will help forestall drastic cuts in State health programs that will affect those least able to absorb them. Directing relief to the Medicaid reimbursement rate is the most efficient means by which to get these funds to the States.

Finally, my plan bolsters unemployment compensation benefits. Many of those over 2 million people who have lost their jobs since January 20, 2001, have lost them for a considerable period of time and, thus, have exhausted both their State and now their Federal unemployment benefits. My proposal would extend the Federal program, which is currently scheduled to expire at the end of this month, through November. It would provide 26 weeks of benefits to those who are struggling to find work in this stagnant economy. It would also provide 13 weeks of benefits to the approximately 1 million workers who had exhausted their benefits before the end of last year but who were excluded from the extended program which we enacted in January.

Finally, this proposal gives the States the option of modernizing their unemployment compensation programs to better cover part-time and low-wage workers.

In summary, the plan I have submitted will stimulate demand and, thus, has the better opportunity to stimulate the economy. It focuses all the money in the next 24 months, as Senator NELSON from Nebraska commented that one of his objections to several of the proposals was they would spread the money out over a 10-year period and, in the case of the President's plan, an infinite period because the tax cuts would stay in effect assumedly until Congress acted to do otherwise, whereas what we need to do is the money that is available to stimulate the economy needs to be focused in the period when the economy needs stimulation.

Finally, this plan is fair. It treats all Americans, whether they are teaching school in Oyster River or whether they are busing tables at Drake's Diner, fairly and gives them an opportunity to be part of the recovery of the American economy.

Maybe even more important, my plan does not ask our children and grandchildren to foot our bill. We have had an incredible buildup of debt. If I could use as an example my own family. My father was born in 1885. On the day he was born, he inherited, as his share of the Federal national debt, $33. I was born in 1936. On the day I was born, I inherited a national debt of $264. My oldest daughter was born in 1963. When she was born, she inherited as her portion of the national debt $1,634. The last number I am going to give you is stunning, almost unbelievable. My youngest granddaughter was born 3 years ago. When she was born, her share of the national debt was $20,163.

In four generations of one American family, we have gone from $33, as that citizen's portion of the national debt, to $20,163. This expansion of debt is not only immoral, it is also bad economics. By putting the cost of their tax plan on the Nation's credit card, the President jeopardizes the very economic growth we hope to stimulate.

Increasing the debt reduces national safety, crowds out private sector borrowing, increases the cost of capital for the private sector, and ultimately reduces economic potential. Even further, there is a commonsense reason to offset the cost of the stimulus bill so that it does not increase the national debt. In just 8 years, the first wave of the baby boom generation, born after World War II, will become eligible for full Social Security and Medicare benefits.

Today, there are 39½ million Americans eligible for Social Security and Medicare full benefits. In the year 2011, 8 years from today, when the first of the baby boomers become eligible, there will be 45 million. At the time when the last of the baby boomers turn 65, which will be in the year 2030, there will be nearly 72 million participants in these two programs.

Those numbers are hard to comprehend, but what they say is that our Federal Government has entered into a contract with our citizens paying through this very payroll tax that we discussed earlier, with the expectation that upon retirement, they will have purchased some benefits, both economic and medical security.

My plan is fully offset, primarily by suspending some of the tax cuts enacted in 2001, tax cuts that have yet to go into effect. My proposal suspends the reductions in the top three income tax rates planned to go in effect in 2004 and in 2006. My plan freezes the planned cuts in the estate tax scheduled beyond 2006. My plan also clamps down on those Americans who avoid paying taxes by investing in abusive tax shelters, moving their corporate headquarters to a file cabinet in Bermuda or hiding assets offshore.

We need to bring America back to a time when our economy was booming and our Federal finances were sound. The President's plan will not do that. My plan will.

I ask for the yeas and nays on this amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER (Mr. GRAHAM of South Carolina). The Senator from Arizona.

Mr. KYL. I ask unanimous consent that the pending business be set aside for the purpose of offering an amendment.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

AMENDMENT NO. 575

(Purpose: To further enhance the denial of deduction for certain fines, penalties, and other amounts.)

Mr. KYL. Mr. President, I send amendment No. 575 to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will read the amendment.

The legislative clerk read as follows:

The Senator from Arizona [Mr. KYL], for himself, Mr. CORNYN, Mr. ALEXANDER, and Mr. ENSIGN, proposes an amendment numbered 575.

Mr. KYL. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Text of Amendments.'')

Mr. KYL. I ask unanimous consent that this amendment be designated the Kyl-Cornyn amendment and that Senators ALEXANDER and ENSIGN be listed as original cosponsors.

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

Mr. KYL. Mr. President, I will address this amendment for a few minutes, and then I am going to speak on the dividends proposal that will be offered tomorrow and that hopefully the Senate will approve as one of the perfecting amendments of the legislation that passed out of the Finance Committee.

The first thing I would like to do is to describe the amendment that I have just laid down. I know Senator CORNYN is coming a little bit later, and he will be talking about it, too.

This amendment is known as the tobacco tax lawyers amendment. The technical name is different than that, but the gist of this amendment is that about $9 billion could be returned to the States, the clients in the tobacco litigation, from the attorneys who overcharged those clients. This legislation ensures that overcharging be recognized in law so that the States can apply for that refund.

How does that work? There is an existing IRS Code provision that says if one is the trustee of a trust, and they overcharge that trust, they take too much in the way of fees out of it, they have to return those fees. The IRS will enforce that.

In fact, the Secretary of the Treasury is involved in that process. We simply apply that same existing IRS Code provision to this situation where attorney's fees have been charged in excess.

The common thread is a fiduciary relationship, the legal term which applies where a trustee or a lawyer to a trust or to a client has a responsibility above and beyond a mere contractual responsibility. As the court cases all attest—and I will quote a couple in a moment—whereas a contract between two regular people is enforceable in law, with respect to a trustee or a lawyer, where you have a fiduciary responsibility to the client or to the trust, that contract is not the most important thing. The most important thing is the fiduciary responsibility, which the law will enforce, above the contracted for fee. That is what would apply in this particular case.

As a result of the tobacco litigation we are all familiar with, the fees are being paid to these lawyers at the rate of about $500 million a year. That exists for 30 years until the year 2028, possibly forever if the lawyers win their argument for an inflation adjustment. Some attorneys are receiving fees—if we can believe this now—in excess of $150,000 an hour.

Senators make about $150,000 a year, and there are a lot of people who think Senators are overpaid. Think about instead of earning $150,000 a year, a person earned $150,000 every hour. That is what some of the attorneys in this tobacco litigation are earning. It is unconscionable, and no contract that provides for that can be enforceable in law. It is clearly a breach of the fiduciary responsibility.

Congress enacted this Tax Code provision in 1996 in response to two very famous people. I will not mention their names, but they set up a trust and then proceeded, basically, to pay themselves as trustee most of the money out of the trust. Congress said: That is not right. We do not care what the contract says. It is wrong. The IRS can tax you on that overage.

That is the same provision we would use. The Congress can tax you on that overage, and I will describe in a minute how we actually describe what the overage is.

I will first assure my colleagues that the money that would be returned by the tobacco lawyers is not returned to the tobacco companies. They have to pay the money. They either pay it to the lawyers or they pay it to the States. The money would be returned to the States. As I said, under the original bill that Senator CORNYN and I introduced, it is about $9 billion. That is the securitized value of this income stream of over half a billion dollars every year for 30 years, and maybe in perpetuity. So $9 billion is the reduced-to-present value of this fee award.

I have a chart, which I do not think I will bother to put up on the easel, which shows what every State would get. My State, for example, would receive about $164 million, and it could use that money. Since it is based purely on population, if that is what Arizona, with a little over 5 million people, received, my colleagues can figure out what their State would receive.

I will go back to describe what the tobacco settlement really did because most people are not aware of what happened in the tobacco settlement. Attorney's fees were not awarded in the tobacco settlement pursuant to contract. So for those people who say we are trying to abrogate contracts, as I said, we are not talking about contracts. We are talking about a fiduciary responsibility. In any event, in the tobacco settlement, there was not a contract. Nor were they awarded by a court, which is the other way that ordinarily attorney's fees are awarded as a result of successful litigation.

So it was not awarded by a contract, and it was not awarded by a court. Instead, after the tobacco companies' initial offer to settle the litigation and that offer failed and Congress rejected a legislative settlement, which some of my colleagues will recall, the tobacco companies and the lawyers agreed to a $246 billion settlement, with a special provision for attorney's fees. So this was not between the lawyers and clients. It was between the lawyers and the other party, something about which courts always raise a red flag.

That provision included a very unusual agreement by the tobacco companies to pay the fees of these lawyers who represented their opponents, the States. The fees were ostensibly set by a panel of three arbitrators, and there are some very interesting articles about how this would occur that would make your blood boil. Two of the majority were effectively chosen by the lawyers.

In this agreement, the tobacco companies and lawyers agreed to immunize all fee awards from judicial review. In other words, it stipulates that it cannot be reviewed by a court. And all proceedings were concealed from the public. That is what we are talking about—a secret deal by which the tobacco companies agreed, as part of how much money they had to pay out, that they would pay these substantial fees to the lawyers.

It does not take too much imagination to figure out that it was in the best interests of two parties that this arrangement exist—the lawyers and the tobacco companies. They got together and they concocted a secret deal which was never reviewed by a court, is not pursuant to a contract, and which, by the precedence of this Congress, can be limited.

Now, the amendment we have proposed guarantees that none of these lawyers receives less than $20,000 an hour for their services. Is that generous enough? None of them will get less than $20,000 an hour. How much is a plumber charging these days? A hundred dollars an hour? I am not sure what it is. How much does a schoolteacher get these days? Probably not $100 an hour when you add it all up. These lawyers would be guaranteed $20,000 for every hour they put in. Some claim to have put in 10,000 hours, 20,000 hours, 30,000 hours. Add it up. They will not have to sell their yachts.

As I said, there are a lot of descriptions of this, and I will put some of this in the RECORD at the appropriate time.

I wanted to note, if anyone thinks I misspeak, in one of the articles it is noted that in the case of Michigan, for example—I will be very specific—the fee worked out to $22,500 an hour for this particular firm. These lawyers would therefore have to take a little bit of a cut. Instead of getting $22,500 an hour, they only get $20,000 an hour.

Now, The Economist, a respected magazine published in Great Britain, notes that tobacco settlement ''arbitration is a mere figleaf. The money going to the lawyers was clearly part of the overall amount that the tobacco companies were willing to pay to settle the case. Whatever the lawyers get, the States do not.''

That is the bottom line. So the money has to be returned to the clients, the States, not the tobacco companies.

As I said, the proposal is based on the intermediate sanction tax, an existing provision of the Tax Code that applies a punitive tax to the excessive portion of a fiduciary's fee and effectively forces the fiduciary to restore the excessive portion of the fee to the client. Our amendment applies the same tax formula to the excessive attorney's fees in the mega-lawsuits.

The suit would have to be $100 million or this provision would not apply. We are talking about a very minute number of lawsuits per year; probably 15 to 20 litigations a year, at most, according to experts, would qualify. You have to exceed $100 million as part of the settlement or judgment.

Let me note, because one of my colleagues said you have to have contingent fees in the big complicated cases, that is very true, lawyers will take tough cases on a contingent fee. In the early stages of this litigation, it was tough litigation, that is true. So sometimes lawyers will take a third, sometimes even 40 percent. I have seen fees as high as 50 percent of the settlements.

What have experts and courts said about that? Courts have made clear that fee agreements based primarily on the size of the recovery tend to become unreasonable when judgments reach the $100 million mark, which is the mark we use here. As one court stated:

> In much smaller cases, a fee award of 33 percent does not present the danger of providing the plaintiff counsel with the windfall that would accompany a mega fund settlement of $100 million or upwards, but it is quite different when the figure hits the really big time.

Whereas the Third Circuit Court notes:

> Courts have generally decreased the percentage awarded for attorney fees as the amount recovered increases and $100 million seems to be the informal marker of a very large settlement.

It is one of the reasons we chose the $100 million mark.

The logic of avoiding judgment-based awards in the very largest lawsuits is straightforward:

> It is not 150 times more difficult to prepare, try, and settle a $150 million case than it is to try a $1 million case, but the application of a percentage comparable to that in a smaller case may yield an award 150 times greater.

Another said:

> There is considerable merit to disallowing standard percentage awards as the size of the recovery fund increases. In many cases the increase in the recovery is merely a factor in the size of the class and has no direct relationship to the efforts of counsel.

That certainly was the case in the tobacco litigation.

Before the trial lawyers or some of their allies say this is a Republican lawyer-bashing amendment, I say two things. First, I am a lawyer. I am not trying to bash any lawyers. A guaranteed fee of $20,000 an hour would be considered extraordinarily generous by the standards of most of my colleagues. Second, the fee formula used in this situation allows attorneys to receive up to 500 percent of what courts usually determine as reasonable hourly rates but not less than $20,000 an hour. So you take what a court determines as a reasonable rate, add 500 percent—no one can contend that is unfair—and that is the standard used in this typical type of case.

Before you say this is Republican lawyer bashing, this came from probably the most liberal court in the country, the Florida Supreme Court, which in a specific case tried to determine what would be a fair fee in a situation like this.

What it said was that the maximum multiplier that it thought was appropriate was this multiplier of 5, or 500 percent.

Here is what the court said:

> We set the maximum multiplier available in this common-fund category of cases at 5. . . . [A] multiplier which increases fees to five times the accepted hourly rate is sufficient to alleviate the contingency risk factor involved and attract high level counsel to common fund cases while producing a fee that remains within the bounds of reasonableness. We emphasize that 5 percent is a maximum multiplier.

I take this as the most liberal of standards, the reasonable attorney's fees, plus 500 percent, and then say, but we will guarantee you that you do not get anything less than $20,000 an hour if it turns out not to satisfy that. I challenge any of my colleagues, if you vote against this amendment, you are going to have to justify paying lawyers $20,000 an hour rather than returning that money to the States.

The original of the bill Senator CORNYN and I filed has this provision effectively from June of last year. To avoid any question that it is retroactive, we made it effective on the effective day of the act, so it is only prospective.

There is one more thing I want to summarize. This act does not alter the considered fee award standards of any jurisdiction in the country. Rather, it is intended to enforce those standards and to correct the occasional extreme outlier. What we are doing is enforcing the court-imposed law relating to fiduciary responsibilities.

Let me quote a couple of these courts. This is from the Illinois Supreme Court:

> A fiduciary relationship exists as a matter of law between attorney and client.

The New Jersey Supreme Court:

> An attorney's freedom to contract with a client is subject to the constraints of ethical considerations.

The Massachusetts Appeals Court:

> While freedom of contract is the guiding principle underlying contract law, contractual freedom is muted in the lawyer-client and lawyer-lawyer context.

That comes from a law professor, Joseph Perillo.

Here is another court:

> [A]n attorney is only entitled to fees which are fair and just and which adequately compensate him for his services. This is true no matter what fee is specified in the contract, because an attorney, as a fiduciary, cannot bind his client to pay a greater compensation for his services than the attorney would have the right to demand if no contract had been made. Therefore, as a matter of public policy, reasonableness is an implied term in every contract for attorney's fees.

As I noted before, in this case, in the tobacco litigation, you don't have a contract between the client and the attorney. The contract is between the attorney and the opposing parties, the tobacco companies, which make it even more suspect.

Again, as I said, this does not change the substantive law. It simply enforces preexisting fiduciary standards that bind every attorney in every State.

I urge my colleagues when we vote on this amendment tomorrow to just consider the alternative. These lawyers are all going to get a ton of money, hundreds of millions of dollars, guaranteed $20,000 per hour that they work. Most of them worked, they claim, thousands of hours on this case. But we are able to return somewhere, depending upon how the payment for this amendment is done, between $6.5 billion and $9 billion to the States. The States could use this money at this time. The tobacco companies have to pay the money one way or the other.

After compensating lawyers on the basis of a reasonable attorney fee plus 500 percent, but at a minimum at least $20,000 an hour, the remainder would be returned to the States. I submit this is a responsible thing for us to do.

The final comments I would like to make relate to the amendment that will be offered tomorrow relating to the dividend section of this bill. The proposal is to join the President in finally bringing to an end the pernicious practice of taxing dividends in this country twice, which puts us at a competitive disadvantage with our trading partners, which is unfair in anybody's book, which drives corporations to fund their investment by debt rather than equity investment, which reduces the transparency of corporations because they do not have to account to shareholders, and which diminishes the value of stock because the shareholders are going to have to pay a tax on the dividends even after the corporation has already done so.

Those are the reasons President Bush understood that this double taxation of dividends had to be addressed in this tax bill. The beauty of his proposal is that when combined with two of the other provisions of the act, the acceleration of the write-off for small business and, most important, the acceleration of the reductions in the marginal income tax rates, we will produce in this country 1.4 million jobs next year, and we could produce half a million jobs this year.

The proposal that is going to be offered tomorrow is ingenious in that it puts the bulk of this relief right up front where it will do good for the economy right now; and, second, it sends an unmistakable message to the stock market that we mean business about reducing the tax to zero.

What the proposal does is, for this current tax year, before we could put this all in effect, it gives all of the dividend holders a 50-percent deduction on their dividends. So for this tax year we are in right now they can write off half of what they would otherwise have to pay, and starting next year, 2004, and going into 2005 and 2006, in other words for 3 straight years, the tax rate for them goes to zero on these dividends. It is repealed. It is gone.

I challenge anybody at the end of that period of time to suggest at that point we try to reinstate the double taxation of dividends. It is not going to happen.

So the message to the stock market, when the vote occurs tomorrow and you have seen that the Senate is willing to follow the President and repeal the double taxation of dividends, the message is that you can finally begin to see the light at the end of the tunnel with respect to the recovery.

What do economists tell us? One economist, a very prominent economist, told us at a dinner the other night that he could expect to see at least a 20-percent increase in the value of stock as a result of this. The average of the economists we have talked to is closer to 10 percent. But take 10 percent. I think we would all like to see a return of that much value in our stock portfolio. This exists whether or not we are holding stock that issues dividends because of the general value of the market, or increased value of the market that would result from this. Obviously, those taxpayers who receive dividends from their corporate holdings would receive a direct benefit in the reduction of their liability for taxes, in addition to the increase in the value of their stock.

Obviously, this is going to be very good tax policy. It puts us in a better competitive position. Do you know that the United States has the second worst tax rate on dividends in the entire world of economically developed countries? Only Japan has a slightly higher rate. And every other country in the economically developed world has a lower tax rate on dividends than we do. No wonder we are having a problem right now.

But another point I would like to make with regard to this whole issue is that dividends obviously work in two good ways. By putting money back in taxpayers' pockets, they can do with those dividends whatever they like. The distinguished Senator from Florida who was speaking a moment ago talked about the need for consumers to have more money in their pockets. This is a way for consumers, and specifically senior citizens, to get more money in their pockets. There are about 10 million seniors who would receive relief under this proposal, just under $1,000 a year in terms of the average value they would receive. This is money in their pocket. This is money with which they can do one of two things: They can either spend it or they can invest it. In either case they are helping the economy.

For those who think we need to have people who can spend more, they can spend more. For those who think we need more investment, obviously some seniors invest some part of their income.

I would like to make a point in response to the Senator from Florida because he referred to my beloved home State of Arizona and showed a photograph of some airplanes sitting out on a tarmac, airplanes that were mothballed. If you come out to Tucson, AZ, you will see a very interesting sight. There are literally hundreds if not thousands of these airplanes. Most of them are military, but there are some commercial airplanes as well.

The point he was trying to make was this is a consumer-driven recession and therefore we need to put money in the pockets of consumers. The two big things we do here is accelerate the marginal income tax rate—that puts money in the pockets of consumers—and don't double tax dividends so the people who invest in stocks have that money to spend. Even for those who believe this is a consumer-driven recession, which it is not, what the President has proposed, and what we will be voting on tomorrow, helps put money in the pockets of consumers.

But there is a fundamental misunderstanding, if you look at airplanes and say, therefore, because people are not flying as much, this is a consumer-driven recession. There are two problems: First, regarding 9/11, the airline industry is almost unique among the businesses in this country. The airline industry and associated industries went into a nose dive that they still haven't recovered from because the traveling public has not traveled as much after 9/11. But the airlines will tell you a second factor has contributed to their bad financial situation. In addition to the fact that some people do not travel as much as a result of 9/11, and we have increased security costs placed upon them, the biggest single factor, they will tell you, is they have lost the business traveling public.

The business travelers who buy the first class or business class tickets and fly a lot are not flying as much. Why? Because the corporations are trying to save money. Why? Because they can't get enough money to invest in their businesses. Why? Because there is a capital asset deficit. This recession, the first of the 21st century, is the first nonconsumer recession. It is a capital asset deficit recession. It is a recession that understands that investment income is what is lacking.

Over the last 2 or 3 years, we have seen, by the count of some economists, almost $10 trillion sucked out of the stock values of this country. Something has to be done to put back that value. The way you put it back is by creating more investment opportunities. Most of the economists we have talked to said the single best thing you can do to add to that investment opportunity is to repeal this double taxation of dividends.

My colleague, Senator VOINOVICH from Ohio, quoted Alan Greenspan a while ago, who said if you are going to do something like this, get rid of the double taxation of dividends. That will help spur investment. He also said to Congress, stop spending so much money.

This chart on my left demonstrates the situation here. Last year, consumer spending didn't go down. Those of you who have refinanced your home or tried to buy a car at 0 percent interest know people are still buying. Consumer spending went up 3.4 percent last year, and it was up the year before as well. This green line shows consumer spending continues to go up. From 1999 to 2002, you can see that consumer spending is increasing.

It hasn't fallen off. What has fallen off? The gross private investment is what has fallen off—the investment in our businesses in the United States. After reaching the peak just after the year 2000, we all know what happened. We read the paper and see what is happening to the stock market. You can see investment in the market has plummeted, and it hasn't come back very much. It will come back if we give people the means to invest and the incentive to invest because they are not going to have their profits from their investment in corporations taxed after the corporation has already paid the tax.

This is clearly a capital asset problem and not a consumer spending problem, as has been alleged by so many of those on the other side of the aisle.

Finally, I want to say this: My colleague from Florida said, ''The President's handling of the economy''—the end of the quote, but the gist is the President's handling of the economy is why we are in the bad economic situation.

Under current circumstances, would that the President could handle the economy. But as all economists know, fortunately 250-plus million people drive the economy in this free market country of ours. They make millions of decisions every day. The President doesn't run the economy in the United States of America. He has very little that he can do to change the economic situation in the country except try to lead by persuasion. He is trying very hard to do that.

The other thing he can do is to propose to the Congress that we try to do things he thinks will help the economy and he has done that. But my colleague who spoke these words a moment ago wants to deny him the ability to put his plan in effect. On the one hand, they complain he is not doing anything to handle the economy, and on the other hand, they are going to disagree with whatever he proposes to do. Of course, we know the truth. He doesn't handle the economy. But he has some influence over the direction we go by getting his best advisers together and trying to figure out how we can create the most jobs and produce economic recovery. He has done that. Most of the Republicans in this body have agreed his proposal is the best way for us to create jobs.

Therefore, tomorrow what will be offered is very close to what he proposed. With this dividend, this elimination of the double taxation of dividends, we will be able to go a long way toward giving the President the plan he has asked for—not so that he can handle the economy, but so we as leaders can help lead the country toward at least some degree of recovery in this year of 2003.

As I said before, some people say the President's reelection depends on whether the economy is strong or not. I don't think he would be proposing something which he thinks won't work. He is proposing something which he believes will work, and we believe it will work. That is why I hope my colleagues will support the proposal that will be offered tomorrow in support of the President's program to eliminate the double taxation of dividends.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. I yield to the Senator from Texas what time he might consume.

The PRESIDING OFFICER. The Senator from Texas.

Mr. CORNYN. Mr. President, I appreciate the Senator from Iowa providing me an opportunity to speak on a matter I know the Senator from Arizona has already addressed—something called the Intermediate Sanctions Compensatory Review Adjustment Act of 2003.

This amendment, I believe, is important for a number of reasons. First of all, nobody in this body is going to get quite everything they may want in this jobs and economic growth package of 2003. But, for better or for worse, a deal has been struck in order to obtain sufficient votes to get the matter out of committee and hopefully enacted into law to provide $20 billion of State aid as part of this package.

If it had been up to me, I would have said that notwithstanding the difficult times States find themselves in—and in my State of Texas they find themselves with a $10 billion budget shortfall—but notwithstanding that fact, I would be reluctant to send $20 billion to the States with no strings attached so they could spend however they might like when we have no means of establishing accountability for how that money might be spent. But the collective wisdom of the Finance Committee and perhaps this body is that $20 billion in State aid will be sent to the States as part of this overall package.

That being the case and recognizing that no single Senator gets everything he or she wants, the question then has arisen—and the Senator from Arizona has raised it—the issue of attorneys' fees ostensibly earned by lawyers who represented the various States in the tobacco litigation and other contingency fee arrangements whereby certain private lawyers have earned, or at least claim to have earned, literally billions of dollars in attorneys' fees.

I don't speak on this issue without a little bit of history, and perhaps that would provide some context for why I support this amendment.

On January 1, 1999, I was sworn in as Attorney General of Texas, shortly after my predecessor had entered into a settlement with the tobacco industry, and really I think what we all recognize is an unprecedented lawsuit ultimately resulting in the largest civil judgment in the history of the world.

I know the State of Texas and other States filed this lawsuit to recover Medicaid expenditures they had incurred on smoking-related illnesses. Certainly, I count myself second to no one in expressing concern about the number of people in this country and around the world—some 400,000 in this country alone—who lose there lives annually as a result of smoking-related illnesses. But that is only part of the story.

The rest of the story is that a small group of entrepreneurial lawyers saw an opportunity once they joined league with State attorneys general to file litigation against the tobacco industry. If that were more or less the end of the story, then I wouldn't have concerns. But ultimately, those settlements ended up with the States in a joint venture with the tobacco industry to keep the tobacco industry alive, and with the settlements, these huge amounts of money, multiple billions of dollars being paid out of the profits of the tobacco industry for continuing to sell more of their tobacco products in the future, not just in this country but across the world.

So rather than discouraging or limiting tobacco use in this country and around the world, the States became joint venturers, so to speak, with the tobacco industry because if the tobacco industry was unable to sell more of its product, then the States would not get paid under the settlements, a truly shrewd and ingenuous arrangement on the part of these entrepreneurial lawyers.

But the real concern I have about this arrangement, particularly in my home State of Texas, is while the State receives a historic settlement of $17.3 billion—and actually that purports to be the present value of the money that is going to be paid in perpetuity—it is really probably only a part of what ultimately that judgment is worth.

Once these lawyers settled the case for the client, so to speak, then they talked to the tobacco industry, and they said: OK, what about us? We have my client's settlement, $17.3 billion, roughly speaking. Now what about us? And they engaged in an arrangement which I believe violated one of the most basic obligations that a lawyer owes to the client and breached their fiduciary duties to the client.

It simply boils down to this: that the duty of a lawyer who has been hired by a client is to maximize the recovery on the part of the plaintiff. Here, rather than do that, they struck a deal with the tobacco industry for a certain amount of money and then said: Well, on top of that, now you have to deal with us—which turns on its head the duty of loyalty that a lawyer has to a client to not let his or her personal interest conflict with the interests of the client and to maximize the recovery by the client.

So, simply stated, I believe what we saw in the tobacco litigation, all across this country, represented an unprecedented breach of fiduciary duty that the lawyer owed to the client to maximize the client's recovery and enrich the lawyers in the process.

So the question is, What do we do about it? Well, here again, I believe that the needs of the States, and particularly the State of Texas—which is currently in session trying to deal with a $10 billion shortfall, looking at cutting health care for those who are unable to pay for health care on their own, for children under the CHIPS program, for public education—that this provides an opportunity for this body to correct an injustice, to enforce a fiduciary duty that the lawyer owes to the client, and to provide aid to the States in the process in a way that will help ameliorate that loss and vindicate a wrong.

Part of this story, too, involves a tragedy. My predecessor as attorney general currently stands indicted by a U.S. grand jury in the Western District of Texas for trying to enrich a friend, a colleague, to the tune of some $520 million for doing no work.

For those who have not followed the story, I will just say that about the time the tobacco settlement was struck, there arrived on the scene another lawyer, whom nobody had ever heard of before, by the name of Mark Murr. The lawyers who had been involved in the litigation—at least they had done some work on it—wondered what this arrangement was. And when push came to shove, ultimately the five main lawyers in the Texas tobacco lawsuit got their $3.3 billion. But then there was an arrangement made to create a separate mechanism, a collusive arbitration arrangement, whereby Mark Murr would receive up to $520 million out of the recovery of the State of Texas.

As it turned out, during my investigation as attorney general, we determined that the contract upon which Mr. Murr claimed a right to be paid had been falsified, backdated, and literally been cut and pasted to make it look as if he had done some work on the case and had been involved in the case much earlier than he really had. In truth, and in fact, I believe he did not do any work to justify that fee.

During the 4 years that I was attorney general of the State of Texas, we conducted an investigation into that matter, were successful in preventing Mr. Murr from making the claim for that money against the treasury of the State of Texas, and ultimately, I believe, provided the factual basis under which the U.S. attorney was able to present that case to the grand jury, and ultimately resulting in the indictment of the former attorney general of the State of Texas.

I say that with no pleasure at all. It is a tragedy, a terrible tragedy. But it is a story of how a steward of the public trust has violated that trust and now must be held accountable for violating that trust. But in the process, and what this amendment addresses specifically, is the manner in which five private lawyers enrich themselves at the expense of the State of Texas and how other lawyers across the country, during the course of this tobacco litigation, enrich themselves at the expense of their State clients in breach of their fiduciary duties.

The Internal Revenue Code provides a mechanism where those who breach fiduciary duties—whether they be a trustee or, in this case, a lawyer representing a client—can be taxed. It provides another mechanism, a nonlitigation mechanism, to enforce that fiduciary duty that is owed by the fiduciary to the client. In this case, I believe it is an opportunity for this body to find funds—if, in fact, it is the will of the majority of this body—and to see Federal dollars, or money that otherwise is paid by Federal taxpayers, go to State taxpayers. It provides another opportunity to provide up to $9 billion of additional funds by simply enforcing the fiduciary duty owed by these lawyers to their clients, the various States.

So I am pleased to join Senator KYL and Senator ALEXANDER in cosponsoring this amendment that would, if adopted by this body, provide an additional $9 billion in State aid, in a way that I believe ultimately does justice, by enforcing this fiduciary duty owed by the lawyers to the client.

Let me just say, Mr. President, in closing, that I support the Jobs and Economic Growth Act of 2003. Even though I think it will undergo a number of amendments and will ultimately not be exactly what any of us would like, I believe it provides a necessary prescription for what ails the economy and will provide a necessary jump-start to allow taxpayers, the ones who earn the money, to keep more of that money and spend it as they see fit, and to allow small businesses that earn the money to reinvest in their businesses and create new jobs in a way that will ultimately help us grow our way out of our current economic doldrums.

So I am happy to support this important legislation and happy to add my voice to hopefully putting America back to work.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask unanimous consent that all pending amendments be temporarily set aside so the Senator from Louisiana can offer an amendment.

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

The Senator from Louisiana.

NOTICE

Incomplete record of Senate proceedings. Except for concluding business which follows, today's Senate proceedings will be continued in the next issue of the Record.

ORDERS FOR THURSDAY, MAY 15, 2003

Mr. GRASSLEY. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until 9:15 a.m., Thursday, May 15. I further ask that following the prayer and the pledge, the morning hour be deemed expired, the Journal of proceedings be approved to date, the time of the two leaders be reserved for their use later in the day, and that the Senate then resume consideration of Calendar No. 97, S. 1054, the jobs and economic growth bill, as provided under the previous order; provided further that no second-degree amendments be in order to the amendments offered during Wednesday's session, prior to a vote in relationship to the amendment.

Finally, I ask unanimous consent that following the first vote, all succeeding votes in sequence be limited to 10 minutes each.

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

PROGRAM

Mr. GRASSLEY. For the information of all Senators, the Senate will resume consideration of the jobs and economic growth bill and immediately begin a series of stacked votes on the remaining amendments to the bill. There are approximately 25 amendments that will need to be disposed of. Following the votes on the pending amendments, additional amendments are possible and therefore this is going to be a very lengthy voting sequence. All Members are urged to remain close to the Chamber during this so-called vote-arama in order to expedite passage of this bill.

I also ask that any Member who intends to offer an amendment during tomorrow's session contact the chairman and ranking member of the Finance Committee. We are not encouraging additional amendments. However, it would be helpful to know in advance the substance of the amendment to be offered. The majority leader has stated that we will finish the jobs and economic growth bill on Thursday.

Under a previous order, following passage of the jobs and economic growth bill, the Senate will begin consideration of H.R. 1298, the Global HIV/AIDS bill. The majority leader has also stated it is his intention to complete action on this vital legislation this week as well.

Finally, I say to my colleagues that tomorrow will be a very busy session, with numerous rollcall votes. With the cooperation of all Members, we can finish our work on these two bills in an orderly way.

UNANIMOUS CONSENT AGREEMENT—CORRECTION ON VOTE SEQUENCE

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. There is a correction on the vote sequence. Landrieu amendment No. 579 in the consent request should be amendment No. 619. I ask unanimous consent that change be made.

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

Mr. BAUCUS. In addition, in the consent request there were two Burns amendments. I ask unanimous consent that be modified so there is only one Burns amendment, and that is amendment No. 593.

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

ADJOURNMENT UNTIL 9:15 A.M. TOMORROW

Mr. GRASSLEY. If there is no further business to come before the Senate, I ask unanimous consent that the

Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 12:16 a.m., adjourned until Thursday, May 15, 2003, at 9:15 a.m.

NOMINATIONS

Executive nominations received by the Senate May 14, 2003:

EXPORT-IMPORT BANK OF THE UNITED STATES

APRIL H. FOLEY, OF NEW YORK, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES FOR A TERM EXPIRING JANUARY 20, 2007, VICE DAN HERMAN RENBERG, TERM EXPIRED, TO WHICH POSITION SHE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

DEPARTMENT OF TRANSPORTATION

NICOLE R. NASON, OF VIRGINIA, TO BE AN ASSISTANT SECRETARY OF TRANSPORTATION, VICE SEAN B. O'HOLLAREN, RESIGNED.

DEPARTMENT OF STATE

GRETA N. MORRIS, OF CALIFORNIA, A CAREER MEMBER OF THE SENIOR FOREIGN SERVICE, CLASS OF MINISTER-COUNSELOR, TO BE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO THE REPUBLIC OF THE MARSHALL ISLANDS.

UNITED STATES POSTAL SERVICE

JAMES C. MILLER III, OF VIRGINIA, TO BE A GOVERNOR OF THE UNITED STATES POSTAL SERVICE FOR THE TERM EXPIRING DECEMBER 8, 2010, VICE EINAR V. DYHRKOPP, TERM EXPIRED, TO WHICH POSITION HE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

MERIT SYSTEMS PROTECTION BOARD

NEIL MCPHIE, OF VIRGINIA, TO BE A MEMBER OF THE MERIT SYSTEMS PROTECTION BOARD FOR THE TERM OF SEVEN YEARS EXPIRING MARCH 1, 2009, VICE BETH SUSAN SLAVET, TERM EXPIRED, TO WHICH POSITION HE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

FEDERAL LABOR RELATIONS AUTHORITY

PETER EIDE, OF MARYLAND, TO BE GENERAL COUNSEL OF THE FEDERAL LABOR RELATIONS AUTHORITY FOR A TERM OF FIVE YEARS, VICE JOSEPH SWERDZENWSKI, RESIGNED, TO WHICH POSITION HE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STANLEY C. SUBOLESKI, OF VIRGINIA, TO BE A MEMBER OF THE FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION FOR A TERM OF SIX YEARS EXPIRING AUGUST 30, 2006, VICE MARC LINCOLN MARKS, TERM EXPIRED, TO WHICH POSITION HE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

NAOMI CHURCHILL EARP, OF VIRGINIA, TO BE A MEMBER OF THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION FOR A TERM EXPIRING JULY 1, 2005, VICE REGINALD EARL JONES, TERM EXPIRED, TO WHICH POSITION SHE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

WILLIAM A. SCHAMBRA, OF VIRGINIA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE FOR A TERM EXPIRING SEPTEMBER 14, 2006, VICE CAROL W. KINSLEY, TERM EXPIRED, TO WHICH POSITION HE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

DONNA N. WILLIAMS, OF TEXAS, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE FOR A TERM EXPIRING OCTOBER 6, 2006, VICE ROBERT B. ROGERS, TERM EXPIRED, TO WHICH POSITION SHE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

LEGAL SERVICES CORPORATION

THOMAS A. FUENTES, OF CALIFORNIA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE LEGAL SERVICES CORPORATION FOR A TERM EXPIRING JULY 13, 2005, VICE THOMAS F. SMEGAL, JR., TERM EXPIRED, TO WHICH POSITION HE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

LILLIAN R. BEVIER, OF VIRGINIA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE LEGAL SERVICES CORPORATION FOR A TERM EXPIRING JULY 13, 2004, VICE HULETT HALL ASKEW, TERM EXPIRED, TO WHICH POSITION SHE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

R. BRUCE MATTHEWS, OF NEW MEXICO, TO BE A MEMBER OF THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD FOR A TERM EXPIRING OCTOBER 18, 2005, VICE JOSEPH DINUNNO, RESIGNED, TO WHICH POSITION HE WAS APPOINTED DURING THE LAST RECESS OF THE SENATE.

IN THE ARMY

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES ARMY TO THE GRADE INDICATED WHILE ASSIGNED TO A POSITION OF IMPORTANCE AND RESPONSIBILITY UNDER TITLE 10, U.S.C., SECTION 601:

To be lieutenant general

MAJ. GEN. JOHN R. VINES, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT IN THE UNITED STATES ARMY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be major general

BRIGADIER GENERAL LLOYD J. AUSTIN III, 0000
BRIGADIER GENERAL GARY L. BORDER, 0000
BRIGADIER GENERAL WILLIAM H. BRANDENBURG, 0000
BRIGADIER GENERAL RANDAL R. CASTRO, 0000
BRIGADIER GENERAL JAMES A. COGGIN, 0000
BRIGADIER GENERAL MARTIN E. DEMPSEY, 0000
BRIGADIER GENERAL BARBARA G. FAST, 0000
BRIGADIER GENERAL JOSEPH F. FIL JR., 0000
BRIGADIER GENERAL BENJAMIN C. FREAKLEY, 0000
BRIGADIER GENERAL JOHN D. GARDNER, 0000
BRIGADIER GENERAL BRIAN I. GEEHAN, 0000
BRIGADIER GENERAL GARY L. HARRELL, 0000
BRIGADIER GENERAL STEVEN R. HAWKINS, 0000
BRIGADIER GENERAL JANET E. A. HICKS, 0000
BRIGADIER GENERAL KENNETH W. HUNZEKER, 0000
BRIGADIER GENERAL JAMES A. KELLEY, 0000
BRIGADIER GENERAL RICKY LYNCH, 0000
BRIGADIER GENERAL MICHAEL R. MAZZUCCHI, 0000
BRIGADIER GENERAL DENNIS C. MORAN, 0000
BRIGADIER GENERAL JAMES H. PILLSBURY, 0000
BRIGADIER GENERAL DAVID C. RALSTON, 0000
BRIGADIER GENERAL DON T. RILEY, 0000
BRIGADIER GENERAL JAMES E. SIMMONS, 0000
BRIGADIER GENERAL EDGAR E. STANTON III, 0000
BRIGADIER GENERAL GUY C. SWAN III, 0000
BRIGADIER GENERAL DAVID P. VALCOURT, 0000
BRIGADIER GENERAL W. MONTAGUE WINFIELD, 0000
BRIGADIER GENERAL JOHN A. YINGLING, 0000

IN THE MARINE CORPS

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES MARINE CORPS TO THE GRADE INDICATED WHILE ASSIGNED TO A POSITION OF IMPORTANCE AND RESPONSIBILITY UNDER TITLE 10, U.S.C., SECTION 601:

To be lieutenant general

LT. GEN. WALLACE C. GREGSON JR., 0000

IN THE NAVY

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. CAROL I. B. TURNER, 0000

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. TERRY L. MCCREARY, 0000

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. GARY A. ENGLE, 0000

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. THOMAS R. CULLISON, 0000

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. JEFFREY A. WIERINGA, 0000

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. DAVID J. DORSETT, 0000

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. ELIZABETH A. HIGHT, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPT. MARTIN J. BROWN, 0000
CAPT. WILLIAM A. KOWBA, 0000
CAPT. MICHAEL J. LYDEN, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED UNDER TITLE 10, U.S.C., SECTION 624:

To be rear admiral (lower half)

CAPTAIN JOHN M. BIRD, 0000
CAPTAIN JOHN T. BLAKE, 0000
CAPTAIN FRED BYUS, 0000
CAPTAIN FRANK M. DRENNAN, 0000
CAPTAIN MARK E. FERGUSON III, 0000
CAPTAIN JOHN W. GOODWIN, 0000
CAPTAIN RICHARD W. HUNT, 0000
CAPTAIN ARTHUR J. JOHNSON JR., 0000
CAPTAIN MARK W. KENNY, 0000
CAPTAIN JOSEPH F. KILKENNY, 0000
CAPTAIN WILLIAM E. LANDAY, 0000
CAPTAIN MICHAEL A. LEFEVER, 0000
CAPTAIN GERARD M. MAUER JR., 0000
CAPTAIN DOUGLAS L. MCCLAIN, 0000
CAPTAIN WILLIAM H. MCRAVEN, 0000
CAPTAIN RICHARD O'HANLON, 0000
CAPTAIN KEVIN M. QUINN, 0000
CAPTAIN RAYMOND A. SPICER, 0000
CAPTAIN PETER J. WILLIAMS, 0000

IN THE MARINE CORPS

THE FOLLOWING NAMED OFFICERS IN THE UNITED STATES MARINE CORPS FOR REGULAR APPOINTMENT UNDER TITLE 10, U.S.C., SECTION 531:

To be first lieutenant

BENJAMIN T ACKISON, 0000
ALEC H ACUNA, 0000
ROBERT M AGUAM, 0000
DARRIAN H AINSWORTH, 0000
CAMERON W ALBIN, 0000
ISMAEL ALCALA, 0000
SKENDER ALICKA, 0000
RYAN P ALLEN, 0000
THOMAS L ALLOSSO, 0000
RICHARD ALVAREZ, 0000
EDWARD P AMDAHL, 0000
MICHAEL E ANDA, 0000
RICHARD A ANDERSON, 0000
ROBERT K ANDERSON, 0000
SCOTT J ANDERSON, 0000
ANTHONY J ANGELONE, 0000
ALEXANDER C ARCINAS, 0000
DAVID A ARENAS, 0000
GREIG E ARENDT, 0000
DANIEL ARISPE, 0000
THOMAS K ARMSTRONG, 0000
BARRY S ARNWINE, 0000
RYAN W ASLESEN, 0000
JAMES A ATCHISON JR., 0000
DARRYL G AYERS, 0000
TIMOTHY J AYERS, 0000
RICHARD P AYRES, 0000
JOHN L BABISH, 0000
ROBERT E BACZKOWSKI JR., 0000
BOBBY R BAILEY JR., 0000
TASE E BAILEY, 0000
RIDLEY P BAIN, 0000
GREGORY A BAKER JR., 0000
JONATHAN T BAKER, 0000
BRADLEY J BALL, 0000
BRIAN W BANN, 0000
JEFFREY M BARBER, 0000
ROBERT G BARBER, 0000
ADAM N BARBORKA, 0000
BRUCE B BARKER II, 0000
SEAN W BARNES, 0000
ROBERT M BARNHART JR., 0000
COLBY E BARRETT, 0000
CRAIG D BARRETT, 0000
ARTHUR J BARRON, 0000
ANDREW E BARTLE, 0000
DANIEL J BARTNICKI, 0000
KATHARINE A BARWICK, 0000
RUSSELL N BATES, 0000
CARRIE C BATSON, 0000
RYAN J BAUMAN, 0000
ERIC E BAYLES, 0000
JAMES F BEAL, 0000
SHANNON R BEALL, 0000
JAMES A BEAULIEU, 0000
BRIAN J BECK, 0000
JONATHAN W BEERY, 0000
DALE R BEHM, 0000
WELDON T BELL II, 0000
RUSSELL A BELT II, 0000
RICARDO BENAVIDES, 0000
JOHN T BERDUSIS, 0000
CARL E BERGER, 0000
ANN BERNARD, 0000
VICTOR D BERNARD, 0000
CHRISTOPH T BERRY, 0000
MICHAEL A BERSKY, 0000
THOMAS A BERTRAM JR., 0000
MATTHEW J BETLEY III, 0000
ANURADHA K BHAGWATI, 0000
CHAD T BIGNELL, 0000
JAMES W BIRCHFIELD, 0000
PAUL F BISCHOFF, 0000
ALVIN C BISSETTE, 0000
JOE D BLACK JR., 0000
EDWARD J BLACKSHAW, 0000
ALEXANDER W BLAKE, 0000
MARC E BLANKENBICKER, 0000
JOE D BLOCKER, 0000
PATRICIA D BLOCKER, 0000
BRIAN M BLOMQUIST, 0000
CHADD W BLOOMSTINE, 0000
CHARLES W BLOUNT, 0000
SAMUEL P BLUNTZER, 0000
HORACE J BLY, 0000
JOHN D BOLT, 0000
JONATHAN C BONNETTE, 0000
DAVID L BONNEY, 0000
NEIL E BOOHER, 0000
ADAM P BOOTH, 0000
MICHAEL A BOURQUIN, 0000
JONATHAN M BOYD, 0000
KURT A BOYD, 0000
BROOKS D BRADEN, 0000

ANTHONY S BRADLEY, 0000
JERAMY W BRADY, 0000
ROBERT K BRADY, 0000
JAVIER A BRAHAM, 0000
JOEL P BRANIECKI, 0000
THOMAS J BRANNAN, 0000
ARTHUR J BRAUER, 0000
JASON C BREZLER, 0000
JASON E BROENE, 0000
JOHN N BROGDON, 0000
AARON J BROOKS, 0000
THOMAS L BROOKS, 0000
DAVID R BROTHERS, 0000
BEN A BROUSIL, 0000
BRIAN P BROWN, 0000
CHRISTOPHER A BROWN, 0000
RACINE M BROWN, 0000
WARREN J BRUCE, 0000
GREGORY J BUCHANAN, 0000
CHARLES B BUCKLEY JR., 0000
JEREMY L BUCKWALTER, 0000
JOHN P BUDD, 0000
JONAS L BURING, 0000
JOSHUA J BURKE, 0000
JASON E BURKETT, 0000
RICHARD D BURKETT JR., 0000
BRAD H BURNETT, 0000
MARK E BURRELL, 0000
BRADFORD M BURRIS, 0000
PAUL C CABELLON, 0000
NATHAN B CAHOON, 0000
TRAVIS C CALDWELL, 0000
DOUGLAS T CAMPBELL, 0000
JOSEPH O CAMPOMANES, 0000
SUSAN M CANADAY, 0000
MARISOL CANTU, 0000
ANDREW J CAREAU, 0000
BRIAN P CAREY, 0000
MICHAEL G CARLE, 0000
DOUGLAS A CARR, 0000
MICHAEL J CARRASQUILLA, 0000
KEVIN M CARROLL, 0000
DERRICK V CARTER, 0000
MISCA T CARTWRIGHT, 0000
PATRICK B CASSALIA, 0000
LUCAS C CASTANOS JR., 0000
SEAN M CAWLEY, 0000
PATRICK CAZE, 0000
BENJAMIN A CHAMBERLIN, 0000
JOJO CHAMES, 0000
JENNIFER K CHANCY, 0000
CHRIS E CHARLES, 0000
CHRISTOPHER CHASE, 0000
RYAN A CHERRY, 0000
JEREMY B CHESLA, 0000
CHARLIE W CHIANG, 0000
JOHN R CHOLEWIN, 0000
CHRISTOPHER L CLAFLIN, 0000
CAMERON F CLARK, 0000
ROSA A CLARKE, 0000
EDMUND G CLAYTON, 0000
KEVIN P CLEARY, 0000
WILLIAM P CLEMENT, 0000
BRIAN N CLIFTON, 0000
NEIL M CLONTZ, 0000
DOUGLAS J COBB JR., 0000
GARY L COBB, 0000
GENE E COLBERT JR., 0000
HAYDEN E COLBY, 0000
PETER J COLBY, 0000
CHRISTOPHER M COLE, 0000
TEDDY R COLEGATE, 0000
CLINTON J COLLINS, 0000
JEFFREY H COLLINS, 0000
JOHN R COLOMBERO, 0000
JUSTIN M COLVIN, 0000
JON P CONNOLLY, 0000
JOHN B CONRAD, 0000
ROBERT E COOGAN, 0000
STEVEN H COOK, 0000
CARLOS G COOPER, 0000
ANDREW J COPELAND, 0000
JOSHUA CORMIER, 0000
DEVIN E CORN, 0000
ERNEST I CORNBROOKS IV, 0000
MARK D COSTNER, 0000
FABIAN COVARRUBIAS, 0000
CHRISTOPHER J CRACE, 0000
STEVEN L CRAIG, 0000
SUSAN E CRAIG, 0000
SETH J CRAWFORD, 0000
HERSCHEL J CRINER III, 0000
MICHAEL G CRISTLER, 0000
SEAN E CRITTENDEN, 0000
MICHAEL A CRIVELLO, 0000
MATTHEW R CROUCH, 0000
IRA A CROWE, 0000
DOUGLAS R CULLINS, 0000
RYAN M CUNNINGHAM, 0000
JAMES A CURTIS, 0000
DENNIS B DALTON, 0000
ALEXANDER W DAMICO, 0000
JEREMY C DANIEL, 0000
SCOTT E DANIELSON, 0000
BENJAMIN M DAVENPORT, 0000
MICHAEL R DAVIDGE, 0000
ROBERT M DAVIS, 0000
BENJAMIN J DEBARDELEBEN, 0000
BRYON S DECASTRO, 0000
ARTHUR G DECOTIIS JR., 0000
JOEL A DELUCA, 0000
TIMOTHY R DEMANN, 0000
GERARD C DEMPSTER, 0000
SUZANNE M DENAULT, 0000
JAMES C DERRICK, 0000
DARYL L DESIMONE, 0000
ROBERT P DICKINSON, 0000
FRANK E DILLBECK, 0000
RODNEY J DIMALANTA, 0000
JOHN Q DINH, 0000
MARK C DINSMORE, 0000
DEREK L DIVINE, 0000
KYLE M DJUKICH, 0000
CHAD A DODD, 0000
ERIK H DOEBEL, 0000
ROBERT L DOHN, 0000
KENT D DOMME, 0000
DAVID J DONNELL, 0000
BRIAN DONOHUE, 0000
SEAN M DONOHUE, 0000
CRAIG T DOUGLAS, 0000
JOHN M DOUGLASS, 0000
CHARLES E DOWNING III, 0000
JULITO E DRAKE, 0000
RYAN F DRANGINIS, 0000
MATTHEW J DUGAN, 0000
PAUL J DUNBAR, 0000
PETER E DUNKELBERGER, 0000
JAMES J DUNPHY, 0000
STEVEN J EASTIN, 0000
JASON W EDHOLM, 0000
JAMES M EELMAN, 0000
MATTHEW S EMBORSKY, 0000
JASON T ERBECKER, 0000
MICHAEL A ESCHER, 0000
NATALIE M ESCOVAR, 0000
RICCO A ESPINOZA, 0000
ERIC L ESTES, 0000
EILON EVENESH, 0000
JEAN P EXANTUS, 0000
JOHN A FABBRI, 0000
DAVID J FALCHECK II, 0000
BETH S FALCON, 0000
CLAYTON Z FARRAR, 0000
ISTVAN P FEHER, 0000
CHANTELL M FERNANDEZ, 0000
DANIEL J FETTIG, 0000
JASON A FILOS, 0000
CLAY T FIMIANI, 0000
DOUGLAS Y FINN, 0000
SOL M FISER, 0000
JED C FITCH, 0000
DANIELLE N FITZ, 0000
DAVID M FITZSIMMONS, 0000
RICH D FITZSIMMONS, 0000
RYAN P FLANAGAN, 0000
KATE E FLEEGER, 0000
CLAY H FOLK, 0000
WILLIAM A FOLK, 0000
MONTY J FONTENOT, 0000
JAMES C FORD III, 0000
STEVEN M FORD, 0000
MATTHEW W FOREMAN, 0000
JONATHAN L FORMAN, 0000
JOSHUA L FOSTER, 0000
TYLER R FOTHERINGILL, 0000
MARK C FOWLER, 0000
JAMISEN L FOX, 0000
SHARON U FRANCO, 0000
JASON D FRANZ, 0000
JOSHUA T FRASER, 0000
DAVID A FRAZEE, 0000
BRANT P FREY, 0000
JENI M FROEHLICH, 0000
RYAN C FUSSELL, 0000
JOHN P GALVIN, 0000
NICHOLAS L GANNON, 0000
STEVEN J GASPER JR., 0000
SEAN M GAVIGAN, 0000
ANDREW S GEER, 0000
MICHAEL G GEHRKI, 0000
MARK P GEORGE, 0000
WAYNE H GESCHWINDT, 0000
CHRISTOPHER M GIGLIOTTI, 0000
JOHNNIE R GLADDEN III, 0000
STUART W GLENN, 0000
FAITH A GONZALEZ, 0000
JOSE A GONZALEZ II, 0000
LYLE L GORDON, 0000
ROBERT J GORDON, 0000
DANIEL GORMAN, 0000
CHARLES W GOSTAGE, 0000
MATTHEW T GOUBEAUX, 0000
ANDREW T GRAHAM, 0000
CHRISTOPHER J GRANGER, 0000
BRIAN R GRANT, 0000
JOHN E GRANVILLE, 0000
PAUL L GREENBERG, 0000
SHANNON C GREENE, 0000
WILLIAM C GRIFFIS, 0000
STEPHANIE R GRIFFITH, 0000
MILES N GROGAN, 0000
RICARDO J GUADALUPE, 0000
MICHAEL S GUINN, 0000
JOHN J GUTIERREZ, 0000
WILLIAM I GUY JR., 0000
KWABENA K GYIMAH, 0000
LEITH R HABAYEB, 0000
BRYAN P HALL, 0000
MICHAEL L HALLIGAN II, 0000
POLLARD D HAM, 0000
CLAIRE M HAMILTON, 0000
JON F HAMILTON, 0000
LUCAS T HANBACK, 0000
KELLY A HANCOCK, 0000
ABIGAIL M HANDY, 0000
SPENCE W HANEMANN, 0000
MICHAEL A HARKIN, 0000
OWEN HARLEMAN, 0000
ELIZABETH A HARRESCHOU, 0000
JOHN E HARRIS III, 0000
MICHAEL J HARRIS, 0000
OMAR K HARRIS, 0000
BENJAMIN V HAWN, 0000
JEREMY A HAYES, 0000
WILLIAM G HEIKEN, 0000
MATHEW E HEIL, 0000
JOHN H HELM JR., 0000
KATHRYN E HENDEL, 0000
CHARLES F HENDERSON III, 0000
JAMES J HENNESSEY II, 0000
GLEN C HENTON, 0000
JONATHAN D HESKETT, 0000
BRIAN J HESLIN, 0000
JAMES L HIATT, 0000
EVAN L HILL, 0000
ROGER S HILL, 0000
WILLIAM M HIMEBAUGH, 0000
AARON R HINMAN, 0000
JOHN B HOBSON, 0000
KEVIN P HODSON, 0000
VINCENT M HOGAN, 0000
MICHAEL W HOLCOMB, 0000
ERIC L HOLMES, 0000
WILLIAM D HOOD, 0000
FORREST W HOOVER III, 0000
MARTIN E HORNER, 0000
JUSTIN A HOSLER, 0000
RYAN P HOUGH, 0000
JOHN R HOVEY, 0000
JENNY I HOWARD, 0000
SAMUEL E HOWIE, 0000
MARC D HUDZINSKI, 0000
BENJAMIN T HUGGINS, 0000
JEFFREY C HUGHES, 0000
PATRICK C HULSY, 0000
JASON C HUMBLE, 0000
EVAN B HUME, 0000
GARY F HUMPHRIES, 0000
CHRISTOPHER D HUNT, 0000
MATTHEW C HUNT, 0000
KEVIN G HUNTER, 0000
MICHAEL A HUNZEKER, 0000
KEVIN V HYDE, 0000
MICHAEL R HYDE, 0000
DAVID H ICKLES, 0000
CHRISTOPHER G INAMI, 0000
FRED J INGO III, 0000
MORINA D IVEY, 0000
ELLEN E JACKMAN, 0000
KEVIN M JACKSON, 0000
RYAN A JACOBS, 0000
ERIC M JAGELS, 0000
MATTHEW T JAMES, 0000
IAN H JARDINE, 0000
PETER J JEFFREY, 0000
RANDY L JEFFRIES, 0000
CHARLES A JINDRICH, 0000
JAMES S JOACHIM, 0000
CLARENCE R JOHNSON III, 0000
JAMES W JOHNSON, 0000
MICHAEL S JOHNSON, 0000
NICHOLAS D JOHNSON, 0000
STEVEN C JOHNSON, 0000
ANTHONY C JOHNSTON, 0000
ANDREW J JONES, 0000
KIMBERLEY E JONES, 0000
STEPHANIE K JONES, 0000
WILLIAM R JONES, 0000
NICHOLAS M KALT, 0000
IAN M KANSKI, 0000
MICHAEL J KANSTEINER, 0000
ZACHARY E KAREM, 0000
SCOTT M KAZIK, 0000
MICHAEL S KEANE, 0000
BENJAMIN M KEATING, 0000
LUCAS C KECK, 0000
PAUL B KEENER, 0000
RALPH O KEENER JR., 0000
EDWARD L KELLER, 0000
HERMAN C KEMP, 0000
JOHN J KENNELEY, 0000
JONATHAN Q KENNEY, 0000
ZENON W KESKE, 0000
ADAM K KESSEL, 0000
JIN K KIM, 0000
WON S KIM, 0000
TED S KIMMEL, 0000
CADE M KING, 0000
MARSHALEE E KING, 0000
CHRISTOPHER N KINSEY, 0000
GEORGE D KINTER, 0000
PHILLIP E KIRKMAN, 0000
REED L KLAUER, 0000
CHRISTOPHER J KLEMKO, 0000
PETER E KLEMPAY, 0000
ROBERT A KNAUER, 0000
TRAVIS R KNIGHT, 0000
WILLIE E KNOX, 0000
HENRY H KO, 0000
MATTHEW J KOOYER, 0000
ERICA S KOVACH, 0000
JULIE A KOVACH, 0000
CHRISTOPHER M KRAHULEC, 0000
ANDREW J KRESSIN, 0000
GEOFFREY E KRISTIANSON, 0000
MICHAEL C KROZY, 0000
JOHN D KRYSA, 0000
SEAN F KUEHL, 0000
CASEY S KUHLMAN, 0000
DAVID W KUMMER JR., 0000
JASON M KUT, 0000
DANIEL C LAMMERS, 0000
CHARLES W LAMONT, 0000
JAMES M LANE, 0000
JOHN K LANGSTON, 0000
JENNIFER L LARSEN, 0000
BRIAN T LAURENCE, 0000
DANIEL W LAUX, 0000
MICHAEL S LAWLOR, 0000
DAVID F LAWRENCE, 0000

GARRETT T LAWTON, 0000
JOHN K LE, 0000
WYLAND F LEADBETTER III, 0000
STEPHEN J LEBO, 0000
ANDY R LEE, 0000
JEREMY E LEE, 0000
PAUL M LEE, 0000
JASON T LEIGH, 0000
ERIK LEIN, 0000
TYLER D LEONARD, 0000
ERIC LEVESQUE, 0000
ROBERTO LEVIN, 0000
ERNEST C LINCOLN, 0000
AARON C LLOYD, 0000
ROBERT J LOKAR, 0000
WILLIAM L LOMBARDO, 0000
VICTOR A LOMUSCIO, 0000
LINDA D LONG, 0000
MICHAEL G LONG, 0000
JOHN A LOVASTIK V, 0000
ERIK G LOYA, 0000
DAVID R LUBER, 0000
JASON S LUCERO, 0000
JOSEPH T LUDICK, 0000
CHAD A LUKE, 0000
JEREMY J LUTHER, 0000
ADAM C MACALUSO, 0000
STEPHEN P MACKEY, 0000
NICK G MACKRES, 0000
BART E MACMANUS, 0000
CLIFFORD S MAGEE, 0000
JOHN F MAHONEY III, 0000
MICHAEL P MAJOR, 0000
PETER A MANTUANO, 0000
MICHAEL D MARAGHY, 0000
JEFFREY T MARANTETTE, 0000
MATTHEW A MARKHAM, 0000
JAMES H MARSH, 0000
PAULA D MARSHALL, 0000
JUSTIN M MARTELL, 0000
CHRISTOPHER C MARTIN, 0000
JASON T MARTIN, 0000
KENT C MARTIN, 0000
PATRICK C MARVIL, 0000
WILLIAM J MATORY, 0000
TROY P MATTERN, 0000
JASON T MATTHEWS, 0000
MITCHELL T MAURY, 0000
COREY A MAZYCK, 0000
DAVID B MCALEE, 0000
CHRISTOPHER A MCALLISTER, 0000
DANIEL C MCBRIDE, 0000
GLENN E MCCARTAN, 0000
ROBERT G MCCARTHY III, 0000
SEAN P MCCARTHY, 0000
DONALD S MCCORQUODALE III, 0000
MICHAEL J MCCOY, 0000
JAMES D MCCRUMB, 0000
JUSTIN L MCDONALD, 0000
MATTHEW F MCDONALD, 0000
RYAN P MCDONEL, 0000
EDWARD S MCDONOUGH, 0000
MICHAEL P MCFERRON, 0000
TARA K MCGRATH, 0000
KENNETH A MCKEAN JR., 0000
MICHAEL W MCKENNEY, 0000
MATTHEW J MCKINNEY, 0000
WALLACE B MCKINNEY, 0000
ROBERT M MCLELLAN, 0000
BOYD R MCMURTREY, 0000
MICHAEL A MCNAB, 0000
DAVID P MEANY, 0000
RICARDO A MEDAL, 0000
DONALD H MEEK JR., 0000
ADRIENNE Z MEELARP, 0000
DOUGLAS S MEISEL, 0000
MARCOS A MELENDEZ III, 0000
BENJAMIN M MERCIER, 0000
MICHELLE K MERCURIO, 0000
SEAN M MERLIN, 0000
WALTER P MESSICK III, 0000
MELISSA K METZ, 0000
DANIEL W MICKLIS, 0000
DAVID A MILLEN, 0000
ERIC W MILLER, 0000
JONPAUL MILLER, 0000
KASEY C MILLER, 0000
MATTHEW S MILLER, 0000
SEAN D MILLER, 0000
BRETT C MINER, 0000
MELISSA C MINTON, 0000
MELISSA J MITCHELL, 0000
TIMOTHY W MIX, 0000
BRIAN L MIZE, 0000
THOMAS B MONDOUX, 0000
DARYL MOORE, 0000
JEREMY P MOORE, 0000
JESSICA M MOORE, 0000
MIRIAM N MOORE, 0000
SEAN D MOORE, 0000
TYLER J MOORE, 0000
MELISSA R MORAN, 0000
NATHAN P MOREHOUSE, 0000
SERGE P MOROSOFF, 0000
JASON R MORRISON, 0000
STEPHEN D MORRISON, 0000
CHAD M MORTON, 0000
THOMAS A MORTON, 0000
JODIE F MOSER, 0000
JOHN A MOSS, 0000
JOSEPH E MOYE, 0000
HOWARD MUI, 0000
WILLIAM R MULLIKIN, 0000
MICHAEL K MULLINS, 0000
MANUEL F MUNOZ, 0000
JOHN P MUNTZER, 0000
CHRISTOPHER J MURPHY, 0000
DANIEL M MURPHY, 0000
JAMIE P MURPHY, 0000
MARK E MURPHY, 0000
ROBERT P MURPHY JR., 0000
SUSAN E MURPHY, 0000
MATTHEW R MURRAY, 0000
JASON N MYERS, 0000
ROBERT N MYERS JR., 0000
TRISHA D MYLER, 0000
JAMES C NASH, 0000
SAMAR M NASHAGH, 0000
DAVID A NASSE, 0000
EDWARD N NASTASE, 0000
DOMINIQUE B NEAL, 0000
KENDRICK E NEAL, 0000
STUART T NEAS, 0000
RICHARD C NEE, 0000
ROBERT NEESON, 0000
CHRIS J NELSON, 0000
JAMES A NELSON, 0000
JONATHAN N NELSON, 0000
JOSHUA H NELSON, 0000
MICHAEL A NELSON, 0000
NADINA A NEWMAN, 0000
THAI N NGUYEN, 0000
MATTHEW J NICHOLS, 0000
MATTHEW S NICHOLS, 0000
CHRIS L NICHOLSON, 0000
ROY J NICKA, 0000
JOHN E NIEMANN, 0000
JUSTIN E NOBLE, 0000
MATTHEW P NODINE, 0000
GREGORY S NOLAN, 0000
JOHN P NORMAN, 0000
JOSHUA J NORRIS, 0000
GREGORY J NOVAK, 0000
TODD A OBRIEN, 0000
KENNETH J OCONNOR JR., 0000
DENNIS ODONNELL, 0000
MATTHEW M ODONNELL, 0000
MICHAEL D OGNEK, 0000
DEREK J OLIVER, 0000
RYAN J OLIVIERI, 0000
ROBERT C OLSON, 0000
JUAN A OROZCO, 0000
DAVID M ORTIZ, 0000
JEREMY P OSBORNE, 0000
WILLIAM V OSBORNE III, 0000
JAMES P OSULLIVAN, 0000
NEIL E OSWALD, 0000
AARON M OTTE, 0000
JENNY A OUELLETTE, 0000
TEGAN K OWEN, 0000
STEVEN A PACHECO JR., 0000
BENJAMIN H PACKARD, 0000
NATHAN R PACKARD, 0000
CHRISTOPHER M PAES, 0000
VALARIE A PAGE, 0000
JAVIER PALOMO, 0000
CHRISTIAN C PAPPAS, 0000
JOSEPH C PARK, 0000
JOHN B PARKER, 0000
JOSEPH G PARKER, 0000
KRISTOPHER L PARKER, 0000
BENJAMIN B PARKS, 0000
WILLIAM C PARMENT, 0000
THOMAS D PARMITER, 0000
CHRISTOPHER M PARRIS, 0000
CHRISTOPHER A PARSON, 0000
MICHAEL J PARSONS, 0000
CHRISTOPHER T PATE, 0000
ASHLEY F PATRICK, 0000
KYLE M PATTON, 0000
SEAN B PATTON, 0000
JEFFREY E PATUBO, 0000
STEPHEN T PEARSON, 0000
RICHARD F PENNINGTON II, 0000
CRIS S PERHAM, 0000
AMOS J PERKINS III, 0000
MATTHEW R PETER, 0000
JENNIFER R PETERSEN, 0000
ERIK A PETERSON, 0000
ATIIM O PHILLIPS, 0000
JAY D PHILLIPS, 0000
MATTHEW L PHILLIPS, 0000
ROBERT A PIAGENTINI JR., 0000
PETER C PICONE JR., 0000
SEAN M PIEJA, 0000
TOBY N PINEO, 0000
CHARLES T POLLOK II, 0000
DAVID L POULERIS, 0000
DIANA C POWELL, 0000
MICHAEL W PRETUS, 0000
TIMOTHY J PRICE, 0000
CHARLES A PRIDDY, 0000
RICHARD J PROSSER III, 0000
JAMES N PUTNAM III, 0000
JAMES W QUEEN, 0000
JASON P QUINTER, 0000
ANTHONY J R QUITUGUA, 0000
CHRISTOPHER E RABASSI, 0000
MICHAEL A RADYNSKI, 0000
CHAD W RAGAN, 0000
KASMIRA A RAK, 0000
BILLY H RAMSEY, 0000
ALEX J RAMTHUN, 0000
ADAM D RANSON, 0000
SABIR RASHID, 0000
SIDDHARTHA H RATHOD, 0000
ANDERSON W RAUB, 0000
JEFFREY N RAWLINS, 0000
JOHN M REH, 0000
GREGORY M REHLENDER, 0000
CHARLES P REICHE JR., 0000
CAMERON M RENNER, 0000
ABRAHAM REYES, 0000
RICO REYES, 0000
CHRISTOPHER M REYNOLDS, 0000
JARET R RHINEHART, 0000
TIMOTHY R RICHMOND, 0000
ANTHONY C RICKMAN, 0000
CHRISTOPHER M RIEMAN, 0000
ANNA M RILEASMITH, 0000
ANDREW F RILEY, 0000
RUBEN S RILLOS, 0000
DAVID J RIVERA, 0000
ANDREW C ROBERTS, 0000
CHAD E ROBERTS, 0000
HOWARD L ROBERTS, 0000
JASON K ROBERTS, 0000
DARREN M ROCK, 0000
BRIAN L ROCKEL, 0000
JOEL D ROCKEMANN, 0000
MICHAEL J ROD, 0000
BRIAN W ROEMER, 0000
JOHN R ROJAS JR., 0000
DAVID M ROSS, 0000
LOU H ROYER, 0000
JAIME R RUDDOCK, 0000
NEIL A RUGGIERO, 0000
PETER M RUMMLER, 0000
ANDREW A RUNDLE, 0000
FRANK C RUNDUS, 0000
CLIFFORD D RUSS III, 0000
JENNIFER C RUTLEDGE, 0000
TIMOTHY L RYAN, 0000
NATHAN P RYLANDER, 0000
MICHAEL J SADDLER, 0000
ANGEL D SALCEDO, 0000
DONOVAN J SALERNO, 0000
STEPHEN H SALMON, 0000
MAURO R SANCHEZ, 0000
ERIC SANTHUFF, 0000
SARAH J SARTY, 0000
ALPHONSO D SAVAGE, 0000
MARK F SCHAEFER, 0000
JAMES H SCHELLER, 0000
RICHARD R SCHELLHAAS, 0000
RYAN A SCHILLER, 0000
WILLIAM R SCHMIDT, 0000
ZACHERY M SCHNEIDER, 0000
ANDREW J SCHOENMAKER, 0000
WILLIAM SCHORR, 0000
BRIAN J SCHULTZ, 0000
TODD M SCHUNK, 0000
JAMES P SCONFIETTI III, 0000
STACY D SCOTT, 0000
TAD R SCOTT, 0000
MICHAEL T SCOTTI, 0000
CHAD P SEBER, 0000
MARCO D SERNA, 0000
RYAN C SHAFFER, 0000
RYAN D SHEA, 0000
SEAN M SHEA, 0000
DAVID M SHEARMAN, 0000
FRED H SHEPHERD JR., 0000
GARY A SHILL, 0000
DAVID A SHIPLEY, 0000
JASON R SHOCKEY, 0000
KYLE B SHOOP, 0000
ERIK T SIEGEL, 0000
SCOTT H SIGMOND, 0000
JOSHUA P SIMAR, 0000
ANDREW J SIMMONS, 0000
BRANDT R SIMMONS, 0000
LAURIE L SIMONEAU, 0000
KEVIN W SKENE, 0000
MICHAEL T SLAWSKI, 0000
DEVIN A SMILEY, 0000
KAREN E SMITH, 0000
LLOYD M SMITH, 0000
MARK A SMITH, 0000
RANDALL W SMITH, 0000
VIDAL D SMITH, 0000
WILLIAM R SMITH, 0000
KRZYSZTOF G SOBCZAK, 0000
JULIANNE H SOHN, 0000
BRIAN J SOLECKI, 0000
CHRISTIAN SOLOMON, 0000
JEREMY T SOULE, 0000
JEFFREY T SPEEDY, 0000
ERIK T SPRAGUE, 0000
JESS K SPRINGFIELD, 0000
JARED P STANYER, 0000
GREGORY STARACE, 0000
STEPHEN A STARR, 0000
DAVID B STAUGAITIS, 0000
TIMOTHY C STEPAN, 0000
BRENT W STEVENS, 0000
LATRESA A STEWARD, 0000
TIMOTHY C STEWART, 0000
MATTHEW J STICKSEL, 0000
KEVIN M STOFFELL, 0000
DOUGLAS M STRAHAN, 0000
JOSHUA D STRAND, 0000
BRENT W STRICKER, 0000
PAUL D STUBBS, 0000
SHAWN C STUDLEY, 0000
ADAM J SZELAG II, 0000
PHILIP J TADENA, 0000
TIMOTHY W TAPPLY, 0000
DONALD R TARBELL, 0000
CASEY L TAYLOR, 0000
CLAY H TERRELL, 0000
JASON P TERRUSO, 0000
STEPHEN W THEBERGE, 0000
ANDREW C THOMAS, 0000
CHRISTOPHER J THOMAS, 0000
GRAHAM E THOMAS, 0000
HARRY K THOMPSON JR., 0000
JOE F THOMPSON III, 0000
RYAN E THOMPSON, 0000
KEITH THORKELSON, 0000
CRAIG A TIBADO, 0000

FLETCHER C TIDWELL, 0000
DAVID F TOLAR, 0000
DAMON M TORRES, 0000
AARON M TOSCANO, 0000
DUE H TRAN, 0000
MINH D TRAN, 0000
GILBERTO TREJO JR., 0000
MATTHEW A TREPTOW, 0000
COURTNEY D TROMBLY, 0000
JAMES E TUNNEY, 0000
ANDREW M TURNER, 0000
BRIAN D TURNER, 0000
RUSSELL A TUTEN, 0000
MICHAEL J TYLAVSKY, 0000
GLENDON TYREE, 0000
JAMES L TYREE, 0000
MATTHEW C UFFORD, 0000
RODOLFO S URIOSTEGUI, 0000
JAMES R UWINS, 0000
DILLON D VADEN, 0000
PAUL L VANDERWATER, 0000
BRADLEY J VANSLYKE, 0000
MICHAEL P VOLMER, 0000
JASON T VRABLE, 0000
DENNIS C WAIT, 0000
WILLIAM F WALKER, 0000
SEAN R WALSH, 0000
STEPHEN E WALSON, 0000
ERIC J WALTHER, 0000
WILLIAM L WARD, 0000
JEFFREY B WATTS, 0000
NICHOLAS G WEBB, 0000
DALE H WEBSTER, 0000
MARK B WEINRICH, 0000
KEEGAN J WELCH, 0000
SEAN T WELCH, 0000
MICHAEL A WELSCH, 0000
WILLIAM C WENNBERG, 0000
NICHOLAS J WESSMAN, 0000
MARVIN T WHITE, 0000
WAYLON G WHITE, 0000
BRANDON L WHITFIELD, 0000
JEREMY D WHITLOCK, 0000
JON D WICKLUND, 0000
JON T WIDMAN, 0000
BRIAN B WILCOX, 0000
BRYAN D WILLARD, 0000
ANTONIO V WILLIAMS, 0000
BRADLEY J WILLIAMS, 0000
BRANDON B WILLIAMS, 0000
KENNETH R WILLIAMSON II, 0000
SCOTT D WILLIAMSON, 0000
VERNON T WILLIS JR., 0000
BRIAN J WILSON, 0000
ERIC D WILSON, 0000
CHRISTOPHER M WINCHELL, 0000
NICHOLAS R WINEMAN, 0000
BRETT R WINSLOW, 0000
LISA M WNEK, 0000
NATHAN C WOELLHOF, 0000
MARK E WOODARD, 0000
JOHN W WORSHAM, 0000
JOHN D WRAY, 0000
GREGORY D WRIGHT, 0000
DAVID R WROBLEWSKI, 0000
JACK Z WU, 0000
JOSEPH T YAMRICK, 0000
TAE J YOON, 0000
RICKY J YUNG, 0000
ANKIST ZADEYAN, 0000
DEREK M ZALENSKI, 0000
RANDALL C ZILK, 0000
ANTHONY E ZINNI, 0000
MATTHEW P ZUMMO, 0000
ROBERT B ZWAYER, 0000

IN THE NAVY

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

REBECCA E. BRENTON, 0000
MATTHEW S. BROWN, 0000
WARREN C., GRAHAM III, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

KATHY A. BARAN, 0000
CAROL L. CHRISTMAN, 0000
KAREN P. FONDREN, 0000
LINDA H. MCMEANS, 0000
RUTH A. MOHR, 0000
MARGARET A. TAYLOR, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

MICHAEL D. DISANO, 0000
PATRICK J. FELTS, 0000
AVGI IOANNIDIS, 0000
GEORGE F. KILIAN, 0000
VINCENT M. SCOTT, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

NANCY R. DILLARD, 0000
JAMES M. DONOVAN, 0000
CHARLOTTE V. LEIDY, 0000
DEBORAH A. MCGHEE, 0000
JANET D. STEWART, 0000
CHRISTOPHER L. VANCE, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTIONS 624:

To be captain

JEAN E. BENFER, 0000
LEE S. CARDWELL, 0000
FRANK J. CARUSO JR., 0000
SEAN R. FILIPOWSKI, 0000
REINER W. LAMBERT, 0000
ALLEN V. POLLARD, 0000
CYNTHIA L. WIDICK, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

DAVID L. BAILEY, 0000
BRIAN J. BILL, 0000
NANETTE M. DERENZI, 0000
PAMELA A. HOLDEN, 0000
CATHERINE S. KNOWLES, 0000
STAUFFER P. MALCOM, 0000
RUSSELL L. SHAFFER, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

ROBERT W. ARCHER, 0000
LEO O. FALARDEAU, 0000
KENNETH W. FREEMAN, 0000
WILLIAM G. GLENN, 0000
JOHN S. MIKELL JR., 0000
HOWARD P. MILLER, 0000
JIM O. ROMANO, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

CHRISTOPHER L. ABBOTT, 0000
GREG A. EISMAN, 0000
LISA E. FRAILEY, 0000
ROBERT E. KISER, 0000
MENDAL S. LIVEZEY, 0000
JAMES M. OLSON, 0000
ERNEST P. PETZRICK, 0000
WILLIAM A., WRIGHT III, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

CHARLES S. ANDERSON, 0000
BARBARA A. BELL, 0000
RANDAL D. BLACK, 0000
THOMAS P. GARRISON III, 0000
MATTHEW R. KERCHER, 0000
FRANCIS C. LUKENBILL, 0000
RANDOLPH L. MAHR, 0000
RICK M. MCQUEEN, 0000
PAUL S. MORGAN, 0000
DAVID L. PRATER, 0000
PATRIC K. ROESCH, 0000
RICHARD W. WALTER II, 0000
PHILIP A. YATES, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

BRIAN K. ANTONIO, 0000
TIMOTHY ATKINSON, 0000
KRISTIAN P. BIGGS, 0000
NORBERT H. DOERRY, 0000
STEPHANIE A. DOUGLAS, 0000
WILLIAM J. GALINIS, 0000
PATRICK J. KEENAN JR., 0000
DAVID H. KIEL, 0000
STEPHEN D. LEWIA, 0000
ROGER D. MCGINNIS, 0000
ANTHONY J. MULLARKY, 0000
JOHN W. R. POPE II, 0000
GERARD J. REINA, 0000
RICHARD E. REINKE III, 0000
PAUL E. ROWE, 0000
DOUGLAS S. SCHROEDER, 0000
MICHAEL B. STANTON, 0000
GREGORY R. THOMAS, 0000
THOMAS L. VANPETTEN, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be captain

EUGENE M. ABLER, 0000
GLEN C. ACKERMANN, 0000
DAVID B. ADLER, 0000
ROBERT J. ADRION, 0000
RALPH N. ALDERSON JR., 0000
JEFFREY C. AMICK, 0000
JOHN C. AQUILINO, 0000
WILLIAM R. AULT, 0000
MICHAEL R. BARCLIFT, 0000
KEITH R. BARTON, 0000
PHILLIP L. BEACHY, 0000
DAVID F. BEAN, 0000
RICHARD R. BECK JR., 0000
DAVID D. BELT, 0000
CHARLES J. BERDAR, 0000
WILLIAM P. BINGHAM, 0000
GILMORE N. BIRKLUND, 0000
MATTHEW E. BOBOLA, 0000
ROBERT A. BONNER, 0000
TIMOTHY E. BOOTHE, 0000
KENT D. BRADSHAW, 0000
RICHARD L. BRASEL, 0000
RICHARD P. BRECKENRIDGE, 0000
ROBERT J. BRENNAN, 0000
STEPHEN G. BRENNAN, 0000
TIMOTHY B. BREWER, 0000
MICHAEL G. BROOKS, 0000
JERRY K. BURROUGHS, 0000
THOMAS A. BUTERBAUGH, 0000
ALFRED J. CAMP JR., 0000
EMIL C. CASCIANO, 0000
GEORGE A. J. CHAMBERLAIN, 0000
CURTIS S. CHESNUTT, 0000
HUBERT D. CLOPP, 0000
WILLIAM H. COGAN, 0000
ALFRED COLLINS, 0000
CHARLES B. CONNERS, 0000
HUGH H. COOK III, 0000
TIMOTHY E. COOLIDGE, 0000
JUSTIN D. COOPER II, 0000
MICHAEL J. CORTESE, 0000
JOHN W. COVELL, 0000
GEORGE A. COX, 0000
PAUL D. CRAIN, 0000
JAMES E. DALBERG JR., 0000
MARK W. DARRAH, 0000
BRIAN W. DAUGHERTY, 0000
EDWARD J. DELANEY, 0000
DANIEL N. DIXON, 0000
PATRICK J. DOUGHERTY, 0000
JONATHAN A. DOWELL, 0000
VINCENT DROUILLARD, 0000
MICHAEL R. DURKIN, 0000
JOHN W. DZIMINOWICZ, 0000
DAVID B. EMICH, 0000
DELL W. EPPERSON, 0000
KEVIN S. EYER, 0000
CRAIG S. FALLER, 0000
DORICE S. FAVORITE, 0000
MARK C. FEALLOCK, 0000
JOHN A. FERRER, 0000
JOANNE M. FISH, 0000
BRIAN G. GAWNE, 0000
PATRICK C. GILL, 0000
STERLING G. GILLIAM JR., 0000
RAYMOND B. GINNETTI, 0000
CURT W. GOLDACKER, 0000
THOMAS D. GOODWIN, 0000
MARK L. GORENFLO, 0000
PETER F. GRAUSE, 0000
JAMES GREGORSKI, 0000
WILLIAM T. GRIFFIN, 0000
PAUL A. GROSKLAGS, 0000
STEPHEN L. GUSE, 0000
PATRICK D. HALL, 0000
WILLIAM C. HAMMILL JR., 0000
JEFFREY W. HANSEN, 0000
JOHN F. HARDISON, 0000
KENNETH J. HARVEY, 0000
RANDALL L. HAUKE, 0000
PAUL F. HEALY, 0000
CHARLES M. HERON, 0000
ERIC R. HINGER, 0000
NICHOLAS H. HOLMAN IV, 0000
ELDRIDGE HORD III, 0000
RONALD. HORTON, 0000
JEFFREY M. HUGHES, 0000
MARK R. HUNTER, 0000
KURT T. IRGENS, 0000
MICHAEL J. JACOBSEN, 0000
PAUL N. JAENICHEN, 0000
RUSSELL T. JANICKE, 0000
ALAN F. JOHNSON, 0000
WILLIAM H. JOHNSON, 0000
WILLIAM H. JOHNSON, 0000
EUGENE W. JONES, 0000
ROBERT E. KAPCIO, 0000
ROBERT D. KELSO, 0000
PAUL R. B. KENNEDY, 0000
RONALD W. KENNEDY, 0000
ROBERT S. KERNO JR., 0000
CHRISTOPHER W. KILEY, 0000
STEPHEN C. KINGSTON, 0000
STEPHEN H. KIRBY, 0000
RUSSELL P. KNIGHT, 0000
MARK A. KOHART, 0000
WILLIAM J. KOVACH, 0000
JONATHAN D. KURTZ, 0000
CLAYTON B. KYKER, 0000
ROBERT A. LALLY, 0000
VINCENT L. LAMOLINARA, 0000
LARRY W. LASKY, 0000
DAVID A. LAUSMAN, 0000
TIMOTHY J. LAWRENCE, 0000
MARK M. LEARY, 0000
ROCKY R. LEE, 0000
CARROLL F. LEFON JR., 0000
ADAM S. LEVITT, 0000
BRUCE H. LINDSEY, 0000
JOHN D. LITTLE, 0000
CHARLES E. LOCKETT, 0000
JOHN L. LOCKLER, 0000
JOHN L. LOVERING JR., 0000
JAMES R. LOW, 0000
FRANK J. M. LOWERY, 0000
WALTER E. LUTHIGER, 0000
DANIEL P. MACK, 0000

STEVEN A. MALLOY, 0000
DAVID P. MALONEY, 0000
BRADLEY D. MARTIN, 0000
THOMAS L. MASCOLO, 0000
MARTIN N. MAY, 0000
GARRY R. MAYNOR, 0000
JOHN C. MCCABE II, 0000
KEVIN T. MCCARTHY, 0000
JOSEPH S. MCCLAIN, 0000
MATTHEW J. MCCLOSKEY, 0000
JEFFREY E. MCLEAN, 0000
VICTORINO G. MERCADO, 0000
CHARLES K. MERKEL JR., 0000
SCOTT D. MILLER, 0000
ENRIQUE F. MIRANDA, 0000
WILLIAM MORALES, 0000
DARREL M. MORBEN, 0000
JOHN F. MURPHY, 0000
JAMES P. MURRAY, 0000
CHARLES J. NEARY, 0000
RICHARD B. NICKLAS, 0000
BRIAN K. NUTT, 0000
LEWIS C. NYGARD, 0000
KEVIN W. OAKES, 0000
VICTOR R. OLIVAREZ, 0000
DENNIS J. OMEARA, 0000
GERARD OREGAN, 0000
ALAN OSHIRAK, 0000
DOUGLAS E. OTTE, 0000
BURT T. PALMER, 0000
ROBERT P. PAPADAKIS, 0000
KIM A. PARKER, 0000
MICHAEL S. PAUL, 0000
FREDRICK D. J. PAWLOWSKI, 0000
JEFFREY R. PENFIELD, 0000
DAVID R. PINE, 0000
RICHARD J. POSTERA, 0000
CRAIG D. POWELL, 0000
JEFFREY T. POWERS, 0000
JEROME R. PROVENCHER JR., 0000
RAOUL A. RALL, 0000
CHRISTOPHER S. RATLIFF, 0000
THOMAS L. REESE, 0000
WARREN E. RHOADES III, 0000
RALPH H. RICARDO JR., 0000
CHARLES A. RICHARD, 0000
RANDALL G. RICHARDS, 0000
SAMUEL B. RICHARDSON, 0000
MARK R. RIOS, 0000
CLAUDIA M. A. RISNER, 0000
HARRY M. ROBINSON, 0000
RICHARD J. RUEHLIN, 0000
DAVID G. RUFF, 0000
PETER B. RUSH, 0000
ROBIN L. RUSSELL, 0000
GORDON B. RUTHERFORD, 0000
GARY SANDALA, 0000
MATTHEW T. SCASSERO, 0000
KEVIN D. SCOTT, 0000
GLEN R. SEARS II, 0000
JAMES D. SETTELE, 0000
MATTHEW M. SHARPE, 0000
WILLIAM A. SHEEHAN, 0000
KEVIN B. SHERMAN, 0000
PETER S. SHERMAN, 0000
DONALD R. J. SHUNKWILER, 0000
RICHARD L. SIMON, 0000
DENNIS J. SINNETT, 0000
TAYLOR W. SKARDON, 0000
JOHN W. SMITH JR., 0000
PAUL C. SMITH, 0000
RUSSELL H. SMITH, 0000
MURRAY R. SNYDER, 0000
JOSEPH D. SPITZ, 0000
WILLIAM C. STACIA JR., 0000
LOWELL S. STANTON, 0000
SCOTT A. STEARNEY, 0000
MICHAEL T. STEED, 0000
DAVID F. STEINDL, 0000
CURTIS R. STEVENS, 0000
KEVIN M. SWEENEY, 0000
CHARLES C. SWICKER, 0000
THOMAS A. TACK, 0000
CHARLES E. TAMBLYN, 0000
DAVID C. TAYLOR, 0000
GEORGE D. TAYLOR JR., 0000
EVIN H. THOMPSON, 0000
JOSEPH E. TOFALO, 0000
RONALD P. TOWNSEND, 0000
MICHAEL W. ULLRICH, 0000
RICHARD E. VANDENHEUVEL, 0000
PERRY F. VANHOOSER II, 0000
DOUGLAS J. VENLET, 0000
JAMES S. WAGNER, 0000
JAMES G. WALLACE, 0000
GORDON T. WALTON, 0000
RALPH C. WARD JR., 0000
VICTOR G. WARRINER JR., 0000
TIMOTHY L. WATKINS, 0000
RICHARD W. WATSON, 0000
PAUL S. WEBB, 0000
DANIEL L. WEED, 0000
DAVID G. WEGMANN, 0000
JAMES C. WHITAKER, 0000
GREGORY J. WITTMAN, 0000
GEORGE G. WOMACK, 0000
MARK E. WRALSTAD, 0000
ROBERT P. WYLLY, 0000
MARION D. YANCEY, 0000
MARCUS B. YONEHIRO, 0000
PETER H. YOUNG, 0000
MICHAEL E. ZAMESNIK, 0000

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

JUDY L. MILLER, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

THOMAS W. HARRINGTON, 0000
TERRY L. PLETKOVICH, 0000
PAUL G. ROBICHAUD, 0000
PETER A. RUSTICO, 0000
MARK J. SCHREIBER, 0000
BRADLEY R. SICKLER, 0000
ROBERT L. YOUNG, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

MATTHEW O. FOLEY III, 0000
KAREN D. HILL, 0000
CAROL M. LYNCH, 0000
EDWARD S. MALLOW, 0000
GARY W. MCCOWN, 0000
RICHARD V. POIRIER, 0000
ROBERT M. ROMAIN, 0000
AARON SANTAANNA, 0000
TIMOTHY J. SCHOEPPLER, 0000
PIETER G. STRASSER, 0000
FRANK G. USSEGLIO II, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

CRAIG E. BUNDY, 0000
WILLIAM J. CREED, 0000
JAMES J. DIBELKA JR., 0000
MELVIN L. FORD III, 0000
STEPHEN R. LEE, 0000
JOHN M. LEWIS, 0000
GARY D. REINHARDT, 0000
CHARLES C. RICHTER JR., 0000
MARK E. RONGONE, 0000
MICHAEL L. SCHOELCH, 0000
DAVID M. TEETER, 0000
RICHARD L. TRAUGH, 0000
CLIFF P. WATKINS, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

WILLIAM M. ARBAUGH, 0000
LEO C. BAKALARSKI, 0000
GARY L. BURGUND, 0000
GARY E. CHEELY, 0000
GROVER S. CROFT, 0000
JAMES R. JOHNSON, 0000
PAUL G. LYSKO, 0000
SCOTT A. MARSH, 0000
JEFFREY R. MCCUNE, 0000
STEPHEN J. MILLER, 0000
JAMES H. SCHWEIKHARD, 0000
DAVID E. WALSTON, 0000
RICHARD E. WOLFE, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

DANIEL M. BLESKEY, 0000
DOUGLAS L. DARIANO, 0000
RICHARD D. FRITZLEY, 0000
BRAD A. HASTINGS, 0000
THOMAS J. KARNOWSKI, 0000
NICHOLAS F. KOCH, 0000
PAUL J. MITCHELL, 0000
JEFFREY R. PHILLIPS, 0000
JOHN D. PRIEN III, 0000
LAWRENCE E. RUGGIERO, 0000
MICHAEL J. SHERBAK II, 0000
BRADLEY R. SPANGLER, 0000
STEPHEN F. TYAHLA, 0000
WILLIAM E. VAUGHAN, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

BARTLEY G. CILENTO JR., 0000
BRIAN C. CUSICK, 0000
JEFFREY H. DAVIS, 0000
JOHN E. DRAKE, 0000
FRANCIS J. DUFRAYNE, 0000
WESLEY W. EMMONS, 0000
PETER G. GERBINO II, 0000
MICHAEL J. GIORDANO, 0000
GREGORY GULLAHORN, 0000
STEVEN J. HAGER, 0000
JEFFREY A. JONES, 0000
PHILLIP J. LANDRIGAN, 0000
MARK E. LINSKEY, 0000
SEAN R. LOGAN, 0000
LLYOD B. MOORE, 0000
LINDA A. MURAKATA, 0000
RICHARD C. OSMAN, 0000
WILLIAM A. PINCUS, 0000
RAYMON D. PRIEWE, 0000
MICHAEL RIESBERG, 0000
WALLACE C. WALKER, 0000
JAMES L. WHITE, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

NANCY J. BATES, 0000
MICHAEL G. BERRY, 0000
PETER BUDI, 0000
ROBERT H. BYNG, 0000
JEFFREY B. CUNNINGHAM, 0000
LAWRENCE E. FOUTS, 0000
FREDRICK M. HAUCK, 0000
CHARLES A. HENKEL, 0000
KENNETH C. HILL, 0000
CALVIN L. HOWARD, 0000
STEPHEN D. HUGHES, 0000
JAMES L. JOHNSON, 0000
RICHARD R. LANCASTER, 0000
GORDON R. LIVINGSTON, 0000
MICHAEL H. MAERTZIG, 0000
MICHAEL S. MCGRATH, 0000
JOHN B. MOORE, 0000
PAUL M. NEMECHEK, 0000
STEPHEN F. NOWAK, 0000
KIM D. POOLER, 0000
SHEILA B. RAUSCH, 0000
ROBERT G. REYNOLDS, 0000
PETER P. SCHLENK JR., 0000
LINDA J. SCHLESINGER, 0000
ANN B. SCHOWALTER, 0000
RAYMOND E. SORENSEN, 0000
JESSE D. THOMAS, 0000
MICHAEL P. UVA, 0000
RICHARD A. WEBSTER, 0000
RICHARD R. WHITE, 0000
LLOYD G. WINGFIELD, 0000

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVAL RESERVE UNDER TITLE 10, U.S.C., SECTION 12203:

To be captain

ANNEMARIE ADAMOWICZ, 0000
KANDACE D. ADAMS, 0000
CORAL T. ANDREWS, 0000
ANN R. BALLASSIDNEY, 0000
VIRGINIA R. BAXTER, 0000
MICHAEL S. BEIMER, 0000
ANNE W. BLOOM, 0000
PATRICIA A. BURKES, 0000
MARY L. CALISE, 0000
SERENA A. CHETTA, 0000
LISA C. CRAFT, 0000
GAMBLE P. E. CRAWFORD, 0000
SUSAN B. DAVIS, 0000
LINDA M. DIETSCHE, 0000
DIANE L. FLETCHER, 0000
KATHARINE B. FOSS, 0000
NANCY H. GILMAN, 0000
CAROLYN J. GREEN, 0000
NORMA J. GRENFELL, 0000
KAREN N. GRUBER, 0000
LARRY J. HALEY, 0000
CATHY A. HARRISON, 0000
SUSAN B. HOPKINSON, 0000
VIRGINIA N. KELLER, 0000
NANCY W. KILEY, 0000
ANN N. KIRBY, 0000
BETTY L. KOLE, 0000
KAREN M. KREUTZBERG, 0000
NADYNE D. KRIENKE, 0000
SUSANNA K. LINDSEY, 0000
MARGUERITE T. LITTLETON, 0000
WAYNE T. LOBELL, 0000
POLLY H. LONG, 0000
MARY J. LYONS, 0000
EILEEN M. MALATINO, 0000
JANET L. MARAN, 0000
MARTHA M. MITCHELL, 0000
JOSEPH P. MOORE, 0000
MARILYN W. MORREY, 0000
MARY J. NELSON, 0000
GARY G. NITZ, 0000
SHELA L. NORMAN, 0000
HARRIET E. PALMERWILLIS, 0000
LEE A. B. POWELL, 0000
SALLY M. RAPPOLD, 0000
BELINDA J. RUTLEDGE, 0000
SUSAN C. SAINTONGE, 0000
KATHLEEN M. STAYMAN, 0000
NOLA K. STRICKLAND, 0000
GAIL M. TUOHIG, 0000
JOAN D. WENTZ, 0000
MARY A. WHITE, 0000